CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2018

WITH

Independent Auditors' Report

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
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Year Ended June 30, 2018

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Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Campbell County Public Library District Board of Trustees, Inc.
Cold Spring, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Campbell County Public Library District Board of Trustees, Inc. as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Campbell County Public

Library District Board of Trustees, Inc. as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the schedules for pension and other postemployment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Administrative Expense Detail is presented on page 39 for purposes of additional analysis and is not a required part of the basic financial statements. The Administrative Expense Detail has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2018, on our consideration of Campbell County Public Library District Board of Trustees, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Campbell County Public Library District Board of Trustees, Inc.'s internal control over financial reporting and compliance.

Bramel & Ackley, P.S.C.

December 26, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2018

A. Overview of Campbell County Economy

The economic health of the county is vital to the financial health of the District. Fortunately, the county's economy has grown considerably over the past several years with good foundations for sustained growth into the foreseeable future.

Along the Highway 27 corridor in Cold Spring, two new chain restaurants are under construction: Raising Cane's and Panera Bread. This adds to an existing stock of about six other major branch restaurant chains in the City. Cold Spring also has two thriving retail areas.

The City of Highland Heights will enjoy much commercial development starting in 2019 as well. Northern Kentucky University has announced that a new hotel and accompanying office/commercial units will be constructed on land that it owns adjacent to the BB&T Arena.

Alexandria has great development in residential areas, with numerous subdivisions under construction. This area is poised for more commercial development.

In Newport, there has been no activity on the Newport Ovation project, but, with the expansion of Kentucky 9/AA Highway into Newport now completed, Corporex has announced that it will begin development of Ovation in 2019. That project had a promised $1 billion impact when the District entered into a Tax Incremental Financing agreement with the City of Newport in 2007.

Also in Newport, the expansion of entertainment/tourist attractions at the Levee continues. The long-promised ferris wheel should begin construction in 2019 along with more hotel space.

The Manhattan Harbour Project in Dayton continues to grow. The District is part of a Tax Incremental Financing (TIF) agreement with the developers. Our refundable portion of the taxes collected continues to increase which is a sign of the growth of the project. In 2019, one apartment complex will be completed and another one will begin construction.

All of these activities promise a well-rounded and sustainable future for the county.

B. Overview of the Library's Finances

Overview of the Financial Statements
This management discussion and analysis serves as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

<u>Government-wide financial statements.</u> The government-wide financial statements are designed to report information about the overall finances of the District in a manner similar to a private sector business. They are designed to show a longer-term view of the District's finances.

<u>Fund financial statements.</u> A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate fiscal accountability. The District uses two funds – general operating fund and capital projects fund – to provide more detailed information about the District's most significant funds rather than the District as a whole.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government wide and fund financial statements.

Budget Approval
The District is required by state regulations to create a balanced budget each fiscal year. The District's budget for FY2017-18 was approved by the Board of Trustees on June 21, 2017. The District's fiscal year began on July 1, 2017 and ended on June 30, 2018.

Budgeted Income
The District's budgeted income for FY2017-18 was $5,388,685. The bulk of this anticipated income came from locally assessed taxes ($4,722,000 or 87.63%). Other components of the District's income included:

- Donations ($31,000, 0.57%);
- Grants and State Aid ($197,045, 3.66%);
- Other Income ($389,640, 7.23%);
- Service charges ($49,000, 0.91%).

"Other income" includes the transfer of funds from the District's reserves. "Reserves" are the funds on hand before the first annual property tax payments are received by the District. The District budgeted to transfer $183,640 from its reserves to cover various capital expenses in FY2017-18.

Along with this transfer, "other income" also includes $70,000 transferred from the previous fiscal year's collection budget for the opening day collection at its new Alexandria location. (This amount was originally budgeted as the $50,000 liquidation of a certificate of deposit.)

In addition to these, the District liquidated the bulk of its "Tomorrow Fund" that was set aside from donations to build a South Branch. This $131,119 was used instead to outfit the Alexandria location. (A small number of donors requested their funds be held for the future South Branch. Their donations total a little over $10,000.) This amount is also included in "other income." (This amount was originally budgeted as $140,000.)

Tax Rates
On August 16, 2017, the Board of Trustees adopted the following tax rates:

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

Due to the calculations for the "compensating tax rates" for the district, the District's tax rates dropped in FY2017-2018. This drop reflects the overall health of the county's economy as the compensating tax rates react inversely to increasing property values.

Budgeted Expenditures
Budgeted expenditures for FY2017-18 were $5,388,685. Budgeted expenditures were broken down into:

- Capital Expenditures ($256,900, 4.77%);
- Collection Expenditures [books, audiovisuals, and other circulating materials] ($770,000, 14.29%);
- Operating Expenditures ($1,202,085, 22.31%);
- Personnel Expenditures ($3,159,700, 58.63%).

As explained above, the bulk of the capital expenditures were related to the opening of the Alexandria location in January 2018.

Actual Income/Expenditures – Governmental Funds
Actual income for the District was $5,045,905. Income exceeded budgeted expectations by 0.62%. The bulk of the overage in income is attributable to an unexpected increase in grants and investment earnings (approximately $49,600).

Actual expenditures were $5,167,126 or 4.11% below expectations. The bulk of the expenses below those budgeted came from personnel expenditures (approximately $103,000) and operating expenditures (approximately $54,000).

District Indebtedness
The District has one loan outstanding which will mature in 2021. The original debt was $2.6 million. The loan carries an interest rate of 2.74% which is fixed for the life of the loan. Annual payments are $296,959. After the last payment on January 2, 2018, the remaining balance is $844,197.

In June 2018, the District was notified by Fifth Third Bank that it would be exercising its option in Section 8(d) of the lease agreement to correct financial loss due to a change in the deductibility of the interest paid on the debt incurred. In December 2017, the U.S. Congress reduced the corporate income tax rate from 35% to 21% which caused a reduction in the Tax Equivalent Yield of the District's loan. Through the remaining three payments and the final payout, therefore, the District will pay an additional amount to offset that loss:

- 2019 - $5,113
- 2020 - $3,501
- 2021 - $1,844
- Final payoff - $142

The Board protested Fifth Third's action given the relatively low additional income ($10,600) and the District's stellar history of timely payments. Fifth Third, however, insisted on exercising its option.

The District continues to receive a loan amortization grant for the construction of the facility in Newport. The grant is provided through a program that runs through the Kentucky Department for Libraries and Archives. The District receives $114,043 annually through 2020 for the reduction of debt for that building.

Financial Analysis of the District as a Whole
The District's net position decreased between this fiscal year and the previous year by $439,041 or 7.54%. Approximately 72% of the District's assets are invested in capital assets. The vast majority (94%) of revenue supporting all governmental activities is general revenue. The most significant portion of the general revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equaled $282,179 or 6% of total revenue. Table 1 shows the net position and Table 2 shows the change in net position for this fiscal year and the previous year. The FY 2017 amounts have been restated to reflect the effects of the prior period adjustment described in Note 11 to the basic financial statements related to the adoption of Government Accounting Standards Board Statement No. 75.

Table 1
Net Position

	FY 2018	FY 2017 (restated)
Current and other assets	$ 3,052,062	$ 3,096,570
Capital assets	7,681,891	7,711,158
Total Assets	10,733,953	10,807,728
Deferred Outflows of Resources	1,583,258	1,054,101
Total Assets and Deferred Outflows	12,317,211	11,861,829
Long-term liabilities	6,603,377	5,665,151
Other liabilities	117,306	375,796
Total Liabilities	6,720,683	6,040,947
Deferred Inflows of Resources	214,687	-
Total Liabilities and Deferred Inflows	6,935,370	6,040,947
Invested in capital assets, net of debt	6,823,794	6,532,652
Restricted	371,506	509,666
Unrestricted	(1,813,459)	(1,221,436)
Total Net Position	$ 5,381,841	$ 5,820,882

Table 2
Change in Net Position

	FY 2018	FY 2017 (restated)
REVENUES		
Program Revenues		
Charges for services	$ 43,350	$ 43,563
Operating grants and contributions	120,375	185,600
Capital grants and contributions	118,454	40,210
General Revenues		
Taxes – real estate, property, and motor vehicle	4,726,691	4,574,071
Investment earnings	34,860	17,083
Miscellaneous	2,175	1,711
Total Revenues	5,045,905	4,862,238
PROGRAM EXPENSES		
Personnel	3,680,329	4,378,406
Depreciation	794,612	742,269
Administrative	393,103	391,758
Maintenance and repair	185,117	114,271
Programming and PR expense	241,360	255,316
Interest	58,873	33,982
Periodicals and online databases	108,663	197,186
Small equipment purchases	22,889	-
Total Expenses	5,484,946	6,113,188
DECREASE IN NET POSITION	$ (439,041)	$ (1,250,950)

C. Financial Outlook

The District maintains a "reserve" which would, if necessary, allow it to weather a small crisis or short delay in tax payments. (The carryover funds from one fiscal year to the next are not "reserves" as they must sustain district operations from July through December when the large property tax payment is received. The largest bulk of the District's entire budgeted income is received between December and February. The "reserve" estimated here is based on funds that remain just before the December property tax payments are received by the District.)

The District budgeted some use of these reserved funds in both FY2016-17 and FY2017-18 to cover capital expenses which reduced those reserves to $584,000.

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

At the same time, the Court also changed the interpretation of existing statutes and provided Kentucky's libraries with a new system to be used if a library (created by referendum or by petition under KRS 173) exceeds the rate that would produce a 4% increase in revenue. Due to that decision, the plaintiffs subsequently petitioned the courts to have taxes repaid to them where the Library had not followed the new 2015 procedure in years prior. This appeal was heard and rejected by the Campbell County Circuit Court and the Kentucky Court of Appeals. The Kentucky Supreme Court declined to review the decisions of the lesser courts. The plaintiffs then appealed to the U.S. Supreme Court in August 2018. This appeal was also declined. There are no other avenues for appeal by the plaintiffs.

A serious concern is the pension crisis in Kentucky. There was great contention in the General Assembly in 2018 over the matter. Fortunately, the final legislation (which is currently being litigated) mitigated some of the immediate financial impact over a period of five years. It also provided for continued sustainability of the system. There is, however, a remaining unease about future legislative action. The District will, of course, have to account for the inevitable rising cost of this benefit for its employees.

For several years, the District has been pursuing agreement with the City of Cold Spring to remove an easement for a road on property adjacent to the Cold Spring Branch on the west side. The District intends to extend its parking lot and driveway around the existing building in order to improve visibility and safety. At the same time, the District would renovate the entrance area to the building, again with an eye to both safety and to the needs of mobility-impaired patrons. Accomplishing this project will require some indebtedness, possibly $500,000. With the looming retirement of existing debt, however, this should not present a financial burden.

Overall, the District's financial future looks very solid with Campbell County's economy having proven relatively recession-resistant and its future positioned to be very prosperous with significant growth moving from the planning phases to reality.

D. The Current State of the District

The District continues to provide a very high quality and wide array of products and services for the funds with which it is entrusted.

Circulation of materials is at the heart of the District's service to the community. Since its beginning, the District's circulation has grown steadily and, measured over a twenty-year period from 1997, continues to do so. Since that time, circulation grew from 537,544 items per year to 1,198,994 in FY2017-18 items per year or a 55% increase.

That said, circulation has changed. We have moved from a library that primarily circulated books in 1997 to a library that circulates books, DVDs, music, e-materials, and videogames. Online streaming services available through various commercial sources are a significant threat to the District's primary public service. Expanding services into other areas is one answer to that threat.

To that end, the District has increasingly relied on programming to reach out to its community and to bring value to its users. Since 2007, the District has grown from hosting 692 programs in a year to 3,284 programs in FY2017-18. Attendance has followed with 15,794 people attending a program in FY2006-07 to 58,132 in FY2017-18. The depth and variety of the programming has also evolved from simple story times to large events where we accommodate crowds of up to 300 people.

Free access to meeting room space is another growth area. In FY2006-07, we had 299 uses of our meeting spaces by the public with 3,543 people attending those meetings. In FY2017-18, that number grew to 3,252 meetings with 17,189 attendees. It's obviously a tremendous need that the District is meeting.

E-materials, both e-books and e-audiobooks, are also a huge growth area and a solid answer to providing access to materials for an increasingly internet-driven user population. When the District began circulating e-materials in FY2006-07, only 451 items were checked out. In FY2017-18, the number of circulations was 116,011.

In August 2017, the District entered into a contract for office space at 8333 Alexandria Pike, Alexandria, Kentucky. This 3000-square-foot, limited-service branch opened in January 2018. Usage has been solid. The hope is that this branch will provide the foundation for a larger building in the future to serve the growing population in the southern part of the county.

The types of technology that the District supports is expansive. We teach many people in the public, especially seniors, about the use of technology, both in groups and as individuals. We also encourage the use of technology through our programming. Additionally, we provide access to public computers and wi-fi. We see the usage of public computers waning while the access to our wi-fi service grows. Public computer use, for instance, peaked in FY2010-11 at 137,674 uses. In FY2017-18, it had dropped to 72,124. Practically speaking, this shift has enabled the District to reduce the number of public computers available while providing more space for patrons to access the wi-fi network on their own devices. Wi-fi use has grown from 2,935 uses in FY2007-08 to 38,442 uses in FY2017-18.

A number that does cause concern, however, is the number of visits to the District. In FY2006-07, there were 516,640 visits to our three branches. In FY2017-18, the number of visits was 563,161. Additionally, the highest number of visits was in FY2012-13, with 681,701. It is noted, however, that library usage, as a rule, declines in a good economy while it surges in a weak economy. This District's experience certainly reflects that rule.

E. Requests for Information

The financial report is designed to provide a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Director, Campbell County Public Library, 3920 Alexandria Pike, Cold Spring, KY 41076 or by calling 859-781-6166. The District follows the procedures outlined in KRS 61.870 in satisfying open record requests.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES INC.

STATEMENT OF NET POSITION

June 30, 2018

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 2,477,288
Certificates of deposits	357,326
Accounts receivable	43,073
Taxes receivable	43,910
Pledges receivable	509
Prepaid expenses	126,956
Security deposit	3,000
Capital assets, net of accumulated depreciation	7,681,891
Total assets	10,733,953
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflows related to pension and OPEB	1,583,258
Total assets and deferred outflow of resources	12,317,211
LIABILITIES	
Accounts payable	13,786
Salaries and benefits payable	89,620
Accrued interest payable	13,900
Long-term liabilities:	
Due within one year	273,828
Due in more than one year	655,296
Net pension liability	4,223,630
Net OPEB liability	1,450,623
Total liabilities	6,720,683
DEFERRED INFLOW OF RESOURCES	
Deferred inflows related to pension and OPEB	214,687
Total liabilities and deferred inflow of resources	6,935,370
NET POSITION	
Invested in capital assets, net of related debt	6,823,794
Restricted for South Branch	371,506
Unrestricted	(1,813,459)
Total net position	$ 5,381,841

The accompanying notes are an integral part of this statement.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Postion: Total Governmental Activities
Governmental Activities					
Personnel	$ 3,680,329	$ -	$ -	$ -	$ (3,680,329)
Depreciation	794,612	-	-	-	(794,612)
Administrative expenses	393,103	-	-	-	(393,103)
Maintenance and repair	185,117	-	-	-	(185,117)
Programming and PR expense	241,360	-	-	-	(241,360)
Interest expense	58,873	-	-	-	(58,873)
Books, periodicals and online databases	108,663	-	-	-	(108,663)
Small equipment purchases	22,889	-	-	-	(22,889)
Revenue	-	43,350	120,375	118,454	282,179
Total governmental activities	5,484,946	43,350	120,375	118,454	(5,202,767)
GENERAL REVENUES:					
Taxes:					
Taxes levied for general purpose					4,726,691
Investment earnings					34,860
Miscellaneous					2,175
Total general revenues					4,763,726
Change in net position					(439,041)
NET POSITION, BEGINNING					6,866,505
Prior period adjustment - see Note 13					(1,045,623)
NET POSITION, ENDING					$ 5,381,841

The accompanying notes are an integral part of this statement.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

BALANCE SHEET

GOVERNMENTAL FUNDS

June 30, 2018

	General	Capital Projects	Total Governmental Funds
- ASSETS -			
Cash and cash equivalents	$ 2,466,617	$ 10,671	$ 2,477,288
Certificates of deposit	-	357,326	357,326
Accounts receivable	43,073	-	43,073
Pledges receivable	-	509	509
Taxes receivable	43,910	-	43,910
Prepaid expenditures	126,956	-	126,956
Security deposit	3,000	-	3,000
Total assets	$ 2,683,556	$ 368,506	$ 3,052,062
- LIABILITIES AND FUND BALANCES -			
LIABILITIES:			
Accounts payable	$ 13,786	$ -	$ 13,786
Salaries and benefits payable	89,620	-	89,620
Total liabilities	103,406	-	103,406
FUND BALANCES:			
Nonspendable	129,956	-	129,956
Committed	-	368,506	368,506
Unassigned	2,450,194	-	2,450,194
Total fund balances	2,580,150	368,506	2,948,656
Total liabilities and fund balances	$ 2,683,556	$ 368,506	$ 3,052,062

The accompanying notes are an integral part of this statement.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2018

Total Governmental Fund Balances		**$ 2,948,656**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Cost of capital assets	$ 14,574,208	
Accumulated depreciation	(6,892,317)	
		7,681,891
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Due within one year	273,828	
Due in more than one year	570,370	
Net pension liability	4,223,630	
Net OPEB liability	1,450,623	
		(6,518,451)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and therefore are not reportable in the governmental funds		
Deferred outflow of resources	1,583,258	
Deferred inflow of resources	(214,687)	
		1,368,571
Accrued interest payable not due in the current year is recorded as long-term debt.		(13,900)
Accrued compensation not due in the current year is recorded as long-term debt.		(84,926)
Net Position of Governmental Activities		**$ 5,381,841**

The accompanying notes are an integral part of this statement.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Year Ended June 30, 2018

	General	Capital Projects	Total Governmental Funds
REVENUES:			
Property taxes	$ 4,726,691	$ -	$ 4,726,691
Library fines and fees	43,350	-	43,350
Donations	30,736	4,177	34,913
Grants	203,916	-	203,916
Investment earnings	34,860	-	34,860
Miscellaneous income	2,175	-	2,175
Total revenues	5,041,728	4,177	5,045,905
EXPENDITURES:			
Salaries and benefits	2,715,006	-	2,715,006
Books and library materials	733,615	-	733,615
Retirement	341,567	-	341,567
Debt Service	326,292	-	326,292
Programming and PR expense	242,350	-	242,350
Utilities	142,211	-	142,211
Maintenance and repairs	131,499	-	131,499
Contracted computer services	73,164	-	73,164
Insurance	53,618	-	53,618
Staff development and training	32,790	-	32,790
Legal and professional services	29,818	-	29,818
Telephone	25,596	-	25,596
Office supplies	22,672	-	22,672
Postage	20,694	-	20,694
Travel	18,635	-	18,635
Miscellaneous	13,293	-	13,293
Association dues	6,281	-	6,281
Delivery van	4,871	-	4,871
Board activities	4,077	-	4,077
Capital outlay	-	229,077	229,077
Total expenditures	4,938,049	229,077	5,167,126
Excess revenues (expenditures)	103,679	(224,900)	(121,221)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	98,756	98,756
Transfers out	(98,756)	-	(98,756)
Net other financing sources (uses)	(98,756)	98,756	-
Net change in fund balances	4,923	(126,144)	(121,221)
FUND BALANCES, BEGINNING	2,575,227	494,650	3,069,877
FUND BALANCES, ENDING	$ 2,580,150	$ 368,506	$ 2,948,656

The accompanying notes are an integral part of this statement.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Net Change in Fund Balances -Total Governmental Funds		**$ (121,221)**
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlay for capital assets	$ 833,129	
Depreciation expense	(794,612)	
		38,517
Governmental funds report employer pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employer contributions is reported as pension expense. This is the amount by which cost of benefits earned exceeded employer contributions.		
Employer contributions	257,867	
Cost of benefits earned	(805,983)	
		(548,116)
Govermental funds report employer OPEB contributions as expenditures. However, in the Statement of Activities, the cost of OPEB benefits earned net of employer contributions is reported as OPEB expense. This is the amount by which cost of benefits earned exceeded employer contributions.		
Employer contributions	83,700	
Cost of benefits earned	(147,576)	
		(63,876)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principle portion of current year debt service		266,525
Net difference in accrual for interest payable on long-term debt		894
Net difference in accrual for accrued compensation (long term)		(11,764)
Change in Net Position of Governmental Activities		**$ (439,041)**

The accompanying notes are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

The District's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basis of Presentation and Basis of Accounting

District-Wide Financial Statements – The statement of net position and the statement of activities provide information about the District as a whole. These statements include the financial activities of the District (the primary government). The statements distinguish between those activities of the District that are governmental and those that are considered general capital asset activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues for the District's activities. Direct expenses are those that are specifically associated with a program or a function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

District-Wide financial statements measure and report all assets (both financial and capital), liabilities, revenues and expenses using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements – Fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The District reports the following governmental funds:

General Fund – This fund is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in another fund.

Capital Projects Fund – This fund accounts for the financial resources and expenditures for capital projects.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Fund Balances

GASB Statement 54 provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balances more transparent. In the fund financial statements, governmental fund balances can be presented in five possible categories:

> **Nonspendable** – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
>
> **Restricted** – includes amounts that can be spent only for the specific purposes stipulated by creditors, grantors, or contributors or by enabling legislation or constitutional provisions.
>
> **Committed** – includes amounts that can be used for specific purposes pursuant to constraints imposed by the Board of Trustees.
>
> **Assigned** – includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.
>
> **Unassigned** – includes amounts that are available for any purpose and has not been restricted, committed or assigned to specific purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of these financial statements, cash equivalents include time deposits, certificates of deposit, and highly liquid debt instruments with original maturities of three months or less.

Capital Assets

All capital assets are stated at historical costs or estimated cost if actual historical cost is not available. Donated assets are valued at their estimated fair market value on the date donated.

When capital assets are purchased, they are capitalized and depreciated in the District-Wide statements. The District capitalizes all assets with a cost of $750 or greater and a useful life of at least three years. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the various classes of depreciable capital assets are as follows:

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

Pensions

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

Other Postemployment Benefits Plan (OPEB)

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

Deferred Outflows of Resources

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

experience, (3) changes in assumptions, (4) changes in the proportionate share of the District's contributions to the pension fund and OPEB fund and (5) difference between projected and actual earnings on plan investments. The deferred amount related to the differences between expected and actual experience, changes in the proportionate share of the District's contributions to the pension fund and OPEB fund, and changes of assumptions in the pension fund and OPEB fund will be recognized over a closed period equal to the average of the expected remaining service lives of all employees participating in the plan. The deferred amount related to the difference between projected and actual earnings on plan investments will be recognized over a closed five-year period beginning in the current reporting period. Deferred outflows for pension and OPEB contributions will be recognized in the subsequent fiscal year. No deferred outflows of resources affect the governmental funds financial statements in the current year.

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

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transactions and Transfers

During the course of normal operations, the District has various transactions among its funds, most of which are in the form of transfers used to move unrestricted revenues collected in the general fund to finance various projects accounted for in the capital projects fund in accordance with budgetary authorizations. The accompanying financial statements generally reflect such transactions as transfers. These transfers are eliminated in the statement of activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - BUDGETS

Each fiscal year a budget of estimated revenues and expenditures is prepared. The District prepares its budgets using the cash basis of accounting. The annual budget is submitted to State authorities, included as a part of the District's monthly financial reports, and revised as necessary. A comparison of budget and actual revenues collected and expenditures/expenses paid for the year ended June 30, 2018 is presented as supplementary information to the financial statements.

NOTE 3 – COMPENSATED ABSENCES

Employees are granted vacation benefits and receive sick leave benefits up to specified maximums. Generally, employees are entitled to their unused vacation leave upon termination of employment. The estimated current portion of the liability for the vested benefits has been recorded as an expenditure and accrued expense in the general fund. The long-term portion of the liability is recorded as long-term debt.

NOTE 4 – CONCENTRATION OF CREDIT RISK

The District's deposits at June 30, 2018, consist of cash and cash equivalents, and certificates of deposit. The District's deposits were partially secured by Federal Depository Insurance. Deposits in excess of the Federal Depository Insurance limit are to be collateralized with securities held by the bank, its trust department or by its agent, but not in the District's name. The carrying amount of the District's deposits with financial institutions at June 30, 2018 was $2,834,614 and the bank balance was $2,991,065. The bank balances at each financial institution were covered with specific pledged collateral.

Kentucky Revised Statutes authorize districts to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies, deposits in national or state charter banks insured by federal agencies, repurchase agreements, and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies.

NOTE 5 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance July 1, 2017	Additions	Adjustments Increases/ (Decreases)	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 1,970,244	$ -	$ -	$ 1,970,244
Construction in progress	199,728	-	-	199,728
Subtotal	2,169,972	-	-	2,169,972
Capital assets being depreciated:				
Buildings	5,615,055	-	-	5,615,055
Building and land improvements	1,508,580	67,245	-	1,575,825
Furniture, fixtures and equipment	1,582,084	140,932	(24,177)	1,698,839
Library Collections:				
Books, audio and visual materials	2,957,507	624,952	(67,942)	3,514,517
Subtotal	11,663,226	833,129	(92,119)	12,404,236
Total cost	13,833,198	833,129	(92,119)	14,574,208
Accumulated depreciation:				
Buildings	(2,526,339)	(143,976)	-	(2,670,315)
Building and land improvements	(553,972)	(93,586)	-	(647,558)
Furniture, fixtures and equipment	(1,271,607)	(104,965)	24,177	(1,352,395)
Library Collections:				
Books, audio and visual materials	(1,837,906)	(452,085)	67,942	(2,222,049)
Subtotal	(6,189,824)	(794,612)	92,119	(6,892,317)
Total Capital Assets, Net	$ 7,643,374	$ 38,517	$ -	$ 7,681,891

NOTE 6 – LEASE/LOAN AGREEMENTS

In 2006 and 2007, the District entered into three lease/loan agreements with two financial institutions to consolidate two Carrico Branch loans, refinance the construction loan for the Newport Branch and finance the renovation of the Cold Spring Branch. On July 22, 2011, the District refinanced these three loans into a $2.6 million lease (loan) agreement with Fifth Third Bank. The loan required interest at 2.74% and annual payments of $296,959 are due each February 1. On June 22, 2018, Fifth Third Bank exercised their right under the lease agreement to require a supplemental payment in 2018 and subsequent years to preserve the same tax equivalent yield on the agreement due to the enactment of the Tax Cuts and Jobs Act of 2017. The modification resulted in the issuance of Reissued Obligations in exchange for the 2011 Obligations. On the reissuance date there were no cash proceeds of the Reissued Obligations and the deemed sale proceeds of the Reissued Obligations are deemed to be applied to the redemption of the 2011 Obligations. The interest yield increased to 3.33%. The loan will be paid in full on February 1, 2021. The loan is a tax supported lease. The balance of the loan on June 30, 2018 is $844,197.

NOTE 6 – LEASE/LOAN AGREEMENTS (CONTINUED)

Principal payments for the next five years are as follows:

Years	Principal	Interest	Total
2019	$ 273,828	$ 28,244	$ 302,072
2020	281,330	19,129	300,459
2021	289,039	9,906	298,945
	$ 844,197	$ 57,279	$ 901,476

NOTE 7 – LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2018.

	Balance June 30, 2017	Principal Retired	Net Increase (Decrease)	Balance June 30, 2018
Lease agreement	$1,110,722	$(266,525)	$ -	$ 844,197
Accrued compensation	73,163	-	11,763	84,926
Total	$1,183,885	$(266,525)	$ 11,763	$ 929,123

NOTE 8 – OPERATING LEASES

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

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

The future lease payments related to the leases as of June 30, 2018 are summarized as follows:

Fiscal Year Ending June 30	Alexandria Lease	Copier Leases	Total
2019	$ 40,000	$ 5,940	$ 45,940
2020	40,000	5,940	45,940
2021	40,000	5,940	45,940
2022	40,000	-	40,000
	$ 160,000	$ 17,820	$ 177,820

NOTE 9 – GRANTS

The District received $41,806 in 2018 through the State Aid for Public Libraries Grant. These funds are awarded on a per capita basis by the Kentucky Department for Libraries and Archives to provide library services to the public.

The District also received a construction assistance grant from the Kentucky Department of Libraries and Archives to be used to retire the debt incurred for the construction of the building for the Newport Branch. Under the terms of the grant, subject to the availability of funds, the Kentucky Department of Libraries and Archives will pay $114,043 in grant funds annually to the District. These amounts are used to pay the annual loan payment on the loan for the Newport Branch.

NOTE 10 – EMPLOYEE'S PENSION PLAN

General Information about the Pension Plan

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

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

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

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

NOTE 10 – EMPLOYEE'S PENSION PLAN (CONTINUED)

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

Contributions. Kentucky Revised Statute Section 78.545(33) grants the authority to establish and amend the benefit terms to the Board of KRS. Tier 1 employees are required to contribute 5% of their annual creditable compensation. Tier 2 and 3 employees are required to contribute 5% of their annual creditable compensation plus an additional 1% of creditable compensation which is credited to the Insurance Fund. Employers contribute at the rate determined by the Board. The actuarially determined rates set by the Board for the year ended June 30, 2018 was 19.18%, of which 14.48% was for the pension fund and 4.70% was for the insurance fund. Contributions to the pension plan from the District were $341,567 for the year ended June 30, 2018, of which $257,867 was for the pension fund and $83,700 was for the insurance fund.

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

At June 30, 2018, the District reported a liability of $4,223,630 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was 0.072158%, which was a decrease of 0.001161% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $805,983. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,239	$ 107,214
Changes of assumptions	779,374	-
Net difference between projected and actual earnings on plan investments	52,241	-
Changes in proportion and differences between District contributions and proportionate share of contributions	71,461	31,522
District contributions subsequent to the measurement date	257,867	-
	$ 1,166,182	$ 138,736

NOTE 10 – EMPLOYEE'S PENSION PLAN (CONTINUED)

The $257,867 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	$ 372,094
2020	316,336
2021	135,384
2022	(54,234)
	$ 769,580

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

Inflation	2.30%
Salary increases	3.05%, average, including inflation
Investment rate of return	6.25%, 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 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability.

NOTE 10 – EMPLOYEE'S PENSION PLAN (CONTINUED)

The long-term expected rate of return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated 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 the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Debt	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	100.00%	

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

NOTE 10 – EMPLOYEE'S PENSION PLAN (CONTINUED)

	Decrease (5.25%)	Discount Rate (6.25)	Increase (7.25%)
District's proportionate share of the net pension liability	$ 5,326,910	$ 4,223,630	$ 3,300,744

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

Payables to the pension plan

The District makes legally required contributions to the pension plan on a monthly basis. The monthly payment is due by the 10th of the following month. As of June 30, 2018, there was no payable to the pension plan.

NOTE 11 – POSTEMPLOYMENT BENEFITS

Plan description. Employees of the District are provided with health care benefits through the Kentucky Retirement System Insurance Fund (Insurance Fund)—a cost-sharing multiple-employer health insurance plan. The Insurance Fund is part of CERS. Per Kentucky Revised Statute Section 61.645, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the health insurance benefit. KRS issues a publicly available financial report that can be obtained at https://kyret.ky.gov.

Benefits provided. The Insurance Fund provides hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. The eligible Medicare retirees receive benefits through a Medicare Advantage Plan. The amount of contributions paid by the Insurance Fund is based on years of service and participation date. For members participating prior to July 1, 2003, members completing 20 or more years of service received 100% contribution. Members completing 15 – 19 years, 10-14 years, and 4-9 years received 75%, 50%, and 25% respectively. Members completing less than 4 years of service receive no insurance benefit. As a result of House Bill 290, medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn $10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The monthly dollar contribution for 2017 is $13.18 for CERS Non-hazardous employees. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth of Kentucky so demands.

Contributions. Kentucky Revised Statute Section 78.545(33) grants the authority to establish and amend the benefit terms to the Board of KRS. Tier 1 employees are not required to contribute to the insurance fund. Tier 2 and 3 employees are required to contribute 1% of their creditable compensation to the

NOTE 11 – POSTEMPLOYMENT BENEFITS (Continued)

insurance fund. Employers contribute at the rate determined by the Board. As stated in Note 10 Employee's Pension Plan, the actuarially determined rates set by the Board for the year ended June 30, 2018 was 19.18%, of which 14.48% was for the pension fund and 4.70% was for the insurance fund. See Note 10 for contributions to the plan from the District during the current fiscal year.

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

At June 30, 2018, the District reported a liability of $1,450,623 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the District's proportion was 0.072158%.

For the year ended June 30, 2018, the District recognized OPEB expense of $165,303. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 4,029
Changes of assumptions	315,646	-
Net difference between projected and actual earnings on plan investments	-	68,556
Changes in proportion and differences between District contributions and proportionate share of contributions	-	3,366
District contributions subsequent to the measurement date	101,429	-
	$ 417,075	$ 75,951

The $101,429 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

NOTE 11 – POSTEMPLOYMENT BENEFITS (Continued)

Year ended June 30:	
2019	$ 41,242
2020	41,242
2021	41,242
2022	41,242
2023	58,380
2024	16,347
	$ 239,695

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

Inflation	2.30%
Salary increases	3.05%, average,
Investment rate of return	6.25%
Healthcare trend rates	Pre – 65: Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years Post – 65: Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

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

Discount rate. The discount rate used to measure the total OPEB liability was 5.84%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25% and a municipal bond rate of 3.56%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to the future expected benefit payments associated with the implicit subsidy.

NOTE 11 – POSTEMPLOYMENT BENEFITS (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	17.50%	5.97%
International Equity	17.50%	7.85%
Global Bonds	4.00%	2.63%
Global Credit	2.00%	3.63%
High Yield	7.00%	5.75%
Emerging Market Debt	5.00%	5.50%
Private Credit	10.00%	8.75%
Real Estate	5.00%	7.63%
Absolute Return	10.00%	5.63%
Real Return	10.00%	6.13%
Private Equity	10.00%	8.25%
Cash	2.00%	1.88%
Total	100%	

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, calculated using the discount rate of 5.84%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84 %) or 1-percentage-point higher (6.84%) than the current rate

	1% Decrease (4.84%)	Current Discount Rate (5.84%)	1% Increase (6.84%)
District's proportionate share of the net OPEB liability	$ 1,845,837	$ 1,450,623	$ 1,121,742

NOTE 11 – POSTEMPLOYMENT BENEFITS (Continued)

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

	1% Decrease	Current Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	$ 1,112,702	$ 1,450,623	$ 1,889,899

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

Payables to the OPEB plan

The District makes legally required contributions to the OPEB plan on a monthly basis. The monthly payment is due by the 10th of the following month. See Note 10 Employee's Pension Plan for payable as of June 30, 2018.

NOTE 12 – PROPERTY TAX

The District participates as a special taxing district in Campbell County and levies property taxes as a primary means to support its operations. The categories for which taxes are received and collected and the corresponding tax rates per $100 of assessed value for 2017 are as follows:

Category:	Tax Rates 2017
Real property	$ 7.7 mills
Tangible personal property other than motor vehicles & watercraft	$ 7.7 mills
Motor vehicles	$ 2.60 mills
Watercraft	$ 2.60 mills

The real property portion of the tax is levied each January 1 on the assessed value of the property as determined by the County. The due dates for payment of these taxes are November 1 through December 31 of each year. Assessed values are established by state law at full current market value, and reappraisal of all property is required every four years.

The County's personal property tax allocation is determined by the State Revenue Cabinet in Frankfort, based upon reported values and the tax rates established by the District. The property is assessed for tax purpose at values defined in the state statutes.

Total tax revenues received in fiscal year 2017 - 2018 amounted to $4,726,691.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

The District has recorded an adjustment to the Beginning Net Position of ($1,045,623) at July 1, 2017. This adjustment accounts for estimated net other postemployment benefit liability at June 30, 2017, and is being recorded in accordance with Government Accounting Standards Board Statement No. 75.

NOTE 14 – CONTINGENCIES

In January 2012, several residents of Campbell County filed a lawsuit claiming that the District increased its tax rates over the rates set in 1978 without complying with governing Kentucky statutes. The Plaintiffs sought declaration that the District illegally set its tax rates and refunds of all tax payments that were improperly collected. The District believed it had increased its rates in accordance with Kentucky Revised Statute 132 and vigorously defended its position. In April 2013, Campbell County Circuit Court ruled that the District was improperly adjusting its tax rate using KRS 132. The ruling was appealed to the Kentucky Court of Appeals. The Court of Appeals granted the District's motion for intermediate relief allowing the District to maintain its current tax rates through the appeal process in September 2013. On March 19, 2015, the Kentucky Court of Appeals held that the District's process for setting its tax rate, based upon KRS Chapter 132, was the proper procedure. In April 2015, the Plaintiffs filed a motion for Discretionary Review with the Kentucky Supreme Court. On December 10, 2015, the Kentucky Supreme Court let stand the decision of the Kentucky Court of Appeals. On March 18, 2016, the Plaintiffs filed a motion asking the Campbell County Circuit Court to consider the Court of Appeals' decision retroactive and to order a refund for previous tax years. On September 16, 2016, the Campbell County Circuit Court ruled that the Court of Appeals' decision should be considered prospectively only, upholding the District's position. In March 2017, the Plaintiffs filed a Notice of Appeal with the Kentucky Court of Appeals seeking to overturn the Campbell County Circuit Court's decision. In January 2018, the Kentucky Court of Appeals unanimously concurred that the March 2015 decision of the Court of Appeals was prospective only as the Court's harmonization of KRS 173 and KRS 132 could not have been followed in the past and the District acted in good faith by following KRS 132. In late January 2018, the Plaintiffs filed a Motion for Discretionary Review with the Kentucky Supreme Court who declined the motion in June 2018. In September 2018, the Plaintiffs filed a petition with the U.S. Supreme Court contending that they were denied due process by the Kentucky courts. On November 13, 2018, the U.S. Supreme Court denied the Plaintiff's petition. With this denial, all avenues of appeal have been exhausted.

NOTE 15 – TAX ABATEMENTS

In January 2013, the District entered into a Tax Increment Financing (TIF) District tax abatement agreement to assist with the funding of the Manhattan Harbour Development in Dayton, Kentucky; a city within the District's taxing area. Under the agreement, localities and taxing districts may grant property tax abatements of 50 percent of the incremental real estate tax growth for properties within the defined financing district. These TIF districts must be approved by the localities and taxing districts upon which they draw the abatements. For the fiscal year ended June 30, 2018, the District refunded property taxes totaling $6,245 under this program.

NOTE 16 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 26, 2018, the date which the financial statements were available to be issued. No events have occurred which would have a material effect on the financial statements of the District as of that date except as disclosed in Note 14 above.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2018

	Original and Final Budget	Actual Budgetary Basis
REVENUES:		
Property taxes	$ 4,722,000	$ 4,715,514
Library fines and fees	49,000	43,350
Donations	31,000	30,702
Grants	197,045	226,825
Investment earnings	15,000	34,860
Miscellaneous	1,000	2,269
Total revenues	5,015,045	5,053,520
EXPENDITURES:		
Salaries and benefits	2,809,200	2,753,391
Retirement	350,500	341,567
Books and library materials	770,000	794,497
Debt service	339,000	351,853
Programming and PR expense	266,800	243,797
Utilities	142,000	138,646
Maintenance and repair	127,960	128,941
Contracted computer service	74,750	68,251
Insurance	52,000	53,618
Office supplies	25,300	25,919
Legal and professional services	36,000	29,818
Staff development and training	34,850	32,665
Travel	22,000	18,635
Telephone	23,400	25,596
Postage	23,200	20,694
Miscellaneous	17,000	20,115
Association dues	6,600	6,281
Delivery van	5,400	4,871
Board activities	5,825	4,077
Capital outlay	256,900	-
Total expenditures	5,388,685	5,063,232
Excess revenues (deficiency) over expenditures	(373,640)	(9,712)

The accompanying notes are an integral part of this statement.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

BUDGETARY COMPARISON SCHEDULE
(CONTINUED)

GENERAL FUND

Year Ended June 30, 2018

	Original and Final Budget	Actual Budgetary Basis
Excess revenue (deficiency) over expenditures - forward	$ (373,640)	$ (9,712)
OTHER FINANCING SOURCES (USES):		
Transfers in	373,640	-
Transfers out	-	(98,756)
Net other financing sources (uses)	373,640	(98,756)
Net change in fund balance	$ -	$ (108,468)

BUDGET TO GAAP RECONCILIATION:

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

	General Fund
Sources/revenues:	
Actual amounts (budgetary basis)	$ 5,053,520
Differences - budget to GAAP:	
The District budgets for property taxes and other revenues only to the extent expected to be received, rather than on the modified accrual basis	(11,792)
Total revenues as reported on the governmental funds statement of revenues, expenditures, and changes in fund balances	$ 5,041,728
Uses/expenditures:	
Actual amounts (budgetary basis)	$ 5,063,232
Differences - budget to GAAP:	
The District budgets for expenditures only to the extent expected to be paid, rather than on the modified accrual basis	(125,183)
Total expenditures as reported on the governmental funds statement of revenues, expenditures, and changes in fund balances	$ 4,938,049

The accompanying notes are an integral part of this statement.

NOTES TO BUDGETARY COMPARISON SCHEDULE

June 30, 2018

NOTE 1 – EXPLANATION OF DIFFERENCES

As commonly practiced in governmental entities, the District's budgetary process accounts for certain transactions on a basis other than the generally accepted accounting principles (GAAP) basis. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting on the governmental fund statements and on the full accrual basis on the government-wide statements.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT BOARD OF TRUSTEES, INC.

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

County Employees Retirement System

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.072158%	0.073319%	0.071216%	0.063872%						
District's proportionate share of the net pension liability (asset)	$ 4,223,630	$ 3,609,966	$ 3,061,940	$ 2,072,262						
District's covered-employee payroll	$ 1,758,167	$ 1,745,147	$ 1,677,736	$ 1,443,552						
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	240.23%	206.86%	182.50%	143.55%						
Plan fiduciary net position as a percentage of the total pension liability	53.32%	55.50%	59.97%	66.80%						

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

The notes to required pension supplementary information are an integral part of this statement.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT BOARD OF TRUSTEES, INC.

SCHEDULE OF DISTRICT PENSION FUND CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 257,867	$ 245,223	$ 216,747	$ 213,911	$ 198,344					
Contributions in relation to the contractually required contribution	$ (257,867)	$ (245,223)	$ (216,747)	$ (213,911)	$ (198,344)					
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -					
District's covered-employee payroll	$ 1,772,087	$ 1,758,167	$ 1,745,147	$ 1,677,736	$ 1,443,552					
Contributions as a percentage of covered-employee payroll	14.55%	13.95%	12.40%	12.75%	13.74%					

The notes to required pension supplementary infromation are an integral part of this statement.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

NOTES TO REQUIRED PENSION SUPPLEMENTARY INFORMATION

June 30, 2018

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

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

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

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

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

2015:

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

2017:

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

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2018, determined as of June 30, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	26 years
Asset valuation method	5-year smoothed market
Inflation	2.30%
Salary increase	3.05%, average, including inflation
Investment rate of return	6.25%, net of pension plan investment expense, including inflation

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT BOARD OF TRUSTEES, INC.

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

County Employees Retirement System

Last 10 Fiscal Years*

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net OPEB liability (asset)	0.072158%									
District's proportionate share of the net OPEB liability (asset)	$ 1,450,623									
District's covered-employee payroll	$ 1,758,167									
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	82.51%									
Plan fiduciary net position as a percentage of the total OPEB liability	52.39%									

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

The notes to required OPEB supplementary information are an integral part of this statement.

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT BOARD OF TRUSTEES, INC.

SCHEDULE OF DISTRICT OPEB FUND CONTRIBUTIONS

County Employees Retirement System

Last 10 Fiscal Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	$ 83,700	$ 83,100								
Contributions in relation to the contractually required contribution	$ (83,700)	$ (83,100)								
Contribution deficiency (excess)	$ -	$ -								
District's covered-employee payroll	$ 1,772,087	$ 1,758,167								
Contributions as a percentage of covered-employee payroll	4.72%	4.71%								

The notes to required OPEB supplementary information are an integral part of this statement.

NOTES TO REQUIRED PENSION SUPPLEMENTARY INFORMATION

June 30, 2018

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

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

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

2017

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

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are determined on a biennial basis beginning with the fiscal years ended 2018, determined as of June 30, 2017. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	28 years, closed
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary increase	3.05%, average, including inflation
Investment rate of return	6.25%, net of OPEB plan investment expense, including inflation
Healthcare trend rates	Pre – 65: Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years Post – 65: Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years

CAMPBELL COUNTY PUBLIC LIBRARY DISTRICT
BOARD OF TRUSTEES, INC.

ADMINISTRATIVE EXPENSE DETAIL

June 30, 2018

Utilities and telephone	$167,807
Professional services	29,818
Contracted computer service	73,164
Office supplies	22,672
Staff development	32,790
Postage	20,694
Travel	18,635
Association dues	6,281
Delivery van	4,871
Board activities	4,077
Miscellaneous	12,294
Total Administrative Expenses	$393,103

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Campbell County Public Library District Board of Trustees, Inc.
Cold Spring, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Campbell County Public Library District Board of Trustees, Inc. as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Campbell County Public Library District Board of Trustees, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Campbell County Public Library District Board of Trustees, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bramel & Ackley, P.S.C.

December 26, 2018