CAMPBELL COUNTY
PUBLIC LIBRARY DISTRICT

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2017
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INDEPENDENT AUDITOR’S REPORT

To the Board of Trustees
Campbell County Public Library District
3920 Alexandria Pike
Cold Spring, Kentucky 41076

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Campbell County Public Library District, as of and for the year ended June 30, 2017, 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.

Auditor’s 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.
Opinion

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 the Campbell County Public Library District, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–13 and the budgetary comparison information and the pension disclosures on pages 32–33 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 Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2017, on our consideration of the Campbell County Public Library District'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 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 the Campbell County Public Library District's internal control over financial reporting and compliance.

Van Gorder, Walker, & Co., Inc.
Erlanger, Kentucky
December 18, 2017
As management of the Campbell County Public Library District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management’s discussion and analysis is a required element of the reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34. It provides management with the opportunity to present an overview of the financial activities of the District based on currently known facts, decisions or conditions. The District’s basic financial statements are comprised of the components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to the private business sector.

The Statement of Net Position presents information on all of the District’s assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The district-wide financial statements can be found on pages 14 and 15 of this report.

Fund financial statements – The fund financial statements focus on governmental activities and tell how these services were financed in the short term as well as what remains for future spending. This statement also reports the District’s operations in more detail than the government-wide statements by providing information about the District’s most significant funds – General and Capital Projects.

The District’s services are reported in government funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future on services provided to residents. The basic governmental fund financial statements can be found on pages 16 through 19 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-31 of this report.
DISTRICT-WIDE FINANCIAL ANALYSIS

The combined net position of the District decreased between FY 2016 and 2017, for a net operating loss of ($205,327). The majority of the District’s net position is invested in capital assets or investments. The unrestricted net position amount of $6,866,505 represents the amount the District can use to fund programs and operations in the future.

**Net Position**

The following is a summary of net position for the fiscal years ended June 30, 2017 and 2016:

<table>
<thead>
<tr>
<th>Assets</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$ 3,096,570</td>
<td>$ 3,260,175</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>7,711,158</td>
<td>7,688,047</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>10,807,728</td>
<td>10,948,222</td>
</tr>
<tr>
<td>Deferred outflows of resources</td>
<td>961,899</td>
<td>767,791</td>
</tr>
<tr>
<td><strong>Total Assets and Deferred Outflows</strong></td>
<td>11,769,627</td>
<td>11,716,013</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>375,796</td>
<td>136,913</td>
</tr>
<tr>
<td>Long term liabilities</td>
<td>4,527,326</td>
<td>4,507,268</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>4,903,122</td>
<td>4,644,181</td>
</tr>
<tr>
<td>Deferred inflows of resources</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Liabilities and Deferred Inflows</strong></td>
<td>4,903,122</td>
<td>4,644,181</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Position</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net investment in capital assets</td>
<td>6,532,652</td>
<td>6,234,916</td>
</tr>
<tr>
<td>Restricted for South Branch Collection</td>
<td>509,666</td>
<td>509,666</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(175,813)</td>
<td>327,250</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>$ 6,866,505</td>
<td>$ 7,071,832</td>
</tr>
</tbody>
</table>

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 District carefully invests its funds in a variety of investment types with the primary focus being safety of principal, but with attention to opportunities in increase yield. The District realized $17,083 in investment revenue during fiscal year 2017.

The remaining amount of revenue received was in the form of program revenues, which equaled $269,373 or 5.5% of total revenues.
The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2017 and 2016.

**Statement of Activities**

**Revenues**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Program Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$43,563</td>
<td>$48,212</td>
</tr>
<tr>
<td>Operating grants and contributions</td>
<td>185,600</td>
<td>159,321</td>
</tr>
<tr>
<td>Capital grants and contributions</td>
<td>40,210</td>
<td>115,571</td>
</tr>
<tr>
<td><strong>Total Program Revenues</strong></td>
<td><strong>269,373</strong></td>
<td><strong>323,104</strong></td>
</tr>
</tbody>
</table>

| **General Revenues** |            |            |
| Property taxes       | 4,574,071  | 4,545,785  |
| Investment earnings  | 17,083     | 8,709      |
| Miscellaneous        | 1,711      | (1,021)    |
| **Total General Revenues** | **4,592,865** | **4,553,473** |

| **Total Revenues** | 4,862,238  | 4,876,577  |

| **Program Expenses** |            |            |
| Personnel            | 3,332,783  | 3,020,719  |
| Administrative       | 391,758    | 388,495    |
| Maintenance and repair | 114,271    | 186,652    |
| Programming and public relations | 255,316    | 228,000    |
| Collection           | 197,186    | 258,825    |
| Interest             | 33,982     | 41,448     |
| Depreciation         | 742,269    | 705,676    |
| **Total Expenses**   | 5,067,565  | 4,829,815  |

| **Change in Net Position** | $ (205,327) | $ 46,762 |

**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

Information about the District’s governmental funds begins on page 16. These funds are accounted for using the modified accrual basis of accounting. Several revenue sources fund governmental activities with property tax being the largest contributor. All governmental funds had total revenue of $4,862,238 and expenditures of $5,067,565. The most active fund is the General Fund with an unassigned fund balance at year-end of $2,575,227.
CAPITAL ASSETS AND DEBT

Capital Assets – Net investment in capital assets for the District as of June 30, 2017 were $7,643,374. This represents an increase of $38,319 from the previous year. Capital assets are accounted for as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$1,970,244</td>
<td>$1,970,244</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>199,728</td>
<td>199,728</td>
</tr>
<tr>
<td>Buildings</td>
<td>5,615,055</td>
<td>5,615,055</td>
</tr>
<tr>
<td>Improvements</td>
<td>1,498,336</td>
<td>1,339,629</td>
</tr>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>1,592,327</td>
<td>1,535,168</td>
</tr>
<tr>
<td>Collection</td>
<td>2,957,508</td>
<td>2,654,978</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(6,189,824)</td>
<td>(5,709,747)</td>
</tr>
<tr>
<td>Capital Assets, Net</td>
<td>$7,643,374</td>
<td>$7,605,055</td>
</tr>
</tbody>
</table>

Debt - At June 30, 2017, the District had no long-term debt and $590,547 in current liabilities, consisting of accounts payable, accrued payroll, vacations and withholding.

<table>
<thead>
<tr>
<th></th>
<th>Balance</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2017</td>
<td>June 30, 2016</td>
</tr>
<tr>
<td>Lease agreement</td>
<td>$1,110,722</td>
<td>$1,370,140</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>3,609,966</td>
<td>3,061,940</td>
</tr>
<tr>
<td>Accrued compensation</td>
<td>73,163</td>
<td>75,188</td>
</tr>
<tr>
<td></td>
<td>$4,793,851</td>
<td>$4,507,268</td>
</tr>
</tbody>
</table>

The District is required, by Governmental Accounting Standards Board Statement No. 68, to display its proportionate share of the unfunded liability of the Kentucky Retirement System’s County Employee Retirement System (CERS), a cost sharing multiple employer plan, in which the District is a participant. The net pension liability, $3,609,966 the deferred outflow of resources, $961,899, and the deferred inflow of resources, $0 on the Statement of Net Position at June 30, 2017 are a function of this required reporting. Detailed information on this pension recognition can be found in Note G in the Notes to the Financial Statements.

The Current State of Campbell County

County as a whole
The economic health of the county is vital to the financial health of the Library. Fortunately, the county’s economy has grown considerably over the past several years with good foundations for sustained growth into the foreseeable future.

As has been noted in previous years, there is a lack of usable property for large industrial operations or even substantial commercial operations without considerable site preparation costs. Still, development has proceeded and continues in areas like Manhattan Harbour, the Newport Pavilion, the Newport Levee, and in Alexandria.

Another concern is the low unemployment rate combined with a labor participation rate that is too high. The lack of employable people discourages growth and makes attracting business harder. Northern Kentucky does, however, enjoy a wealth of educational opportunities and has a growing commitment to getting workers back into the labor market. These concerns are not, in the short term, having an impact on the library.
South
The Arcadia subdivision has continued to fulfill the promises of growth in Alexandria. Ongoing construction in the area continues with more emphasis now being placed on multi-family construction.

The new Baptist Life facility, called The Seasons, is still under construction but has definitely come a long way. The opening should not be far off.

Major subdivisions are also underway along Poplar Ridge Road, even with considerable subdivisions nearly completed.

Mid-County
The Cracker Barrel on Highway 27 opened to great fanfare in October 2017. The City of Cold Spring was quite excited about this new business, though it remains to be seen what impact there will be on existing restaurants.

There has been great contention about the possibility of a transitional facility for addicted women using the old Campbell Lodge Boys Home facility near Cold Spring. The need for such a facility is high but the residents are concerned about additional issues that might come with it. (The Library would view the facility as an outreach opportunity.)

North
There has been no activity on the Newport Ovation project, but the expansion of Kentucky 9/AA Highway into Newport is nearing completion. The final leg is projected to open in spring 2018. As ever, the Library remains optimistic that work on the Ovation project will bloom with this infrastructure in place. The Library is a partner in the Tax Incremental Financing for Ovation.

Along that same Kentucky 9/AA corridor in Newport, the New Riff Distillery is planning to rehabilitate the long-abandoned Green Line bus building which is a great use of a historical building. (New Riff recently became a part of Kentucky’s Bourbon Trail.)

The Manhattan Harbour Project in Dayton continues to grow. The Library is part of a Tax Incremental Financing (TIF) agreement with the developers. Our refundable portion of the taxes collected continues to grow which is a sign of the growth of the project. The developers are now poised to begin construction of multi-family units.

The expansion of the Levee with a hotel should be opening soon. At a recent meeting, the City Administrator still believes that a tourism-building ferris wheel will be coming to Newport as well.

The Current State of the Library’s Finances

Budget Approval
The Library is required by state statutes to create a balanced budget each fiscal year. The Library’s budget for FY2016-17 was approved by the Board of Trustees on 18 May 2016. The Library’s fiscal year began on 1 Jul 2016 and ended on 30 Jun 2017.

Budgeted Income
The Library’s budgeted income for FY2016-17 was $5,294,045. The bulk of this anticipated income generates from locally assessed taxes ($4,745,000.00, or 89.6%). Other components of the Library’s income included:

- Donations ($31,000.00, 0.6%);
- Grants and State Aid ($197,045.00, 3.7%);
- Other income ($276,000.00, 5.2%);
- Service charges ($45,000, 0.9%).
“Other income” includes the transfer of funds from the Library’s reserves. “Reserves” are the funds on hand before the first annual property tax payments are received by the Library, usually in early December. The Library budgeted to transfer $268,000 from its reserves to cover various capital expenses in FY2016-17.

Tax Rates
On 20 Jul 2016, the Board of Trustees adopted the following tax rates:

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

The Library’s tax rates, under the 17 Sep 2013 order of the Kentucky Court of Appeals, were to remain static over the course of the litigation against the Library filed on 19 Jan 2012 by Charlie Coleman, Erik Hermes, and John P. Roth. With this limitation lifted by the Court of Appeals’ favorable decision in March 2015, the Library began to follow the procedures outlined by the Court and to follow the direction of the Kentucky Department of Libraries and Archives in setting its annual tax rates. For FY2016-17, however, the Library lowered its rate on Personal Property in order to equalize that rate with the compensating rate for taxes on Real Estate. This action corrects a flaw in the funding formula but did reduce anticipated revenue.

Budgeted Expenditures
Budgeted expenditure for FY2016-17 was $5,294,045. Budgeted expenditures were broken down into:

- Capital Expenditures ($267,880, 5.1%);
- Collection Expenditures [books, audiovisuals and other circulating materials] ($770,000, 14.5%);
- Operating Expenditures ($1,230,065, 23.2%);
- Personnel Expenditures ($3,026,100, 57.2%).

As explained in “Budgeted Income”, the Library’s capital expenditures were drawn from reserves.

Actual Income/Expenditures
Actual income for the Library was $4,886,780. (This figures does not include transferred funds from reserves.) Income (including budgeted transfers from reserves of $268,000) was less than budgeted expectations by 2.3% (approximately $148,215). The shortage results from miscalculations in the anticipated revenue from taxes due to the equalization of the Personal Property and Real Estate tax rates. Actual expenditures were $5,018,392 or 5% below budgeted expectations (including transfers from reserves).

Library Indebtedness
The Library has one loan outstanding which will mature in 2021. The original debt was $2.6 million. The loan carries a fixed interest rate of 2.74%. Annual payments are $296,958.65. After the last payment on 5 Jan 2017, the remaining balance is $1,110,722.04.

The Library continues to receive a loan amortization grant for the construction of the facility in Newport. The grant is provided through a program that runs through the Kentucky Department for Libraries and Archives. The Library receives $114,043.00 annually through 2020 for the reduction of debt.

Financial Outlook
The Library maintains a “reserve” of about $1,000,000 which would, if necessary, allow it to weather a small crisis or short delay in tax payments. (The carryover funds from one fiscal year to the next are not
"reserves" as they must sustain library operations from July through December when the first substantial property tax payment is received. The largest bulk of the Library’s entire budgeted income for each fiscal year is received between December and February. The “reserve” estimated here is based on funds that remain just before the December property tax payments are received by the Library.) The Library budgeted some use of these reserved funds in FY2016-17 to cover capital expenses which should reduce the reserves for FY2017-18.

The lawsuit against the Library has been substantially resolved. The litigation was originally filed on January 19, 2012 in Campbell County Circuit Court. The plaintiffs, briefly, accused the Library of improperly raising its tax rate beyond the rate of 3.0 cents per $100 of property value that was set in 1978 under KRS 173. The Library maintained that it correctly adjusted its rate in accordance with the statutes contained in KRS 132, commonly referred to as “House Bill 44”, under instruction from the Kentucky Department for Libraries and Archives, the Kentucky Attorney General’s Office, and other state agencies. The Court of Appeals’ decision of 19 March 2015 asserted that the Library properly followed KRS 132 in setting its annual tax rates.

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

A serious concern is the pension crisis in Kentucky. Without legislative action, the Library’s contribution rate is expected to rise by 50%. Governor Matt Bevin’s plan to address the crisis, however, met with widespread resistance. The General Assembly has, at the time of this writing, not set a date for a special session to address the issue. While the governor’s proposed legislation will certainly have impact on the Library and its staff, no one is certain what changes the General Assembly will make. At this time, it would not be beneficial to speculate on financial impact, but the situation is being closely monitored by Library administration.

**The Current State of the Library**

Overall, the Library has been doing extremely well in providing services to its patrons. Circulation in FY 2016-17 was strong: 1,234,862 items (including e-materials). The Library has about 55,000 cardholders, or about 60% of the approximately 92,000 residents of Campbell County.

The Library completed a comprehensive planning project with contracted support from the Kentucky League of Cities in May 2016. Our work in FY2016-17 focused on putting some of the elements of this plan into motion.

**Staffing**

Salary increases in FY2016-17 were based on 3% of midpoint for the staff member’s classification. In keeping with the Library’s strategic plan, a Digital Inclusion Coordinator, a full time position, began work in March 2017 to increase outreach to “at risk” populations in the community.

**Facilities**

The strategic plan calls for a satellite facility in Alexandria to address the need for library services in the southern part of the county. Beginning in January 2017, the Library began searching for a suitable location through direct mailing to property owners, public announcements, and a Request for Proposal
process. In August 2017, the Library entered into a contract for 8333 Alexandria Pike, Alexandria, Kentucky. This limited service branch will begin operation in January 2018.

The strategic plan also includes remote service for the Silver Grove/Melbourne areas of eastern Campbell County. In May 2017, the two “express” units began operation and now circulate about 500 items each month combined. A generous donation of $24,000 from a private source offset the costs of purchasing these two units.

Collection (Books and Materials)

The digital collection, Kentucky Libraries Unbound (KLU), is doing very well with huge annual gains in usage. In 2013, the Library began to collect materials aggressively for its “Advantage” collection, which is only available to Campbell County cardholders. While the bulk of the e-collection is still held by the 100 KLU member libraries in Kentucky, Campbell’s Advantage collection allows our own patrons to quickly borrow popular items. Campbell’s circulation of e-materials ranks second in the consortium.

We try to maintain about 15% of our overall expenditures for the collection, as dictated by the Kentucky Public Library Standards. That percentage rose from 14.06% in FY2015-16 to 14.54% in FY2016-17. We will strive to increase it in future years.

Operations

While circulation has weakened somewhat in the last year, it remains strong. A recent report from the Public Library Association (PLA) pegged the national average of circulation per capita at around 8 for public libraries. Campbell County Public Library enjoys a per capita circulation of a little more than 13. That’s encouraging. The PLA survey also notes the strengthening of circulation of e-materials but points out that this increase has not replaced the loss of circulation in physical materials. Clearly, the functions and needs for libraries are changing.

In August of 2016, the Kentucky Virtual Library (KYVL) which operates the statewide interlibrary delivery system announced that the contractor for that service had ceased services. The services literally stopped on a dime with materials still scattered across the state and some locked in a warehouse. For a year, the Library absorbed the costs of continuing its sharing with other libraries through postal mail, a very expensive alternative. In October 2017, KYVL re-instituted delivery service through a new vendor but also announced that only one weekly stop will be provided after FY2016-17. The Library will have to decide how many additional stops it will contract for after the price-per-stop is announced.

The Library installed digital marquees in front of each of its facilities in 2017. We learned from public surveys that the marquees were the third most popular means of learning about library programs. The digital marquees allow us to expand the message set to include not only programs but also services. They have been a great improvement for us in delivering messages effectively to previous non-users.

Technology

As part of the cycle of equipment replacement, the Library replaced its laptop computer farm. This set of computers is now housed permanently at the Cold Spring Branch as the programmers there use the laptops the most frequently. The computers are used to support several different library programs and are also used for staff training/presentations at various times of the year.

Late in his second term, then-Governor Steve Beshear announced a statewide broadband connectivity project called KentuckyWired. Governor Bevin immediately curtailed work on this project when he took office. Now, the project appears to be revived under a new name, Kentucky’s Next Generation Internet Highway. The Newport Branch, according to current plans, will be a hub on this network. Our region lies within the first part of the network to be constructed. No actual completion time, however, has been provided.
Keeping up with technology is always a challenge. The Library remains concerned about securing its systems, protecting children from exposure to inappropriate materials on the internet, and helping patrons to become capable of navigating in the digital world. Staff training, equipment, and the resulting expenses are ongoing elements to that concern.

Statistical Analysis of Library Use

Circulation
Circulation is one of the measures of a Library's use. In Kentucky, the combined circulation of all public libraries decreased by 1.9% for FY2015-16. (Source: Statistical Report of Kentucky Libraries 2015-16. This is the most current data available.) In FY2016-17, Campbell County Public Library saw a 0.97% decrease in circulation, less than the state-wide decrease. The Campbell County Public Library ranks fifth in the state for total circulation.

<table>
<thead>
<tr>
<th></th>
<th>2015-16</th>
<th>2016-17</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Fiction</td>
<td>148,766</td>
<td>146,254</td>
<td>-1.72</td>
</tr>
<tr>
<td>Adult Nonfiction</td>
<td>156,071</td>
<td>153,036</td>
<td>-1.98</td>
</tr>
<tr>
<td>Juvenile Fiction</td>
<td>226,224</td>
<td>230,792</td>
<td>1.98</td>
</tr>
<tr>
<td>Juvenile Nonfiction</td>
<td>42,469</td>
<td>41,189</td>
<td>-3.11</td>
</tr>
<tr>
<td>Videos/DVDs</td>
<td>490,150</td>
<td>480,849</td>
<td>-1.93</td>
</tr>
<tr>
<td>Audios</td>
<td>31,052</td>
<td>28,541</td>
<td>-8.80</td>
</tr>
<tr>
<td>Music</td>
<td>48,924</td>
<td>44,391</td>
<td>-10.21</td>
</tr>
<tr>
<td>Software</td>
<td>19,027</td>
<td>14,527</td>
<td>-30.98</td>
</tr>
<tr>
<td>E-materials</td>
<td>84,188</td>
<td>95,283</td>
<td>11.64</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,246,871</strong></td>
<td><strong>1,234,862</strong></td>
<td><strong>-0.97</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2015-16</th>
<th>2016-17</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Fiction</td>
<td>40,135</td>
<td>37,473</td>
<td>-7.10</td>
</tr>
<tr>
<td>Adult Nonfiction</td>
<td>34,897</td>
<td>30,566</td>
<td>-14.17</td>
</tr>
<tr>
<td>Juvenile Fiction</td>
<td>65,435</td>
<td>60,703</td>
<td>-7.80</td>
</tr>
<tr>
<td>Juvenile Nonfiction</td>
<td>22,566</td>
<td>18,942</td>
<td>-19.13</td>
</tr>
<tr>
<td>Videos/DVDs</td>
<td>26,771</td>
<td>29,429</td>
<td>9.03</td>
</tr>
<tr>
<td>Audiobooks</td>
<td>11,117</td>
<td>10,739</td>
<td>-3.52</td>
</tr>
<tr>
<td>Music</td>
<td>15,177</td>
<td>15,460</td>
<td>1.83</td>
</tr>
<tr>
<td>Software</td>
<td>1,597</td>
<td>1,454</td>
<td>-9.83</td>
</tr>
<tr>
<td>E-materials</td>
<td>155,207</td>
<td>165,983</td>
<td>6.49</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>372,902</strong></td>
<td><strong>370,749</strong></td>
<td><strong>-0.58</strong></td>
</tr>
</tbody>
</table>
Patron Visits
Patron visits are measured at each branch of the Library by use of electronic scanners. In Kentucky, patron visits for all public libraries decreased by 2.6% for FY2015-16. (Source: *Statiscal Report of Kentucky Libraries 2015-16*. This is the most current data available.) The Campbell County Public Library ranks sixth in the state for the total number of annual patron visits.

<table>
<thead>
<tr>
<th></th>
<th>2015-16</th>
<th>2016-17</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cold Spring</td>
<td>198,075</td>
<td>192,993</td>
<td>-2.63%</td>
</tr>
<tr>
<td>Carrico/Fort Thomas</td>
<td>185,141</td>
<td>186,478</td>
<td>0.72%</td>
</tr>
<tr>
<td>Newport</td>
<td>207,049</td>
<td>192,336</td>
<td>-7.65%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>590,265</strong></td>
<td><strong>571,807</strong></td>
<td><strong>-3.23%</strong></td>
</tr>
</tbody>
</table>

Programming
The Library provides programs as a community service and to encourage the use of the Library. The total number of programs offered, for all age ranges, and the attendance for those programs is provided below. The Library ranks sixth in Kentucky in the number of programs held and eighth in the attendance of the programs offered. (Source: *Statiscal Report of Kentucky Libraries 2015-16*. This is the most current data available.)

<table>
<thead>
<tr>
<th></th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cold Spring</td>
<td>26,043</td>
<td>27,250</td>
</tr>
<tr>
<td>Carrico/Fort Thomas</td>
<td>11,852</td>
<td>16,614</td>
</tr>
<tr>
<td>Newport</td>
<td>21,845</td>
<td>20,275</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>59,740</strong></td>
<td><strong>64,139</strong></td>
</tr>
</tbody>
</table>

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 record requests.
## CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
### STATEMENT OF NET POSITION
#### June 30, 2017

<table>
<thead>
<tr>
<th>Assets</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 2,678,364</td>
</tr>
<tr>
<td>Investments</td>
<td>357,125</td>
</tr>
<tr>
<td>Accounts receivable - taxes</td>
<td>32,733</td>
</tr>
<tr>
<td>Accounts receivable - other</td>
<td>28,348</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>3,096,570</td>
</tr>
<tr>
<td><strong>Noncurrent assets:</strong></td>
<td></td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
</tr>
<tr>
<td>Nondepreciated capital assets:</td>
<td></td>
</tr>
<tr>
<td>Land and construction in progress</td>
<td>2,169,972</td>
</tr>
<tr>
<td>Depreciated capital assets:</td>
<td>11,663,226</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(6,189,824)</td>
</tr>
<tr>
<td><strong>Net Capital Assets</strong></td>
<td>7,643,374</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td></td>
</tr>
<tr>
<td><strong>Total Noncurrent Assets</strong></td>
<td>7,711,158</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>10,807,728</td>
</tr>
</tbody>
</table>

| Liabilities                                        |                         |
| Current liabilities:                               |                         |
| Accounts payable                                  | 16,468                  |
| Accrued wages and vacations payable               | 78,009                  |
| Current portion of note payable                   | 266,525                 |
| Accrued interest payable                          | 14,794                  |
| **Total Current Liabilities**                     | 375,796                 |
| Long term liabilities                             |                         |
| Compensated absences                              | 73,163                  |
| Note payable                                      | 844,197                 |
| Net pension liability                             | 3,609,966               |
| **Total Long Term Liabilities**                   | 4,527,326               |
| **Total Liabilities**                             | 4,903,122               |

| Deferred Inflow of Resources                       |                         |
| Deferred inflow of resources related to pensions   | -                       |
| **Total Liabilities and Deferred Inflow of Resources** | 4,903,122               |

| Net Position                                       |                         |
| Net investment in capital assets                   | 6,532,652               |
| Restricted for South Branch Collection             | 509,666                 |
| Unrestricted                                       | (175,813)               |
| **Total Net Position**                             | $ 6,866,505             |

The accompanying notes are an integral part of these financial statements.
## CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
### STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Expenses</th>
<th>Charges for Operating Grants</th>
<th>Capital Grants</th>
<th>Net Revenue (Expense) and Changes in Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>$3,332,783</td>
<td>$ -</td>
<td>-</td>
<td>$ (3,332,783)</td>
</tr>
<tr>
<td>Administrative expense</td>
<td>391,758</td>
<td>-</td>
<td>-</td>
<td>(391,758)</td>
</tr>
<tr>
<td>Maintenance and repair</td>
<td>114,271</td>
<td>-</td>
<td>-</td>
<td>(114,271)</td>
</tr>
<tr>
<td>Program and public relations</td>
<td>255,316</td>
<td>-</td>
<td>-</td>
<td>(255,316)</td>
</tr>
<tr>
<td>Collection</td>
<td>197,186</td>
<td>-</td>
<td>-</td>
<td>(197,186)</td>
</tr>
<tr>
<td>Interest</td>
<td>33,982</td>
<td>-</td>
<td>-</td>
<td>(33,982)</td>
</tr>
<tr>
<td>Non-Allocated Depreciation</td>
<td>742,269</td>
<td>-</td>
<td>-</td>
<td>(742,269)</td>
</tr>
<tr>
<td>Revenue</td>
<td>-</td>
<td>43,563</td>
<td>185,600</td>
<td>40,210</td>
</tr>
<tr>
<td><strong>Total Governmental Activities</strong></td>
<td>$5,067,565</td>
<td>$43,563</td>
<td>$185,600</td>
<td>$40,210</td>
</tr>
<tr>
<td><strong>General revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes - levied for general purposes</td>
<td></td>
<td>$4,574,071</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings on investments and deposits</td>
<td></td>
<td>17,083</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain/(Loss) on disposal of capital assets</td>
<td></td>
<td>(1,518)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td></td>
<td>3,229</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total general and special revenues</strong></td>
<td></td>
<td>4,592,865</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Change in net position</strong></td>
<td></td>
<td>(205,327)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net position, beginning of year</strong></td>
<td></td>
<td>7,071,832</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net position, end of year</strong></td>
<td></td>
<td>$6,866,505</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
### BALANCE SHEET - GOVERNMENTAL FUNDS
#### June 30, 2017

### Assets

<table>
<thead>
<tr>
<th>Current:</th>
<th>General Fund</th>
<th>Capital Projects Fund</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 2,541,287</td>
<td>$ 137,077</td>
<td>$ 2,678,364</td>
</tr>
<tr>
<td>Investments</td>
<td>-</td>
<td>357,125</td>
<td>357,125</td>
</tr>
<tr>
<td>Accounts receivable - taxes</td>
<td>32,733</td>
<td>-</td>
<td>32,733</td>
</tr>
<tr>
<td>Accounts receivable - other</td>
<td>27,900</td>
<td>-</td>
<td>27,900</td>
</tr>
<tr>
<td>Pledges receivable</td>
<td>-</td>
<td>448</td>
<td>448</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>$ 2,601,920</td>
<td>494,650</td>
<td>3,096,570</td>
</tr>
</tbody>
</table>

**Non Current Assets**

| Prepaid expenses                 | 67,784       | -                     | 67,784                   |
| **Total Non Current Assets**     | 67,784       | -                     | 67,784                   |

**Total Assets**

|                                | $ 2,669,704  | $ 494,650              | $ 3,164,354              |

### Liabilities and Fund Balances

#### Liabilities

**Current:**

| Accounts payable                | $ 16,468     | -                      | $ 16,468                 |
| Accrued wages and vacations payable | 78,009     | -                      | 78,009                   |
| **Total current liabilities**   | 94,477       | -                      | 94,477                   |

#### Fund Balances

**Non-spendable**

| Capital projects fund          | -            | 494,650                | 494,650                  |

**Committed**

**Unassigned**

| General fund                   | 2,507,443    | -                      | 2,507,443                |

**Total fund balances**

|                                | 2,575,227    | 494,650                | 3,069,877                |

**Total Liabilities and Fund Balances**

|                                | $ 2,669,704  | $ 494,650              | $ 3,164,354              |

The accompanying notes are an integral part of these financial statements.
CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2017

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total governmental fund balances</td>
<td>$3,069,877</td>
</tr>
<tr>
<td>Capital assets used in governmental activities are not financial resources, therefore, are not reported as assets in governmental funds.</td>
<td></td>
</tr>
<tr>
<td>Cost of capital assets</td>
<td>$13,833,198</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(6,189,824)</td>
</tr>
<tr>
<td></td>
<td>7,643,374</td>
</tr>
<tr>
<td>Accrued interest payable on long-term debt is due and payable in the current period and are not reported in the funds.</td>
<td>(14,794)</td>
</tr>
<tr>
<td>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore are not reportable in the funds.</td>
<td></td>
</tr>
<tr>
<td>Deferred outflow of resources</td>
<td>$961,899</td>
</tr>
<tr>
<td>Deferred inflow of resources</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>961,899</td>
</tr>
<tr>
<td>Long-term liabilities are not due and payable in the current period and are not reported in the funds.</td>
<td></td>
</tr>
<tr>
<td>Compensated absences</td>
<td>(73,163)</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>(3,609,966)</td>
</tr>
<tr>
<td>Note payable</td>
<td>(1,110,722)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Total net position - governmental</td>
<td>$6,866,505</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
<table>
<thead>
<tr>
<th>Revenues</th>
<th>General Fund</th>
<th>Capital Project Fund</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes levied</td>
<td>$4,574,071</td>
<td>-</td>
<td>$4,574,071</td>
</tr>
<tr>
<td>Fees and services</td>
<td>43,563</td>
<td>-</td>
<td>43,563</td>
</tr>
<tr>
<td>Grant and state aid</td>
<td>185,600</td>
<td>-</td>
<td>185,600</td>
</tr>
<tr>
<td>Donations</td>
<td>55,964</td>
<td>7,365</td>
<td>63,329</td>
</tr>
<tr>
<td>Miscellaneous income</td>
<td>19,574</td>
<td>738</td>
<td>20,312</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td><strong>4,878,772</strong></td>
<td><strong>8,103</strong></td>
<td><strong>4,886,875</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures</th>
<th>General Fund</th>
<th>Capital Project Fund</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital outlay</td>
<td>-</td>
<td>299,292</td>
<td>299,292</td>
</tr>
<tr>
<td>Collection expenditures</td>
<td>664,886</td>
<td>-</td>
<td>664,886</td>
</tr>
<tr>
<td>Personnel expenditures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>2,262,424</td>
<td>-</td>
<td>2,262,424</td>
</tr>
<tr>
<td>Benefits</td>
<td>540,038</td>
<td>-</td>
<td>540,038</td>
</tr>
<tr>
<td>Other personnel expenses</td>
<td>178,429</td>
<td>-</td>
<td>178,429</td>
</tr>
<tr>
<td>Operating expenditures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Association dues</td>
<td>5,872</td>
<td>-</td>
<td>5,872</td>
</tr>
<tr>
<td>Board activities</td>
<td>5,131</td>
<td>-</td>
<td>5,131</td>
</tr>
<tr>
<td>Contracted computer service</td>
<td>59,729</td>
<td>-</td>
<td>59,729</td>
</tr>
<tr>
<td>Contracted professional serv.</td>
<td>88,798</td>
<td>-</td>
<td>88,798</td>
</tr>
<tr>
<td>Facilities maintenance</td>
<td>49,528</td>
<td>-</td>
<td>49,528</td>
</tr>
<tr>
<td>Facilities service contracts</td>
<td>40,486</td>
<td>-</td>
<td>40,486</td>
</tr>
<tr>
<td>Grounds maintenance</td>
<td>22,129</td>
<td>-</td>
<td>22,129</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>17,242</td>
<td>-</td>
<td>17,242</td>
</tr>
<tr>
<td>Mortgage payments</td>
<td>296,959</td>
<td>-</td>
<td>296,959</td>
</tr>
<tr>
<td>Office management</td>
<td>48,218</td>
<td>-</td>
<td>48,218</td>
</tr>
<tr>
<td>Programming</td>
<td>159,762</td>
<td>-</td>
<td>159,762</td>
</tr>
<tr>
<td>Public relations</td>
<td>95,554</td>
<td>-</td>
<td>95,554</td>
</tr>
<tr>
<td>Staff development</td>
<td>23,960</td>
<td>-</td>
<td>23,960</td>
</tr>
<tr>
<td>Travel</td>
<td>12,988</td>
<td>-</td>
<td>12,988</td>
</tr>
<tr>
<td>Utilities</td>
<td>143,558</td>
<td>-</td>
<td>143,558</td>
</tr>
<tr>
<td>Vehicles</td>
<td>3,504</td>
<td>-</td>
<td>3,504</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>4,719,195</td>
<td>299,292</td>
<td>5,018,487</td>
</tr>
</tbody>
</table>

| Excess of Revenues over Expenditures | 159,577 | (291,189) | (131,612) |

| Other Financing Sources (Uses) |       |          |          |
| Transfers in                  | -      | 299,292  | 299,292  |
| Transfers out                 | (299,292) | -    | (299,292) |
| **Net Other Financing Sources (Uses)** | (299,292) | 299,292 | - |

| Net Change in Fund Balance   | (139,715) | 8,103   | (131,612) |
| Fund Balances, Beginning of Year | 2,714,942 | 486,547 | 3,201,489 |
| Fund Balances, End of Year   | $2,575,227 | $494,650 | $3,069,877 |

The accompanying notes are an integral part of these financial statements.
CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Net change in fund balances per fund financial statements $ (131,612)

Amounts reported for governmental activities in the statement of activities 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. These pledge receipts were recognized in the funds in the current period, but were recognized in the governmental activities in a previous period. (23,119)

Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense $ (742,269)
Capital outlays 782,106
Loss on disposal of assets (1,518)

38,319

Governmental funds report 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:

Costs of benefits earned (353,918)

Some expenditures in the governmental funds are recorded as a reduction of long-term debt in the statement of activities.

Payments on mortgage note 259,417

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued interest expense 3,560
Compensated absences 2,026

Change in net position of governmental activities $ (205,327)

The accompanying notes are an integral part of these financial statements.
NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

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

The accounting policies of the District conform to accounting principles generally accepted in the United States of America applicable to governmental units. The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Campbell County Public Library District. The following is a summary of the certain accounting policies followed in the preparation of these financial statements.

Basis of Presentation and Basis of Accounting

District-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the District that are governmental and those that are considered capital asset activities.

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and 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 are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

The district-wide statements measure and report all assets, liabilities, revenues and expenses using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows. Property taxes are recognized as revenue 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. This is the same approach used in the preparation of the general purpose financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds, if any, are aggregated and presented in a single column.

Governmental fund types are accounted for using a flow of current financial resources measurement focus and 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. Financial statements for governmental funds consist of a balance sheet, which generally includes only current assets and liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the change in total fund balance.

The District has the following governmental funds:

**General Fund**
This fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.

**Capital Project Funds**
These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment.

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.

**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. – Property taxes are levied each October 1 on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are deposited into the General Fund. The due dates and collection periods for all taxes exclusive of vehicle taxes are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Per K.R.S. 134.020</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Due date for payment of taxes</td>
<td>Upon receipt</td>
</tr>
<tr>
<td>2. Face value amount payment date</td>
<td>October 31 to December 31</td>
</tr>
<tr>
<td>3. Delinquent date, 5% penalty, 12% interest</td>
<td>January 1 to January 31</td>
</tr>
<tr>
<td>4. Delinquent date, 21% penalty, 12% interest</td>
<td>After January 31</td>
</tr>
</tbody>
</table>

Vehicle taxes are collected by the County Clerk of Campbell County and are due and collected in the birth month of the vehicle’s license.

**Budgetary Process**
The District follows the procedures established pursuant to Section 164.655 of the Kentucky Revised Statues in establishing the budgetary data reflected in the financial statements. Budgeted amounts in the financial statements are as adopted by the Board of Trustees.

The District’s budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP) of the United States of America. The major differences between the budgetary basis and the GAAP basis are:
CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

- Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Cash and Cash Equivalents
The District considers demand deposits, money market funds and other investments with an original maturity of 90 days or less, to be cash equivalents.

Capital Assets
All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District’s capitalization thresholds are shown below, improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collection</td>
<td>4 – 6 years</td>
</tr>
<tr>
<td>Furniture, Fixtures and Equipment</td>
<td>4 - 15 years</td>
</tr>
<tr>
<td>Buildings</td>
<td>39 years</td>
</tr>
<tr>
<td>Building improvements</td>
<td>7 - 15 years</td>
</tr>
</tbody>
</table>

Accounts Payable and Accrued Liabilities
All payables and accrued liabilities are reported in the district-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. In general, payments made within sixty days of year-end are considered to have been made with current available financial resources.

Net Position and Fund Equity
Net position in the District Wide Statement of Net Position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net positions are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District has adopted GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement 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:

**Non-spendable**
Resources which cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

**Restricted**
Resources with constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors or governmental laws or regulations or imposed by law through constitutional provisions or enabling legislation.

**Committed**
Resources which are subject to limitations the District imposes on itself at its highest level of decision making and that remain binding unless removed in the same manner.

**Assigned**
These resources neither restricted nor committed for which a government has a stated intended use as established by the governing body or by an official to which the governing body delegates authority.

**Unassigned**
Amounts that are available for any purpose and have not been restricted, committed or assigned to specific purposes.

**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.

**Inter-fund Activity**
Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.
NOTE B – 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 reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – 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 D – CAPITAL ASSETS AND DEPRECIATION

The following is a summary of changes in capital assets for the year ended June 30, 2017:

<table>
<thead>
<tr>
<th>Asset type</th>
<th>Balance at June 30, 2016</th>
<th>Additions</th>
<th>Deletions</th>
<th>Balance at June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$1,970,244</td>
<td>$-</td>
<td>$-</td>
<td>$1,970,244</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>199,728</td>
<td></td>
<td></td>
<td>199,728</td>
</tr>
<tr>
<td>Buildings</td>
<td>5,615,055</td>
<td></td>
<td></td>
<td>5,615,055</td>
</tr>
<tr>
<td>Building and Land improvements</td>
<td>1,339,629</td>
<td>159,887</td>
<td>(1,180)</td>
<td>1,498,336</td>
</tr>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>1,535,168</td>
<td>154,519</td>
<td>(97,360)</td>
<td>1,592,327</td>
</tr>
<tr>
<td>Collection - books, AV media</td>
<td>2,654,978</td>
<td>467,700</td>
<td>(165,710)</td>
<td>2,957,508</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>13,314,802</strong></td>
<td><strong>782,106</strong></td>
<td><strong>(263,710)</strong></td>
<td><strong>13,833,198</strong></td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(5,709,747)</td>
<td>(742,269)</td>
<td>262,192</td>
<td>(6,189,824)</td>
</tr>
<tr>
<td><strong>Capital assets, net</strong></td>
<td><strong>$7,605,055</strong></td>
<td><strong>$39,837</strong></td>
<td><strong>$(1,518)</strong></td>
<td><strong>$7,643,374</strong></td>
</tr>
</tbody>
</table>

Depreciation expense of $742,269 was not allocated to individual functions and is accounted for as a separate program expense item on the statement of activities.

NOTE E – LEASE AGREEMENT

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 is collateralized by all of the District’s real estate and improvements and bears interest at 2.74% and requires an annual payment of $296,959 each February 1. The loan will be paid in full on February 1, 2021. The balance of the loan on June 30, 2017 is $1,110,722.
Debt service payments for the next four years are as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Principal</th>
<th>Interest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2018</td>
<td>$266,525</td>
<td>$30,434</td>
<td>$296,959</td>
</tr>
<tr>
<td>2019</td>
<td>273,828</td>
<td>23,131</td>
<td>296,959</td>
</tr>
<tr>
<td>2020</td>
<td>281,330</td>
<td>15,628</td>
<td>296,958</td>
</tr>
<tr>
<td>2021</td>
<td>289,039</td>
<td>7,920</td>
<td>296,959</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$1,110,722</td>
</tr>
</tbody>
</table>

**NOTE F – LONG TERM DEBT**

Following is a summary of changes in the long-term debt for the year ended June 30, 2017:

<table>
<thead>
<tr>
<th></th>
<th>Balance June 30, 2016</th>
<th>Principal Retired</th>
<th>Increase (Decrease)</th>
<th>Balance June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease agreement</td>
<td>$1,370,140</td>
<td>$(259,418)</td>
<td>$-</td>
<td>$1,110,722</td>
</tr>
<tr>
<td>Net pension liability</td>
<td>3,061,940</td>
<td>-</td>
<td>548,026</td>
<td>3,609,966</td>
</tr>
<tr>
<td>Accrued compensation</td>
<td>75,188</td>
<td>-</td>
<td>(2,025)</td>
<td>73,163</td>
</tr>
<tr>
<td></td>
<td>$4,507,268</td>
<td>$(259,418)</td>
<td>$546,001</td>
<td>$4,793,851</td>
</tr>
</tbody>
</table>

**NOTE G – COUNTY EMPLOYEES’ RETIREMENT SYSTEM**

The District’s eligible employees are covered by the County Employees Retirement System for non-hazardous duty employees.

**General information about the County Employees Retirement System (CERS) Non-Hazardous**

*Plan description*: Employees are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System (KRS), an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from [http://kyret.ky.gov/](http://kyret.ky.gov/).

*Benefits provided*: CERS provides retirement and death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years of service.
For retirement purposes, non-hazardous duty employees are grouped into three tiers, based on hire date:

<table>
<thead>
<tr>
<th>Tier</th>
<th>Participation date</th>
<th>Unreduced Retirement</th>
<th>Reduced Retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>Before September 1, 2008</td>
<td>27 years service or 65 years old</td>
<td>At least 5 years service and 55 years old or at least 25 years service and any age</td>
</tr>
<tr>
<td>Tier 2</td>
<td>September 1, 2008 - December 31, 2013</td>
<td>At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87</td>
<td></td>
</tr>
<tr>
<td>Tier 3</td>
<td>On or after January 1, 2014</td>
<td>At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87</td>
<td>Not available</td>
</tr>
</tbody>
</table>

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years of service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months or service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are $5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and $10,000 plus 25% of the decedent’s monthly final rate or pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits.

Contributions—Required contributions by the non-hazardous duty employee are based on the tier:

<table>
<thead>
<tr>
<th>Tier</th>
<th>Required Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>5%</td>
</tr>
<tr>
<td>Tier 2</td>
<td>5% + 1% for insurance</td>
</tr>
<tr>
<td>Tier 3</td>
<td>5% + 1% for insurance</td>
</tr>
</tbody>
</table>

Contributions

The District contributed 18.68%, of which 13.95% was for the pension fund and 4.73% was for the health insurance fund, of the non-hazardous duty employee’s compensation during the fiscal year ended June 30, 2017. The District made all required contributions for the Plan pension obligation for the fiscal year ended June 30, 2017 in the amount of $328,370, of which $245,223 was for the pension fund and $83,147 was for the health insurance fund.

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

At June 30, 2017, the District reported a liability of $3,609,966 its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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
cost contributions to the pension plan relative to the projected contributions of all participating entities,
actuarially determined. At June 30, 2017, the District's employer allocation proportion was 0.07322% of
the total CERS non-hazardous duty. The District's proportion increased 0.002104% from its proportion
0.07122% measured as of June 30, 2015. For the year ended June 30, 2017, the District recognized a
pension expense of $353,918.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources
related to pensions from the following sources:

<table>
<thead>
<tr>
<th>Difference Description</th>
<th>Deferred Outflow of Resources</th>
<th>Deferred Inflow of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differences between expected and actual experience</td>
<td>$15,760</td>
<td>$-</td>
</tr>
<tr>
<td>Net difference between projected and actual earnings on plan investments</td>
<td>339,374</td>
<td>$-</td>
</tr>
<tr>
<td>Changes of assumptions</td>
<td>191,237</td>
<td>$-</td>
</tr>
<tr>
<td>Changes in proportion and differences between District's contributions and proportionate share of contributions</td>
<td>170,305</td>
<td>$-</td>
</tr>
<tr>
<td>District's contributions subsequent to the measurement date</td>
<td>245,223</td>
<td>$-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$961,899</strong></td>
<td><strong>$-</strong></td>
</tr>
</tbody>
</table>

The Deferred Inflows and Outflows of Resources, and Pension Expense included in the KRS Schedule
of Pension Amounts by Employer include only certain categories of deferred outflows of resources and
deferred inflows of resources. These include differences between expected and actual experience,
changes of assumptions, and differences between projected and actual earnings on plan investments;
changes in proportion, all of which are deferred over the weighted average years of working lifetime of
all plan participants (active and inactive) which is determined to be 3.51 years. Deferred outflows and
inflows related to differences between projected and actual earnings on plan investments are netted and
amortized over a closed five year period.

**Deferred Outflows and Inflows of Resources**

In FY 2017, $961,899 was recognized as a deferred outflow of resources resulting from a) actuarial
losses, b) difference between projected and actual earnings, c) changes in assumptions, and d)
contributions subsequent to the measurement date. In FY 2017, $0 was recognized as a deferred inflow
of resources resulting from changes in proportion share.

The District's contributions subsequent to the measurement date of $245,223 will be recognized as a
reduction of the net pension liability in the year ending June 30, 2018.
Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30,</th>
<th>Net Deferral Amortization</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ 252,892</td>
</tr>
<tr>
<td>2019</td>
<td>185,721</td>
</tr>
<tr>
<td>2020</td>
<td>182,190</td>
</tr>
<tr>
<td>2021</td>
<td>95,873</td>
</tr>
<tr>
<td></td>
<td><strong>$ 716,676</strong></td>
</tr>
</tbody>
</table>

**Actuarial Methods and Assumptions**

The total pension liability for KRS was determined by applying procedures to the actuarial valuation as of June 30, 2017. The financial reporting actuarial valuation as of June 30, 2017 used the following actuarial methods and assumptions, applied to all prior periods included in the measurement:

- **Valuation Date**: June 30, 2017
- **Experience Study**: July 1, 2008 – June 30, 2013
- **Actuarial Cost Method**: Entry Age Normal
- **Amortization Method**: Level percentage of payroll, closed
- **Remaining Amortization Period**: 27 years
- **Asset Valuation Method**: 5-year smoothed market
- **Inflation**: 3.25%
- **Salary Increase**: 4.0%, average, including inflation
- **Investment Rate of Return**: 7.5% for all but 6.75% for KERS (Non-Hazardous), net of pension plan investment expense, including inflation

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 one 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 long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. 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 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 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.
Changes of Assumptions

The demographic and economic assumptions that affect the measurement of the total pension liability were last updated as of June 30, 2015 as follows:

- The assumed investment rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>CERS Hazardous &amp; Non-Hazardous Target Allocation</th>
<th>Long Term Expected Nominal Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined equity</td>
<td>44%</td>
<td>5.40%</td>
</tr>
<tr>
<td>Combined fixed income</td>
<td>19%</td>
<td>1.50%</td>
</tr>
<tr>
<td>Real return (diversified inflation strategies)</td>
<td>10%</td>
<td>3.50%</td>
</tr>
<tr>
<td>Real estate</td>
<td>5%</td>
<td>4.50%</td>
</tr>
<tr>
<td>Absolute return (diversified hedge funds)</td>
<td>10%</td>
<td>4.25%</td>
</tr>
<tr>
<td>Private equity</td>
<td>10%</td>
<td>8.50%</td>
</tr>
<tr>
<td>Cash</td>
<td>2%</td>
<td>-0.25%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. 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 7.5%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.
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 7.5%, 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 (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

<table>
<thead>
<tr>
<th>Discount Rate</th>
<th>District’s Proportionate Share of Net Pension Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>1% decrease</td>
<td>6.5% $4,498,602</td>
</tr>
<tr>
<td>Current discount rate</td>
<td>7.5% $3,609,966</td>
</tr>
<tr>
<td>1% increase</td>
<td>8.5%2,848,228</td>
</tr>
</tbody>
</table>

Plan Fiduciary Net Position

The Plan issues a publicly available financial report that includes financial statements and required supplementary information, and detailed information about the Plan’s fiduciary net position. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

NOTE H – CONCENTRATION OF CREDIT RISK

At year-end, the District had on deposit $3,139,797 in cash and certificate of deposits. Of the total cash balance, $500,000 was covered by Federal Depository Insurance Corporation (FDIC). The remaining balance of $2,639,797 was collateralized with securities held by the respective financial institution and pledged to collateralize the District’s deposits in excess of the FDIC limit of $250,000 per deposit type.

Deposits at June 30, 2017 consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Bank Balance</th>
<th>Book Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total on deposit</td>
<td>$3,139,797</td>
<td>$3,035,489</td>
</tr>
<tr>
<td>Total all cash and certificates of deposit</td>
<td>$3,139,797</td>
<td>$3,035,489</td>
</tr>
</tbody>
</table>

NOTE I– 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 Library's position. In November 2016, the Plaintiffs filed a Notice of Appeal with the Kentucky Court of Appeals seeking to overturn the Campbell County Circuit Court's decision.

NOTE J – TAX ABATEMENTS

In January 2013, the District entered into a Tax Increment Financing (TIF) District tax abatement agreement with 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, 2017, the District refunded property taxes totaling $12,451 under this program.

NOTE K – SUBSEQUENT EVENTS

Management has considered subsequent events through December 18, 2017, which represents the date the financial statements were available to be issued. The District did not have any events subsequent to June 30, 2017 through December 18, 2017 to disclose.
## CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
### For the Year Ended June 30, 2017

<table>
<thead>
<tr>
<th></th>
<th>Original</th>
<th>Adjustments</th>
<th>Final</th>
<th>Actual</th>
<th>Variance with Final Budget</th>
<th>Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes levied</td>
<td>$4,745,000</td>
<td>$ -</td>
<td>$4,745,000</td>
<td>$4,574,071</td>
<td>$(170,929)</td>
<td></td>
</tr>
<tr>
<td>Fees and services</td>
<td>45,000</td>
<td>-</td>
<td>45,000</td>
<td>43,563</td>
<td>(1,437)</td>
<td></td>
</tr>
<tr>
<td>Grant and state aid</td>
<td>197,045</td>
<td>-</td>
<td>197,045</td>
<td>185,600</td>
<td>(11,445)</td>
<td></td>
</tr>
<tr>
<td>Donations</td>
<td>31,000</td>
<td>-</td>
<td>31,000</td>
<td>55,964</td>
<td>24,964</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous income</td>
<td>276,000</td>
<td>-</td>
<td>276,000</td>
<td>19,574</td>
<td>(256,426)</td>
<td></td>
</tr>
<tr>
<td><strong>Total revenues</strong></td>
<td>5,294,045</td>
<td>-</td>
<td>5,294,045</td>
<td>4,878,772</td>
<td>(415,273)</td>
<td></td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital outlay</td>
<td>267,880</td>
<td>-</td>
<td>267,880</td>
<td>299,292</td>
<td>(31,412)</td>
<td></td>
</tr>
<tr>
<td>Collection expenditures</td>
<td>770,000</td>
<td>-</td>
<td>770,000</td>
<td>664,886</td>
<td>105,114</td>
<td></td>
</tr>
<tr>
<td><strong>Personnel expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>2,287,000</td>
<td>-</td>
<td>2,287,000</td>
<td>2,262,424</td>
<td>24,576</td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>542,600</td>
<td>-</td>
<td>542,600</td>
<td>540,038</td>
<td>2,562</td>
<td></td>
</tr>
<tr>
<td>Other personnel expenses</td>
<td>196,500</td>
<td>-</td>
<td>196,500</td>
<td>178,429</td>
<td>18,071</td>
<td></td>
</tr>
<tr>
<td><strong>Operating expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Association dues</td>
<td>6,480</td>
<td>-</td>
<td>6,480</td>
<td>5,872</td>
<td>608</td>
<td></td>
</tr>
<tr>
<td>Board activities</td>
<td>7,625</td>
<td>-</td>
<td>7,625</td>
<td>5,131</td>
<td>2,494</td>
<td></td>
</tr>
<tr>
<td>Contracted computer service</td>
<td>69,250</td>
<td>-</td>
<td>69,250</td>
<td>59,729</td>
<td>9,521</td>
<td></td>
</tr>
<tr>
<td>Contracted professional serv.</td>
<td>92,160</td>
<td>-</td>
<td>92,160</td>
<td>88,798</td>
<td>3,362</td>
<td></td>
</tr>
<tr>
<td>Facilities maintenance</td>
<td>54,000</td>
<td>-</td>
<td>54,000</td>
<td>49,528</td>
<td>4,472</td>
<td></td>
</tr>
<tr>
<td>Facilities service contracts</td>
<td>39,060</td>
<td>-</td>
<td>39,060</td>
<td>40,486</td>
<td>(1,426)</td>
<td></td>
</tr>
<tr>
<td>Grounds maintenance</td>
<td>31,500</td>
<td>-</td>
<td>31,500</td>
<td>22,129</td>
<td>9,371</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>52,640</td>
<td>-</td>
<td>52,640</td>
<td>17,242</td>
<td>35,398</td>
<td></td>
</tr>
<tr>
<td>Mortgage payments</td>
<td>297,000</td>
<td>-</td>
<td>297,000</td>
<td>296,959</td>
<td>41</td>
<td></td>
</tr>
<tr>
<td>Office management</td>
<td>51,500</td>
<td>-</td>
<td>51,500</td>
<td>48,218</td>
<td>3,282</td>
<td></td>
</tr>
<tr>
<td>Programming</td>
<td>190,000</td>
<td>-</td>
<td>190,000</td>
<td>159,762</td>
<td>30,238</td>
<td></td>
</tr>
<tr>
<td>Public relations</td>
<td>117,000</td>
<td>-</td>
<td>117,000</td>
<td>95,554</td>
<td>21,446</td>
<td></td>
</tr>
<tr>
<td>Staff development</td>
<td>39,850</td>
<td>-</td>
<td>39,850</td>
<td>23,960</td>
<td>15,890</td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>22,000</td>
<td>-</td>
<td>22,000</td>
<td>12,988</td>
<td>9,012</td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>154,600</td>
<td>-</td>
<td>154,600</td>
<td>143,558</td>
<td>11,042</td>
<td></td>
</tr>
<tr>
<td>Vehicles</td>
<td>5,400</td>
<td>-</td>
<td>5,400</td>
<td>3,504</td>
<td>1,896</td>
<td></td>
</tr>
<tr>
<td><strong>Total expenditures</strong></td>
<td>5,294,045</td>
<td>-</td>
<td>5,294,045</td>
<td>5,018,487</td>
<td>275,558</td>
<td></td>
</tr>
<tr>
<td><strong>Excess of revenues over (under) expenditures</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(139,715)</td>
<td>(139,715)</td>
<td></td>
</tr>
<tr>
<td><strong>Fund balance, beginning of year</strong></td>
<td>2,714,942</td>
<td>-</td>
<td>2,714,942</td>
<td>2,714,942</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Fund balance, end of year</strong></td>
<td>$2,714,942</td>
<td>-</td>
<td>$2,714,942</td>
<td>$2,575,227</td>
<td>$(139,715)</td>
<td></td>
</tr>
</tbody>
</table>

-32-
## Schedule of the District’s Proportionate Share of the Net Pension Liability

**County Employees’ Retirement System (CERS)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of net pension liability</td>
<td>0.073320%</td>
<td>0.071216%</td>
<td>0.063872%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proportionate share of the net pension liability (asset)</td>
<td>$3,609,966</td>
<td>$3,061,940</td>
<td>$2,072,262</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Covered employee payroll in year of measurement</td>
<td>1,745,147</td>
<td>1,677,736</td>
<td>1,443,552</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of the net pension liability (asset) as a percentage of its covered employee payroll</td>
<td>206.86%</td>
<td>182.50%</td>
<td>143.55%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan fiduciary net position as a percentage of total pension liability</td>
<td>55.50%</td>
<td>59.97%</td>
<td>66.80%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

## Schedule of the District’s Pension Fund Contributions

**County Employees’ Retirement System (CERS)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractually required contribution</td>
<td>$245,223</td>
<td>$216,747</td>
<td>$213,911</td>
<td>$198,344</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual contribution</td>
<td>$245,223</td>
<td>$216,747</td>
<td>$213,911</td>
<td>$198,344</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution deficiency (excess)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Covered employee payroll</td>
<td>1,758,167</td>
<td>1,745,147</td>
<td>1,677,736</td>
<td>1,443,552</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions as a percentage of covered employee payroll</td>
<td>13.95%</td>
<td>12.42%</td>
<td>12.75%</td>
<td>13.74%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Notes to Required Supplementary Information

**For the Year Ended June 30, 2017**

**Changes of Assumptions**

The net pension liability as of June 30, 2017, is based on the June 30, 2016, actuarial valuation. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between District’s contributions and proportionate share of contributions are detailed in NOTE G in the Notes to the Financial Statements.
INDEPENDENT AUDITOR’S 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
3290 Alexandria Pike
Cold Spring, Kentucky 41076

We have audited, in accordance with the 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, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Campbell County Public Library District’s basic financial statements, and have issued our report thereon dated December 18, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Campbell County Public Library District’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 Campbell County Public Library District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Campbell County Public Library 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 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 the Campbell County Public Library District'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.

Van Gorder, Walker, & Co., Inc.
Erlanger, Kentucky
December 18, 2017