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.

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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.

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

CAMPBELL COUNTY

• PUBLIC LIBRARY •

FY2016-17
Financial Report: Management's Discussion and Analysis

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:

Assets	2017	2016
Current assets	$ 3,096,570	$ 3,260,175
Noncurrent assets	7,711,158	7,688,047
Total Assets	10,807,728	10,948,222
Deferred outflows of resources	961,899	767,791
Total Assets and Deferred Outflows	11,769,627	11,716,013
Liabilities		
Current liabilities	375,796	136,913
Long term liabilities	4,527,326	4,507,268
Total Liabilities	4,903,122	4,644,181
Deferred inflows of resources	-	-
Total Liabilities and Deferred Inflows	4,903,122	4,644,181
Net Position		
Net investment in capital assets	6,532,652	6,234,916
Restricted for South Branch Collection	509,666	509,666
Unrestricted	(175,813)	327,250
Total Net Position	$ 6,866,505	$ 7,071,832

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

	2017	2016
Revenues		
Program Revenues:		
Charges for services	$ 43,563	$ 48,212
Operating grants and contributions	185,600	159,321
Capital grants and contributions	40,210	115,571
Total Program Revenues	269,373	323,104
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:

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

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.

	Balance June 30, 2017	Balance June 30, 2016
Lease agreement	$ 1,110,722	$ 1,370,140
Net pension liability	3,609,966	3,061,940
Accrued compensation	73,163	75,188
	$ 4,793,851	$ 4,507,268

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.

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

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.

	2015-16	*2016-17*	*% Change*
Adult Fiction	40,135	37,473	-7.10
Adult Nonfiction	34,897	30,566	-14.17
Juvenile Fiction	65,435	60,703	-7.80
Juvenile Nonfiction	22,566	18,942	-19.13
Videos/DVDs	26,771	29,429	9.03
Audiobooks	11,117	10,739	-3.52
Music	15,177	15,460	1.83
Software	1,597	1,454	-9.83
E-materials	155,207	165,983	6.49
Total	**372,902**	**370,749**	**-0.58**

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.

	2015-16	*2016-17*	*% Change*
Cold Spring	198,075	192,993	-2.63%
Carrico/Fort Thomas	185,141	186,478	0.72%
Newport	207,049	192,336	-7.65%
Total	**590,265**	**571,807**	**-3.23%**

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.)

Attendance

	2015-16	*2016-17*
Cold Spring	26,043	27,250
Carrico/Fort Thomas	11,852	16,614
Newport	21,845	20,275
Total	**59,740**	**64,139**

Programs

	2015-16	*2016-17*
Cold Spring	924	920
Carrico/Fort Thomas	871	1052
Newport	880	1007
Total	**2,675**	**2,979**

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

		Governmental Activities
Assets		
Current assets:		
Cash and cash equivalents	$	2,678,364
Investments		357,125
Accounts receivable - taxes		32,733
Accounts receivable - other		28,348
Total Current Assets		3,096,570
Noncurrent assets:		
Capital assets:		
Nondepreciated capital assets:		
Land and construction in progress		2,169,972
Depreciated capital assets:		11,663,226
Less accumulated depreciation		(6,189,824)
Net Capital Assets		7,643,374
Other non-current assets		67,784
Total Noncurrent Assets		7,711,158
Total Assets		10,807,728
Deferred Outflows of Resources		
Deferred outflow of resources related to pensions		961,899
Total Assets and Deferred Outflow of Resources		11,769,627
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

		Program Revenues			Net Revenue (Expense) and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants**	**Capital Grants**	**Governmental Activities**
Governmental Activities					
Personnel	$ 3,332,783	$ -	$ -	$ -	$ (3,332,783)
Administrative expense	391,758	-	-	-	(391,758)
Maintenance and repair	114,271	-	-	-	(114,271)
Program and public relations	255,316	-	-	-	(255,316)
Collection	197,186	-	-	-	(197,186)
Interest	33,982	-	-	-	(33,982)
Non-Allocated Depreciation	742,269	-	-	-	(742,269)
Revenue	-	43,563	185,600	40,210	269,373
Total Governmental Activities	$ 5,067,565	$ 43,563	$ 185,600	$ 40,210	$ (4,798,192)

General revenues	
Property taxes - levied for general purposes	$ 4,574,071
Earnings on investments and deposits	17,083
Gain/(Loss) on disposal of capital assets	(1,518)
Miscellaneous	3,229
Total general and special revenues	4,592,865
Change in net position	(205,327)
Net position, beginning of year	7,071,832
Net position, end of year	$ 6,866,505

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Current:			
Cash and cash equivalents	$ 2,541,287	$ 137,077	$ 2,678,364
Investments	-	357,125	357,125
Accounts receivable - taxes	32,733	-	32,733
Accounts receivable - other	27,900	-	27,900
Pledges receivable	-	448	448
Total Current Assets	2,601,920	494,650	3,096,570
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	67,784	-	67,784
Committed			
Capital projects fund	-	494,650	494,650
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

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

The accompanying notes are an integral part of these financial statements.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General Fund	Capital Project Fund	Total Governmental Funds
Revenues			
Taxes levied	$ 4,574,071	$ -	$ 4,574,071
Fees and services	43,563	-	43,563
Grant and state aid	185,600	-	185,600
Donations	55,964	7,365	63,329
Miscellaneous income	19,574	738	20,312
Total Revenues	4,878,772	8,103	4,886,875
Expenditures			
Capital outlay	-	299,292	299,292
Collection expenditures	664,886	-	664,886
Personnel expenditures			
Salaries	2,262,424	-	2,262,424
Benefits	540,038	-	540,038
Other personnel expenses	178,429	-	178,429
Operating expenditures			
Association dues	5,872	-	5,872
Board activities	5,131	-	5,131
Contracted computer service	59,729	-	59,729
Contracted professional serv.	88,798	-	88,798
Facilities maintenance	49,528	-	49,528
Facilities service contracts	40,486	-	40,486
Grounds maintenance	22,129	-	22,129
Miscellaneous	17,242	-	17,242
Mortgage payments	296,959	-	296,959
Office management	48,218	-	48,218
Programming	159,762	-	159,762
Public relations	95,554	-	95,554
Staff development	23,960	-	23,960
Travel	12,988	-	12,988
Utilities	143,558	-	143,558
Vehicles	3,504	-	3,504
Total Expenditures	4,719,195	299,292	5,018,487
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 activies 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 activites, 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 Districted 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:

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

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:

- 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:

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

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.

<u>Inter-fund Activity</u>
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:

Asset type	Balance at June 30, 2016	Additions	Deletions	Balance at June 30, 2017
Land	$ 1,970,244	$ -	$ -	$ 1,970,244
Construction in progress	199,728	-	-	199,728
Buildings	5,615,055	-	-	5,615,055
Building and Land improvements	1,339,629	159,887	(1,180)	1,498,336
Furniture, fixtures and equipment	1,535,168	154,519	(97,360)	1,592,327
Collection - books, AV media	2,654,978	467,700	(165,170)	2,957,508
Subtotal	13,314,802	782,106	(263,710)	13,833,198
Less: accumulated depreciation	(5,709,747)	(742,269)	262,192	(6,189,824)
Capital assets, net	$ 7,605,055	$ 39,837	$ (1,518)	$ 7,643,374

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:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 266,525	$ 30,434	$ 296,959
2019	273,828	23,131	296,959
2020	281,330	15,628	296,958
2021	289,039	7,920	296,959
	$ 1,110,722	$ 77,113	$ 1,187,835

NOTE F – LONG TERM DEBT

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

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

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 Statue 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/.

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:

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

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:

	Required Contribution
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

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 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:

	Deferred Outflow of Resouces	Deferred Inflow of Resources
Differences between expected and actual experience	$ 15,760	$ -
Net difference between projected and actual earnings on plan investments	339,374	-
Changes of assumptions	191,237	-
Changes in proportion and differences between District's contributions and proportionate share of contributions	170,305	-
District's contributions subsequent to the measurement date	245,223	-
Total	$ 961,899	$ -

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:

Fiscal Year Ending June 30,	Net Deferral Amortization
2018	$ 252,892
2019	185,721
2020	182,190
2021	95,873
	$ 716,676

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:

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

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:

	Discount Rate	District's Proportionate Share of Net Pension Liability
1% decrease	6.5%	$ 4,498,602
Current discount rate	7.5%	3,609,966
1% increase	8.5%	2,848,228

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:

	Bank Balance	Book Balance
Total on deposit	$ 3,139,797	$ 3,035,489
Total all cash and certificates of deposit	$ 3,139,797	$ 3,035,489

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

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

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN- NON-HAZARDOUS
Last Ten Fiscal Years

Schedule of the District's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Proportion of net pension liability	0.073320%	0.071216%	0.063872%							
Proportionate share of the net pension liability (asset)	$ 3,609,966	$ 3,061,940	$ 2,072,262							
Covered employee payroll in year of measurement	1,745,147	1,677,736	1,443,552							
Share of the net pension liability (asset) as a percentage of its covered employee payroll	206.86%	182.50%	143.55%							
Plan fiduciary net position as a percentage of total pension liability	55.50%	59.97%	66.80%							

Schedule of the District's Pension Fund Contributions
County Employees' Retirement System (CERS)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 245,223	$ 216,747	$ 213,911	$ 198,344						
Actual contribution	245,223	216,747	213,911	198,344						
Contribution deficiency (excess)	-	-	-	-						
Covered employee payroll	1,758,167	1,745,147	1,677,736	1,443,552						
Contributions as a percentage of covered employee payroll	13.95%	12.42%	12.75%	13.74%						

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.

Van Gorder, Walker & Co., Inc.
Certified Public Accountants

Charles A. Van Gorder, CPA
Lori A. Owen, CPA
John R. Chamberlin, CPA, MBA
Members of AICPA & KyCPA
Licensed in Kentucky & Ohio

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.

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Van Gorder, Walker & Co., Inc.
Certified Public Accountants

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.

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