

**REPORT OF THE AUDIT OF THE
CAMPBELL COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2010**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Steve Pendery, Campbell County Judge/Executive

Members of the Campbell County Fiscal Court

The enclosed report prepared by Ray, Foley, Hensley & Company, PLLC, Certified Public Accountants, presents the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements.

We engaged Ray, Foley, Hensley & Company, PLLC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Ray, Foley, Hensley & Company, PLLC evaluated Campbell County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CAMPBELL COUNTY FISCAL COURT

June 30, 2010

Ray, Foley, Hensley & Company, PLLC has completed the audit of the Campbell County Fiscal Court for fiscal year ended June 30, 2010.

We have issued an unqualified opinion, based on our audit, on the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the financial statements of Campbell County Fiscal Court, Campbell County, Kentucky.

In accordance with OMB Circular 133, we have also issued an unqualified opinion on the compliance requirements that are applicable to Campbell County Fiscal Court's major federal program: U.S. Department of Housing and Urban Development Housing Choice Voucher Program (CFDA #14.871) for the year ended June 30, 2010.

Financial Condition:

The fiscal court had total net assets of \$36,541,747 at June 30, 2010. The fiscal court had unrestricted net assets of \$11,983,342 in its governmental activities as of June 30, 2010 with total net assets of \$35,272,242. In its business-type activities, total net cash and cash equivalents were \$161,405 with total net assets of \$1,269,505. The fiscal court had total debt principal as of June 30, 2010 of \$22,975,000 with \$1,395,000 due within the next year.

Report Comments:

- 2010-01 Campbell County Fiscal Court Failed To Remove Employees From Insurance Coverage After Employment Terminated
- 2010-02 The Fiscal Court Failed To Review Administrative Code

Deposits:

The fiscal court deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
CAMPBELL COUNTY OFFICIALS.....	4
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
STATEMENT OF NET ASSETS	17
STATEMENT OF ACTIVITIES.....	20
BALANCE SHEET - GOVERNMENTAL FUNDS	24
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	28
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	33
STATEMENT OF NET ASSETS - PROPRIETARY FUND	36
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND	41
STATEMENT OF CASH FLOWS - PROPRIETARY FUND	45
STATEMENT OF FIDUCIARY FUND NET ASSETS	49
NOTES TO FINANCIAL STATEMENTS	51
BUDGETARY COMPARISON SCHEDULES	75
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	80
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS	74
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS	77
COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS	82
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	86
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	87
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	90
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	94
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	98
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

To the People of Kentucky
 Honorable Steven L. Beshear, Governor
 Jonathan Miller, Secretary
 Finance and Administration Cabinet
 Honorable Steve Pendery, Campbell County Judge/Executive
 Members of the Campbell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Campbell County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of some entities that collectively comprise Campbell County Fiscal Court. Those financial statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for those component units and funds is based upon the reports of other auditors. Those entities were:

Certain portions of the Governmental Funds including:

- Major Special Revenue Fund-Campbell County, Kentucky Fiscal Court Housing Department Housing Choice Voucher Program.
- Major Debt Service Fund-Campbell County Public Properties Corporation.

Certain portions of the Proprietary Funds including:

- Major Proprietary Fund-Lakeside Terrace Apartments HUD Project No. 083-44012-236
- Major Proprietary Fund-A.J. Jolly Park

Those financial statements reflect total assets and revenues of the government-wide financial statements and total assets and revenues or additions of the fund financial statements as follows:

Government-Wide Financial Statements	Percent of Assets	Percent of Revenues
Primary Government-Governmental Activities	1.22%	12.26%
Primary Government-Business-Type Activities	98.80%	88.08%
 Fund Financial Statements		
Governmental Funds-Major Funds	5.68%	12.26%
Proprietary Funds-Major Funds	98.80%	88.08%

To the People of Kentucky
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We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Campbell County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2010, on our consideration of Campbell County, Kentucky'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 and should be considered in assessing the results of our audit.

To the People of Kentucky
Honorable Steven L Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Steve Pendery, Campbell County Judge/Executive
Members of the Campbell County Fiscal Court

Based on the results of our audit, we present the accompanying schedule of findings and questioned costs included herein, which discusses the following report comments:

- 2010-01 Campbell County Fiscal Court Failed To Remove Employees From Insurance Coverage After Employment Terminated
- 2010-02 The Fiscal Court Failed To Review Administrative Code

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
December 21, 2010

CAMPBELL COUNTY OFFICIALS

For The Year Ended June 30, 2010

Fiscal Court Members:

Steve Pendery	County Judge/Executive
David E. Otto	Commissioner
Kenneth L. Rehtin	Commissioner
Mark T. Hayden	Commissioner

Other Elected Officials:

James Daley	County Attorney
Greg Buckler	Jailer
Jack Snodgrass	County Clerk
Taunya Nolan Jack	Circuit Court Clerk
John Dunn	Sheriff
Daniel Braun	Property Valuation Administrator
Mark Schweitzer	Coroner

Appointed Personnel:

Diane E. Bertke	County Treasurer
Linda Eads	Occupational Tax Collector
James Seibert	Finance Officer

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2010**

The financial management of Campbell County, Kentucky offers readers of Campbell County's financial statements this narrative overview and analysis of the financial activities of Campbell County for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with other information that we may have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights

- Campbell County had net assets of \$36,541,747 as of June 30, 2010. The fiscal court had unrestricted net assets of \$11,983,342 in its governmental funds as of June 30, 2010. In its enterprise fund, cash and cash equivalents were \$161,405 with total net assets of \$1,269,505. Total debt principal as of June 30, 2010 was \$22,975,000 with \$1,395,000 due within one year.
- The government's total net assets increased by \$1,289,668 from the prior year. Total expenses for the current fiscal year declined by 2.2% due in large part to a reduction in expenditures for road projects. Meanwhile total revenues increased by 18.4% during the year mostly due to subsidies received for the new administration building.
- At the close of the current fiscal year, Campbell County's balance sheet for Governmental Funds reported a fund balance of \$12,032,665. Of this amount, \$12,032,665 is available for spending at the government's discretion (unreserved fund balance).
- Campbell County's total indebtedness at the close of fiscal year on June 30, 2010 was \$22,975,000 of which \$21,580,000 is long-term debt (due after 1 year) and \$1,395,000 is short-term debt (to be paid within 1 year). There were no new debt additions during the fiscal year. Debt reductions were \$1,475,000 for the year. Campbell County had capital project expenditures amounting to \$4,813,625 during fiscal year 2010.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Campbell County's basic financial statements. Campbell County'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 contains other supplementary information in addition to the basic financial statements themselves.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2010
(Continued)**

Overview of the Financial Statements (Continued)

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Campbell County's finances, in a manner similar to a private-sector business.

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

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on the accrual basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Campbell County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The County has several business type activities: A.J. Jolly Park, Lakeside Terrace Apartments and the Housing Choice Voucher Program.

The government-wide financial statements include not only Campbell County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Campbell County has four such entities: A.J. Jolly Park, Lakeside Terrace Apartments, the Housing Choice Voucher Program and the Campbell County Public Properties Corporation. These are known as blended component units.

Government-wide Financial Statements

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Campbell County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Campbell County can be divided into two broad categories: *governmental funds and proprietary funds*.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2010
(Continued)**

Government-wide Financial Statements (Continued)

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Campbell County maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General, Road, Jail, and (TANK) Payroll Tax, the Housing Choice Voucher Program and the Debt Service Public Properties Corporation funds, all of which are considered major funds by the County. The Local Government Economic Assistance, Senior Citizen Tax, Mental Health Tax, Developer Road Escrow, Federal CDBG Fund, and the General Obligation Bond/Construction Fund are considered non-major funds and are represented in a combined form.

Campbell County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Lakeside Terrace Apartments, A.J. Jolly, and Jail Canteen funds.

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.

Government-wide Financial Analysis

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2010
(Continued)**

Government-wide Financial Analysis (Continued)

**Table 1
Campbell County's Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current assets	\$12,704,630	\$15,522,767	\$52,803	\$90,599	\$12,757,433	\$15,613,366
Capital assets	45,795,522	43,645,450	1,360,816	1,471,770	47,156,338	45,117,220
Other assets	390,851	483,921	27,985	213,637	418,836	\$697,558
Total assets	58,891,003	59,652,138	1,441,604	1,776,006	60,332,607	61,428,144
Liabilities						
Current and other liabilities	1,989,438	2,779,209	154,914	166,568	2,144,352	2,945,777
Long-term liabilities	21,629,323	23,021,651	17,185	172,021	21,646,508	23,193,672
Total liabilities	23,618,761	25,800,860	172,099	338,589	23,790,860	26,139,449
Net Assets						
Invested in capital assets, net						
of related debt	23,288,900	19,754,633	1,360,816	1,293,124	24,649,716	21,047,757
Restricted			10,800	193,080	10,800	193,080
Unrestricted	11,983,342	14,096,645	(102,111)	(85,403)	11,881,231	14,011,242
Total net assets	\$35,272,242	\$33,851,278	\$1,269,505	\$1,400,801	\$36,541,747	\$35,252,079

Changes in Net Assets

Governmental Activities. Campbell County's net assets increased by \$1,420,964 in fiscal year 2010. Key elements of this are as follows:

- Current assets and cash decreased by \$2,818,137. This was primarily due to the use of bond funds for the construction of a new administrative building.
- Investment in capital assets, net of related debt decreased by increased by \$3,534,267. This was due to the increase in the capital assets category relating to the administration building.
- Current and long-term liabilities decreased by \$2,182,099 as a result of debt service payments made during the fiscal year.
- Revenues were \$34,223,931 as reflected in the Statement of Revenues and Expenditures.
- Expenditures totaled \$36,334,562 as reflected in the Statement of Revenues and Expenditures.

Business-type Activities. Campbell County's net assets for these activities decreased by \$131,296.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2010
(Continued)**

**Table 2
Campbell County Condensed Statement of Activities**

	2010	2009	2010	2009	2010	2009
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities		
Revenues:						
Program Revenues:						
Charges for Services	\$675,643	\$3,816,572	\$1,297,431	\$1,263,968	\$1,973,074	\$5,080,540
Operating Grants and Contributions	10,652,198	8,397,991			10,652,198	8,397,991
Capital Grants and Contributions						
General Revenues:						
Property Taxes	7,181,507	6,580,945			7,181,507	6,580,945
Occupational Taxes	8,518,144	8,804,748			8,518,144	8,804,748
Other Taxes	2,303,447	2,531,064			2,303,447	2,531,064
Excess Fees	824,048	818,750			824,048	818,750
Other	4,068,944	511,612		84,362	4,068,944	595,974
Total Revenues	34,223,931	31,461,682	1,297,431	1,348,330	35,521,362	32,810,012
Expenses:						
Governmental Activities						
General Government	4,898,035	8,719,643			4,898,035	8,719,643
Protective Services	8,837,165	8,602,648			8,837,165	8,602,648
Health and Sanitation	1,167,685	1,152,177			1,167,685	1,152,177
Social Services	4,666,918	5,235,938			4,666,918	5,235,938
Recreation and Culture	454,794	390,838			454,794	390,838
Roads	2,515,664	3,858,380			2,515,664	3,858,380
Bus Service	4,582,671	4,601,246			4,582,671	4,601,246
Debt Service	1,327,100	1,091,512			1,327,100	1,091,512
Capital Projects Administration	4,352,935	1,067,525			4,352,935	1,067,525
Administration		50,722				50,722
Business Type Activities						
Jail Canteen			135,445	97,457	135,445	97,457
Lakeside Terrace Apts.			377,086	378,419	377,086	378,419
A.J. Jolly Park			916,196	802,834	916,196	802,834
Total Expenses	32,802,967	34,770,629	1,428,727	1,278,710	34,231,694	36,049,339
Change in net assets	1,420,964	(3,308,947)	(131,296)	69,620	1,289,668	(3,239,327)
Net Assets-Beginning (Restated)	33,851,278	37,160,225	1,400,801	1,331,181	35,252,079	38,491,406
Net Assets-Ending	\$35,272,242	\$33,851,278	\$1,269,505	\$1,400,801	\$36,541,747	\$35,252,079

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2010
(Continued)**

Financial Analysis of the County's Funds

As noted earlier, Campbell County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Campbell County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2010 fiscal year, the combined ending fund balance of County governmental funds was \$12,032,665. Approximately 91.3% (\$10,987,117) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$1,045,548) is reserved to indicate that it is not available for new spending because it is committed.

The County has 6 major governmental funds. These are: 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) (TANK) Payroll Tax Fund; 5) Housing Choice Voucher Fund; and 6) Public Properties Corporation. There are five non-major funds. They are the Developers Road Escrow Fund, the Local Government Economic Assistance Fund, the Federal CDBG Fund, the Senior Citizen Tax Fund and the Mental Health Tax Fund.

1. The General Fund is the chief operating fund of Campbell County. At the end of the June 30, 2010 fiscal year the total fund balance of the General Fund was \$5,289,562, all of which was unreserved. During fiscal year 2010 there was an increase of \$1,116,055 from the prior year-end general fund balance. The county received \$6,004,725 in Real Property tax revenues. This accounts for approximately 42% of the general fund revenue. \$3,480,229 was received from personal property, motor vehicle and insurance taxes which account for approximately 24% of the county's general fund revenues. Sheriff and Clerk fees accounted for \$824,048 or 6% of general fund revenues. Various other taxes, service fees and investment earnings make up the remaining 28% of revenues.
2. The Road and Bridge Fund is the fund related to county road and bridge construction and maintenance. The Road and Bridge Fund had \$210,423 in fund balance at June 30, 2010. The fund balance at the end of the previous year was \$179,891. The higher FY 2010 fund balance was due mainly to the timing of road expenditures. The fiscal year 2010 expenditures for road projects were \$1.3 million. State funding provided a total of \$848,329 in funding for road projects during the fiscal year. Transfers from the general fund provided nearly all of the remaining funding requirement.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2010
(Continued)**

Financial Analysis of the County's Funds (Continued)

3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2010 of \$578,969, all of which was unreserved. That is a decrease in fund balance of \$113,331 from the previous fiscal year-end. The Jail Fund received \$4,204,692 from the state and federal governments for services, primarily for housing prisoners. Transfers from other funds were used to cover a total of \$3,417,209 in jail expenses.
4. The (TANK) Payroll Tax Fund is used in part to provide funds for the operation of the regional transit system. As of June 30, 2010 the balance in this fund was \$4,554,902. This represented a decrease in the fund balance of \$284,548 from the previous year-end. This decrease in fund balance was due mainly to transfers made from the payroll fund to the general fund in order to meet the general funding needs of the County.
5. The Housing Choice Voucher Program ended the 2010 fiscal year with a fund balance of \$578,420. The previous year balance was \$582,421. The Program derives nearly all of its revenue from The Department of Housing and Urban Development (HUD).
6. The Public Properties Corporation Fund serves as a conduit for the financing of various County projects. Thus bonds and refunding bonds have been issued through this Corporation. The fund balance at the end of June 30, 2010 was \$88,684. The June 30, 2009 ending fund balance was \$168,627.
7. The total fund balance for the non-major funds as of June 30, 2010 was \$731,705. This represented a decrease over the prior year of \$ 87,067. Total expenditures for the non-major funds for the year were \$4,177,558. Revenue sources for the non-major funds include occupational license and payroll taxes designated for senior citizens and mental health programs in the County. The Senior Citizen program revenues for the year from this source amounted to \$412,483. Mental Health program revenues were \$812,300 for the year. A total of \$131,521 was transferred out of the Mental Health Fund to cover mental health expenditures made by other funds.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Campbell County has three enterprise funds, the Lakeside Terrace Apartments, A.J. Jolly Park and the Jail Canteen.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2010
(Continued)**

Financial Analysis of the County's Funds (Continued)

1. Lakeside Terrace Apartments had net assets of \$491,362 as of June 30, 2010 with a cash balance of \$1,725. Most of the revenue for this fund is derived from tenant payments. During fiscal year 2010 these tenant payments for rent amounted to \$235,351. Federal payments into this fund for tenant assistance amounted to \$64,667.
2. A.J. Jolly Park net assets at June 30, 2010 amounted to \$681,929 with a cash balance of \$48,289. The majority of the Park's assets consisted of capital assets such as land and land improvements for the golf and general recreation facility. Net capital assets for Jolly amounted to \$681,929 at the fiscal year-end. Revenues for the golf course amounted to \$776,692 and were derived from user fees.
3. The Jail Canteen Fund had net assets of \$96,214 as of June 30, 2010 with a cash balance of \$111,391. Most of the revenue for this fund is derived from sales to County Jail inmates and the expenses are purchases of items for resale as well as the salary of the canteen clerk.

General Fund Budgetary Highlights.

The County's original budget was amended during the fiscal year increasing the operating budget. Budget amendments were made to the General to adjust for the receipt of various unanticipated revenues and related expenses.

Actual operating revenues were \$196,917 less than the budget amended by the Fiscal Court. This decrease was primarily due to lower tax revenues lower interest income and lower intergovernmental revenue.

Actual operating expenditures were \$3,588,007 less than the budget amended by the Fiscal Court. This was primarily due to less than anticipated cost in the general government, administrative, debt service and capital project categories.

Capital Assets and Debt Administration

Capital Assets. Campbell County's investment in capital assets for its government and business type activities as of June 30, 2010, amounted to \$47,156,338 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and infrastructure assets. The County has elected to report infrastructure assets per GASB 34 provisions.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2010
(Continued)**

Capital Assets and Debt Administration (Continued)

Major capital asset events during the 2010 fiscal year included expenditures relating to the construction of a new county administration building, the purchase of several new police cruisers, replacement of computer hardware and software and replacement of other aging County equipment.

Additional information on the County's capital assets can be found in Note 4 of this report.

**Table 3
Campbell County's Capital Assets, Net of Accumulated Depreciation**

	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Infrastructure Assets	\$10,993,331	\$12,267,355			\$10,993,331	\$12,267,355
Land	3,860,187	3,860,187	\$497,462	\$497,462	4,357,649	4,357,649
Construction In Process & Bldgs. & Improvmts.	28,487,514	25,960,785	863,354	974,308	29,350,868	26,935,093
Other Equip.	1,604,012	655,632			1,604,012	655,632
Vehicles & Equip.	850,478	901,491			850,478	901,491
	\$45,795,522	\$43,645,450	\$1,360,816	\$1,471,770	\$47,156,338	\$45,117,220

Long-Term Debt. At the end of the 2010 fiscal year, Campbell County had total bonds payable of \$22,975,000. The amount of this debt due within the next year is \$1,395,000 and \$21,580,000 is due in subsequent years. This debt is for the district and circuit court facilities, the County Administration Building, jail and park facilities and equipment and emergency dispatch center equipment. This debt is described in note 7 of the notes to the financial statements.

Other matters

The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2011 fiscal year budget:

- The 2011 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2010
(Continued)**

Other Matters (Continued)

- The increasing cost of housing prisoners in the Campbell County Detention Center continues to be a drain on the overall budget. The County is considering a number of measures to address this problem, which is common to county governments throughout the state.
- The recent economic downturn in the country has had an impact on employment and business tax revenues that are needed to fund County operations. The County continues to reduce costs and increase revenues wherever possible in an effort to meet this challenge

Requests for Information

This financial report is designed to provide a general overview of Campbell County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to James D. Seibert, Fiscal Director, Campbell County Fiscal Court, 1098 Monmouth St. Newport, KY 41071.

**CAMPBELL COUNTY
STATEMENT OF NET ASSETS**

June 30, 2010

CAMPBELL COUNTY
STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 8,118,852	\$ 161,405	\$ 8,280,257
Accounts Receivable	4,399,301	15,393	4,414,694
Notes/Capital Lease Receivable			
Due Within One Year	77,527		77,527
Internal Balances	108,950	(108,950)	
Total Current Assets	<u>12,704,630</u>	<u>67,848</u>	<u>12,772,478</u>
Noncurrent Assets:			
Notes/Capital Lease Receivable			
Due After One Year	151,234		151,234
Bond Issuance Costs, Net	85,032		85,032
Discount on Bond, Net	154,585		154,585
Tenant Deposits Held in Trust		17,185	17,185
Escrow Deposits		6,401	6,401
Residual Receipts		3,853	3,853
Replacement Reserve		546	546
Capital Assets - Net of Accumulated Depreciation			
Land	3,860,187	497,462	4,357,649
Land Improvements	570,242	326,073	896,315
Buildings	27,917,272	347,034	28,264,306
Portable Building Equipment		80,371	80,371
Equipment for Tenant Use		8,198	8,198
Furnishings		7,501	7,501
Office Furniture and Equipment		712	712
Maintenance Equipment		1,772	1,772
Golf Equipment		79,932	79,932
Clubhouse Furniture and Fixtures		11,761	11,761
Other Equipment	1,604,012		1,604,012
Vehicles and Equipment	850,478		850,478
Infrastructure Assets - Net of Accumulated Depreciation	<u>10,993,331</u>		<u>10,993,331</u>
Total Noncurrent Assets	<u>46,186,373</u>	<u>1,388,801</u>	<u>47,575,174</u>
Total Assets	<u>58,891,003</u>	<u>1,456,649</u>	<u>60,347,652</u>

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

CAMPBELL COUNTY
STATEMENT OF NET ASSETS
June 30, 2010
(Continued)

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 247,023	\$ 48,244	\$ 295,267
Family Self Sufficiency Escrow Payable	25,519		25,519
Accrued Liabilities		32,399	32,399
Accrued Salaries and Payroll Taxes	321,896	2,341	324,237
Accounts Payable - Project Improvement		71,930	71,930
Bonds Payable	1,395,000		1,395,000
Total Current Liabilities	<u>1,989,438</u>	<u>154,914</u>	<u>2,144,352</u>
Noncurrent Liabilities:			
Tenant Security Deposits		17,185	17,185
Bonds Payable	21,580,000		21,580,000
Compensated Absences	49,323		49,323
Total Noncurrent Liabilities	<u>21,629,323</u>	<u>17,185</u>	<u>21,646,508</u>
Total Liabilities	<u>23,618,761</u>	<u>172,099</u>	<u>23,790,860</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	23,288,900	1,360,816	24,649,716
Restricted		10,800	10,800
Unrestricted	11,983,342	(87,066)	11,896,276
Total Net Assets	<u>\$ 35,272,242</u>	<u>\$ 1,284,550</u>	<u>\$ 36,556,792</u>

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

**CAMPBELL COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2010**

**CAMPBELL COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2010

Functions/Programs Reporting Entity	Expenses	Program Revenues Received	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General Government	\$ 4,898,035	\$ 454,633	\$ 1,375,580
Protection to Persons and Property	8,837,165	219,534	4,204,692
General Health and Sanitation	1,167,685		
Social Services	4,666,918	1,476	3,934,691
Recreation and Culture	454,794		
Roads	2,515,664		858,900
Bus Service	4,582,671		278,335
Debt Service	1,327,100		
Capital Projects	4,352,935		
Total Governmental Activities	<u>32,802,967</u>	<u>675,643</u>	<u>10,652,198</u>
Business-type Activities:			
Lakeside Terrace Apartments	377,086	309,459	
A.J. Jolly Park	916,196	846,728	
Jail Canteen	135,445	156,289	
Total Business-type Activities	<u>1,428,727</u>	<u>1,312,476</u>	
Total	<u><u>\$ 34,231,694</u></u>	<u><u>\$ 1,988,119</u></u>	<u><u>\$ 10,652,198</u></u>

General Revenues:

Taxes:
 Real Property Taxes
 Personal Property Taxes
 Motor Vehicle Taxes and Licenses
 Occupational Taxes
 Other Taxes
Excess Fees
Unrestricted Investment Earnings
Miscellaneous Revenues

Total General Revenues
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

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

CAMPBELL COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2010
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Totals
\$ (3,067,822)	\$	\$ (3,067,822)
(4,412,939)		(4,412,939)
(1,167,685)		(1,167,685)
(730,751)		(730,751)
(454,794)		(454,794)
(1,656,764)		(1,656,764)
(4,304,336)		(4,304,336)
(1,327,100)		(1,327,100)
(4,352,935)		(4,352,935)
(21,475,126)		(21,475,126)
	(67,627)	(67,627)
	(69,468)	(69,468)
	20,844	20,844
	(116,251)	(116,251)
\$ (21,475,126)	\$ (116,251)	\$ (21,591,377)
6,004,725		6,004,725
503,618		503,618
673,164		673,164
8,518,144		8,518,144
2,303,447		2,303,447
824,048		824,048
82,489		82,489
3,986,455		3,986,455
22,896,090	-	22,896,090
1,420,964	(116,251)	1,304,713
33,851,278	1,400,801	35,252,079
\$ 35,272,242	\$ 1,284,550	\$ 36,556,792

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

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**CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2010

**CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2010

	General Fund	Road Fund	Jail Fund	(TANK) Payroll Tax Fund
ASSETS				
Cash and Cash Equivalents	4,539,324	32,794	146,665	2,312,823
Accounts Receivable - HUD				
Accounts Rec - Taxes	537,013			1,963,744
Accounts Rec - Excess Fees	130,130			
Accounts Rec - Intergov Rev.	29,888	228,743	596,383	278,335
Accounts Rec - Charges for Services			17,333	
Accounts Rec - Miscellaneous	219,535		24,962	
Accounts Receivable - Other				
Restricted Cash-Family Self-Sufficiency Escrow Due From				
Lakeside Terrace Apartments Fund	108,950			
Total Assets	<u>5,564,840</u>	<u>261,537</u>	<u>785,343</u>	<u>4,554,902</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	118,585	21,882	98,368	
Family Self-Sufficiency Escrow Payble				
Accrued Salaries and Payroll Taxes	156,693	29,232	108,006	
Total Liabilities	<u>275,278</u>	<u>51,114</u>	<u>206,374</u>	
FUND BALANCES				
Reserved for:				
Encumbrances				
TANK Contribution				1,045,548
Unreserved:				
General Fund	5,289,562			
Special Revenue Funds		210,423	578,969	3,509,354
Debt Service Funds				
Total Fund Balances	<u>5,289,562</u>	<u>210,423</u>	<u>578,969</u>	<u>4,554,902</u>
Total Liabilities and Fund Balances	<u>\$ 5,564,840</u>	<u>\$ 261,537</u>	<u>\$ 785,343</u>	<u>\$ 4,554,902</u>

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

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010
(Continued)

Housing Choice Voucher Program	Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$ 592,064	\$ 88,684	\$ 406,498	8,118,852
8,356			8,356
		336,559	2,837,316
			130,130
			1,133,349
			17,333
			244,497
2,801			2,801
25,519			25,519
			108,950
<u>628,740</u>	<u>88,684</u>	<u>743,057</u>	<u>12,627,103</u>
383		7,805	247,023
25,519			25,519
24,418		3,547	321,896
<u>50,320</u>		<u>11,352</u>	<u>594,438</u>
			1,045,548
			5,289,562
578,420		731,705	5,608,871
	88,684		88,684
<u>578,420</u>	<u>88,684</u>	<u>731,705</u>	<u>12,032,665</u>
<u>\$ 628,740</u>	<u>\$ 88,684</u>	<u>\$ 743,057</u>	<u>\$ 12,627,103</u>

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

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010
(Continued)

Reconciliation of the Balance Sheet- Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 12,032,665
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Certain Receivables Reported In Governmental Activities Are Not Financial Resources And Therefore Are Not Reported In The Funds	
Notes Receivable: One Year	77,527
Notes Receivable: More than One Year	151,234
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	80,218,920
Accumulated Depreciation	(34,423,398)
Bond Issuance Costs Reported in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds	85,032
Discount on Bond Reported in Governmental Activities Is Not Financial Resource And Therefore Is Not Reported in the Funds	154,585
Long-term Liabilities Are Not Due And Payable In The Current Period And, Therefore, Are Not Reported In The Funds.	
Due within One Year - Bonds, Notes, and Other Principal Payments	(1,395,000)
Due in More than One Year - Bonds, Notes, and Other Principal Payments	(21,580,000)
Compensated Absences	(49,323)
Net Assets Of Governmental Activities	<u>\$ 35,272,242</u>

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

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2010

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2010

	General Fund	Road Fund	Jail Fund	(TANK) Payroll Tax Fund
REVENUES				
Taxes	\$ 9,484,954	\$	\$	\$ 7,293,361
In Lieu of Tax Payments				
Excess Fees	824,048			
Licenses and Permits	115,995			
Intergovernmental	1,259,585	848,329	4,204,692	278,335
Charges for Services	69,782		219,534	
Miscellaneous	3,628,239	52,172	276,386	25
Interest	8,008	161	202	3,553
Total Revenues	<u>15,390,611</u>	<u>900,662</u>	<u>4,700,814</u>	<u>7,575,274</u>
EXPENDITURES				
General Government	3,177,428			52,061
Protection to Persons and Property	2,916,893		5,425,324	
General Health and Sanitation	426,152			
Social Services	685,553			
Recreation and Culture	418,001			
Roads		1,314,770		
Bus Service				4,582,671
Debt Service	1,038,763	91,238	1,119,760	
Capital Projects	1,312,801	199,000		
Administration	2,990,479	431,122	1,686,270	9,090
Total Expenditures	<u>12,966,070</u>	<u>2,036,130</u>	<u>8,231,354</u>	<u>4,643,822</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>2,424,541</u>	<u>(1,135,468)</u>	<u>(3,530,540)</u>	<u>2,931,452</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	2,256,285	1,166,000	3,417,209	
Transfers To Other Funds	(3,564,771)			(3,216,000)
Total Other Financing Sources (Uses)	<u>(1,308,486)</u>	<u>1,166,000</u>	<u>3,417,209</u>	<u>(3,216,000)</u>
Net Change in Fund Balances	1,116,055	30,532	(113,331)	(284,548)
Fund Balances - Beginning	4,173,507	179,891	692,300	4,839,450
Fund Balances - Ending	<u>\$ 5,289,562</u>	<u>\$ 210,423</u>	<u>\$ 578,969</u>	<u>\$ 4,554,902</u>

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

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2010
(Continued)

Housing Choice Voucher Program	Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$	\$	\$ 1,224,783	\$ 18,003,098
			824,048
			115,995
3,799,476		145,786	10,536,203
	384,851	1,476	675,643
10,507		19,126	3,986,455
604	246	69,715	82,489
<u>3,810,587</u>	<u>385,097</u>	<u>1,460,886</u>	<u>34,223,931</u>
413,416		8,675	3,651,580
			8,342,217
		731,372	1,157,524
3,397,995		540,030	4,623,578
			418,001
		13,013	1,327,783
			4,582,671
	459,903	17,175	2,726,839
3,177		2,837,957	4,352,935
	5,137	29,336	5,151,434
<u>3,814,588</u>	<u>465,040</u>	<u>4,177,558</u>	<u>36,334,562</u>
<u>(4,001)</u>	<u>(79,943)</u>	<u>(2,716,672)</u>	<u>(2,110,631)</u>
		159,000	6,998,494
		<u>(217,723)</u>	<u>(6,998,494)</u>
		<u>(58,723)</u>	
(4,001)	(79,943)	(2,775,395)	(2,110,631)
582,421	168,627	3,507,100	14,143,296
<u>\$ 578,420</u>	<u>\$ 88,684</u>	<u>\$ 731,705</u>	<u>\$ 12,032,665</u>

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

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

For The Year Ended June 30, 2010

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

For The Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (2,110,631)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay Expenditures	4,696,444
Infrastructure	117,180
Depreciation Expense	(2,643,085)
Assets Disposed of, Net Book Value	(20,468)
Receipt from Extension For Bond Payment	(75,261)

Certain revenues are recorded in the funds; however, they decrease liabilities at the government-wide level and are not reported on the Statement of Activities.

Some expenses reported on the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in Compensated Absences	(2,672)
--------------------------------	---------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of Long Term Debt Pincipal	1,475,000
Amortization of Bond Issuance Costs and Bond Discount	(15,543)

Change in Net Assets of Governmental Activities	\$ 1,420,964
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The accompanying notes are an integral part of the financial statements.

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CAMPBELL COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND

June 30, 2010

**CAMPBELL COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND**

June 30, 2010

Business-Type Activities - Enterprise Funds

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 1,725	\$ 48,289	111,391	\$ 161,405
Accounts Receivable	348		15,045	15,393
Prepaid Expenses	-			-
Total Current Assets	2,073	48,289	126,436	176,798
Noncurrent Assets:				
Tenant Deposits Held in Trust	17,185			17,185
Escrow Deposits	6,401			6,401
Residual Receipts	3,853			3,853
Replacement Reserve	546			546
Total Restricted Deposits	27,985			27,985
Capital Assets:				
Land		497,462		497,462
Land Improvements	268,340	688,820		957,160
Buildings and Depreciable Land Improvements	1,808,158	140,704		1,948,862
Building Equipment - Portable	149,831			149,831
Equipment for Tenant Use	82,300			82,300
Furnishings	45,713			45,713
Office Furniture and Equipment	8,482			8,482
Furniture and Fixtures		106,097		106,097
Maintenance Equipment	5,001			5,001
Equipment		598,515		598,515
Total Capital Assets	2,367,825	2,031,598		4,399,423
Less Accumulated Depreciation	(1,695,268)	(1,343,339)		(3,038,607)
Net Capital Assets	672,557	688,259		1,360,816
Total Noncurrent Assets	700,542	688,259		1,388,801
Total Assets	\$ 702,615	\$ 736,548	\$ 126,436	\$ 1,565,599

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

CAMPBELL COUNTY
 STATEMENT OF NET ASSETS - PROPRIETARY FUND
 June 30, 2010
 (Continued)

Business-Type Activities - Enterprise Funds

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Liabilities				
Current Liabilities				
Accounts Payable	\$ 10,847	\$ 15,527	15,177	\$ 41,551
Accrued Liabilities		32,399		32,399
Accounts Payable - Project Improvement	71,930			71,930
Related Party Note Payable	21,790			21,790
Accrued Wages	1,908			1,908
Accrued Payroll Taxes	433			433
Gift Card Payable		6,693		6,693
Total Current Liabilities	<u>106,908</u>	<u>54,619</u>	<u>15,177</u>	<u>176,704</u>
Noncurrent Liabilities				
Tenant Security Deposits	17,185			17,185
Related Party Note Payable, Less Current Portion	87,160			87,160
Total Noncurrent Liabilities	<u>104,345</u>			<u>104,345</u>
Total Liabilities	<u>211,253</u>	<u>54,619</u>	<u>15,177</u>	<u>281,049</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	672,557	688,259		1,360,816
Unrestricted	(191,995)	(538,785)	111,259	(619,521)
Debt Service Requirements		323,754		323,754
Recreation Project Grants		208,701		208,701
Restricted	10,800			10,800
Total Net Assets	<u>\$ 491,362</u>	<u>\$ 681,929</u>	<u>\$ 111,259</u>	<u>\$ 1,284,550</u>

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

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CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND

For The Year Ended June 30, 2010

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND

For The Year Ended June 30, 2010

Business-Type Activities - Enterprise Funds

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Operating Revenues				
Rent Revenue - Gross Potential	\$ 235,351	\$	\$	\$ 235,351
Tenant Assistance Payments	64,667			64,667
Net Rental Revenue	300,018			300,018
Golf		426,343		426,343
Rentals - Power Carts		229,717		229,717
Rentals - Miscellaneous		2,103		2,103
Commissary Sales - Cigarettes			37,921	37,921
Commissary Profits			111,838	111,838
Concession Commissions		115,010		115,010
Miscellaneous Revenue		3,519	6,437	9,956
Total Operating Revenues	300,018	776,692	156,196	1,232,906
Less:				
Rent Expense - Power Carts		(55,004)		(55,004)
Gross Profit on Operating Revenues	300,018	721,688	156,196	1,177,902
Operating Expenses				
Protection to Persons and Property				
Educational and Recreational			32,441	32,441
Miscellaneous			12,878	12,878
Payment to Suppliers			90,126	90,126
Golf		482,533		482,533
Clubhouse		342,401		342,401
Administrative	68,939			68,939
Depreciation	79,293			79,293
Utilities	93,269			93,269
Operating and Maintenance Expense	112,056			112,056
Taxes and Insurance	21,538			21,538
Financial Expense	1,991			1,991
Total Operating Expenses	377,086	824,934	135,445	1,337,465
Operating Income (Loss)	(77,068)	(103,246)	20,751	(159,563)

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

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
For The Year Ended June 30, 2010
(Continued)**

	<u>Terrace Apartments</u>	<u>Jolly Park</u>	<u>Canteen Fund</u>	<u>Total</u>
Nonoperating Revenues (Expenses)				
Revenue from Investments - Project Operations	\$	\$	\$	\$
Revenue from Investments - Reserve for Replacements				
Contribution from Campbell County Fiscal Court		70,000		70,000
Total Financial Revenue		<u>70,000</u>		<u>70,000</u>
Interest Reduction Payments Revenue	6,794			6,794
Laundry and Vending Revenue	<u>2,577</u>			<u>2,577</u>
Total Other Revenue	9,371			9,371
Interest Income	70	36	93	199
Transfer to Pay on Lease		<u>(36,258)</u>		<u>(36,258)</u>
Total Nonoperating Revenues (Expenses)	<u>9,441</u>	<u>33,778</u>	<u>93</u>	<u>43,312</u>
Change In Net Assets	(67,627)	(69,468)	20,844	(116,251)
Total Net Assets - Beginning	<u>558,989</u>	<u>751,397</u>	<u>90,415</u>	<u>1,400,801</u>
Total Net Assets - Ending	<u>\$ 491,362</u>	<u>\$ 681,929</u>	<u>\$ 111,259</u>	<u>\$ 1,284,550</u>

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

**CAMBPELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND**

For The Year Ended June 30, 2010

**CAMPBELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND**

For The Year Ended June 30, 2010

Business-Type Activities - Enterprise Funds

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Cash Flows From Operating Activities				
Receipts from Green Fees	\$	\$ 426,343	\$	\$ 426,343
Receipts from Interest on Investments	35			35
Rental for Golf Carts		229,717		229,717
Miscellaneous Rentals		2,103		2,103
Rental Receipts	300,018			300,018
Receipts from Commissions		115,010		115,010
Miscellaneous Income		3,519	6,437	9,956
Laundry and Vending Revenue	2,577			2,577
Excess Rent Retained by Project	35			35
Interest Reduction Payments Revenue	6,794			6,794
Receipts from Sale of Cigarettes Profits			37,921 108,063	37,921 108,063
Payments to Employees	(80,874)	(476,435)		(557,309)
Educational and Recreational			(32,441)	(32,441)
Miscellaneous Payments			(12,878)	(12,878)
Payments to Suppliers	(249,894)	(345,048)	(85,217)	(680,159)
Net Cash (Used) Provided By Operating Activities	(21,309)	(44,791)	21,885	(44,215)
Cash Flows From Capital and Related Financing Activities				
Purchase of Capital Assets		(17,420)		(17,420)
Transfers to Pay on Lease		(12,458)		(12,458)
Debt Payments	(171,810)	(23,800)		(195,610)
Net Cash (Used) Provided By Capital and Related Financing Activities	(171,810)	(53,678)		(225,488)
Cash Flows from Non-Capital Financing Activities				
Receipts from Campbell County General Fund		70,000		70,000
Net Cash Provided By Non-Capital Financing Activities		70,000		70,000

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

CAMPBELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For The Year Ended June 30, 2010
(Continued)

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Cash Flows From Investing Activities				
Interest Earned	\$	\$ 36	\$ 93	\$ 129
Net Deposits to Reserve for Replacements Account	176,375			176,375
Net Withdrawals from Mortgage Escrow Account	5,925			5,925
Net Withdrawals from Residual Receipts Account	(20)			(20)
Net Purchase of Fixed Assets	(14,169)			(14,169)
Net Cash (Used) Provided By				
Investing Activities	168,111	36	93	168,240
Net (Decrease) Increase in Cash and Cash Equivalents	(25,008)	(28,433)	21,978	(31,463)
Cash and Cash Equivalents - July 1, 2009	26,733	76,722	89,413	192,868
Cash and Cash Equivalents - June 30, 2010	<u>\$ 1,725</u>	<u>\$ 48,289</u>	<u>\$ 111,391</u>	<u>\$ 161,405</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$	\$ (103,246)	\$ 20,751	\$ (82,495)
Change in Net Assets	(67,627)			(67,627)
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities				
Depreciation Expense	79,293	63,250		142,543
Changes In:				
Accounts Receivable			11,270	11,270
Prepaid expenses	5,246			5,246
Accounts Payable	(10,943)	(7,362)	4,909	(13,396)
Accrued Liabilities	(2,734)	967		(1,767)
Gift Card Payable		1,600		1,600
Accrued Interest	(24,544)			(24,544)
Net Cash (Used) Provided By Operating Activities	<u>\$ (21,309)</u>	<u>\$ (44,791)</u>	<u>\$ 36,930</u>	<u>\$ (29,170)</u>

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

**CAMPBELL COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS**

June 30, 2010

CAMPBELL COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS

June 30, 2010

	<u>Agency Funds</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 71,739</u>
Total Assets	<u>71,739</u>
Liabilities	
Amounts Held In Custody For Others	<u>71,739</u>
Total Liabilities	<u>71,739</u>
Net Assets	
Total Net Assets	<u><u>\$</u></u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	51
NOTE 2.	DEPOSITS AND INVESTMENTS	60
NOTE 3.	OPERATING LEASES.....	61
NOTE 4.	CAPITAL ASSETS	62
NOTE 5.	JOINT VENTURES	64
NOTE 6.	CAPITAL LEASE RECEIVABLE.....	64
NOTE 7.	LONG-TERM DEBT.....	65
NOTE 8.	INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS	69
NOTE 9.	EMPLOYEE RETIREMENT SYSTEM.....	70
NOTE 10.	INSURANCE	70
NOTE 11.	ESTIMATED INFRASTRUCTURE HISTORICAL COST.....	71
NOTE 12.	CONCENTRATIONS OF BUSINESS RISK.....	71
NOTE 13.	INTERFUND TRANSACTIONS	72
NOTE 14.	DISAGGREGATION OF ACCOUNTS PAYABLE.....	72
NOTE 15.	SUBSEQUENT EVENTS.....	63

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2010

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA.) (See part D for additional discussion on basis of presentation.)

B. Reporting Entity

For financial reporting purposes, the Campbell County Fiscal Court includes the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no discretely presented component units.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the Fiscal Court is able to impose its will on these organizations. These organizations' balances and transactions are reported as though they are part of the County's primary government using the blending method.

Campbell County Fiscal Court Housing Choice Voucher Program:

The Campbell County Fiscal Court operates the Housing Voucher Department Housing Choice Voucher Program. It is engaged in providing rental assistance to persons of low income and who, for the most part, are residents of Campbell County, Kentucky. Funds to operate the program are obtained principally from the U.S. Department of Housing and Urban Development. This component unit is blended within the financial statements of the County.

Campbell County Public Properties Corporation:

The Board of Directors of the Campbell County Public Properties Corporation is made up entirely of the members of the Campbell County Fiscal Court. The Corporation is created solely for the benefit of the Fiscal Court per KRS 58.180 to act as an agent in the acquisition and financing of any public project and cannot be sued in its own name without recourse to the Campbell County Fiscal Court. The Fiscal Court has access to the Corporation's resources and is legally obligated to finance the debts or provide financial support to the Corporation. The Corporation is financially accountable to the Fiscal Court. This component unit is blended within the financial statements of the County.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Lakeside Terrace Apartments HUD Project No. 083-44012-236:

The Project is a 96-unit apartment complex for the elderly located in Highland Heights, Kentucky. The project is operated under Section 236 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development with respect to rental charges and operating methods. The Project's major program is its Section 236 direct loan. Legal title to the project is held by the Campbell County Public Properties Corporation, a nonprofit corporation. This component unit is blended within the financial statements of the County.

A.J. Jolly Park:

The activities of A.J. Jolly Park (an agency of the Campbell County Fiscal Court) are accounted for as an enterprise fund. This method was adopted to account for the Park's operations in a manner similar to private business enterprises. The major portion of land on which the Park is operated is owned by the Campbell County Public Parks Corporation, which used two related bond issues to acquire it. Once the bonds are retired, the Public Parks Corporation will transfer title of the property to the County. This component unit is blended within the financial statements of the County.

Copies of the audits of the blended component units can be obtained by contacting James D. Seibert, Fiscal Director, Campbell County Fiscal Court, 1098 Monmouth St., Newport, KY 41071.

C. Campbell County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Campbell County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Campbell County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of inter-fund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The Statement of Net Assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenues once provider-imposed eligibility requirements have been met.

A significant feature of the government-wide Statement of Activities is the presentation of each program's net cost. GAAP requires the reporting of a program's net cost to indicate how self-sustaining the program is and to reveal the extent of reliance on other governmental units. Net cost is obtained by subtracting program expenses from program revenues. Program expenses are those costs attributable to a particular function including certain indirect costs. GAAP permits both direct and indirect program expenses to be presented together in an "Expenses" column. Therefore, indirect expenses are not specifically identified with individual functions and activities.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The Fiscal Court may also designate any fund as major.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

All governmental fund statements are accounted for on the modified accrual basis of accounting and focus on the flow of current financial resources. In accordance with the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Revenues are considered to be available when they are either collected within the current period or their collection is expected shortly after the end of the current period in time to meet current liabilities. The County generally includes those revenues to be received up to 90 days following the end of the accounting period. Revenues expected to be collected after 90 days beyond the end of the accounting period are considered unavailable and are reported as deferred revenues. Deferred revenues also include amounts received but unearned as of June 30. In the governmental funds, where the focus is on the flow of current resources, expenditures are usually recorded at the time liabilities are incurred. Exceptions are: inventories, prepayments, and acquisition of capital assets which are recorded at the time of acquisition, principal and interest on long-term debt, as well as compensated absences which are recorded as expenditures in the period payment is made.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

(TANK) Payroll Tax Fund – The purpose of this fund is to account for occupational tax collections, which were originally approved by the voters as Section 12 of Ordinance R-34-78 and amended with Ordinance O-26-99. All money derived under the provisions of this Ordinance is placed to the credit of:

- A) The General Revenue Fund of the County of Campbell and shall be used and expended in defraying the current general and incidental expenses of the County
- B) To appropriate and pay over to the Transit Authority of Northern Kentucky capital and operating funds as provided in K.R.S. Chapter 96A;
- C) For traffic improvement and mass transportation related projects as authorized by the Fiscal Court.

Campbell County Housing Choice Voucher Program - The Campbell County Housing Choice Voucher Program is operated by the Campbell County Fiscal Court. It is engaged in providing rental assistance to persons of low income and who, for the most part, are residents of Campbell County, Kentucky. Funds to operate this program are obtained principally from the U.S. Department of Housing and Urban Development.

Campbell County Public Properties Corporation - This Corporation was created solely for the benefit of the Fiscal Court to act as an agent in the acquisition and financing of any public project. It is used to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, General Obligation Bond/Construction Fund, Senior Citizens Tax Fund, Mental Health Tax Fund, the Developer Road Escrow Fund, and the Federal CDBG Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, (TANK) Payroll Tax Fund, Campbell County Housing Choice Voucher Program, Local Government Economic Assistance Fund (LGEA), Senior Citizen Tax Fund, Mental Health Tax Fund, the Developer Road Escrow Fund, and the Federal CDBG Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Debt Service Funds:

The Campbell County Public Properties Corporation is used to account for the accumulation of resources for, and payment of general long-term debt principal and interest.

The General Obligation Bond/Construction Fund is used to account for the accumulation of resources for, and the payment of long-term debt principal and interest on the Campbell County General Obligation Public Projects Bond, Series 2006.

Proprietary Funds

Proprietary funds use the full accrual basis of accounting, recognizing revenues and expenses when they occur, regardless of the timing of cash flows. On the Statement of Revenues, Expenses and Changes in Net Assets, the term “expenses” (not “expenditures” as in the governmental funds on a modified accrual basis) describes the decrease in economic benefits and emphasizes the accrual basis of accounting.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds’ principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county’s enterprise funds are charges to customers for sales in the Jail Canteen Fund, at Lakeside Terrace Apartments and A.J. Jolly Park. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary funds:

Lakeside Terrace Apartments HUD Project No. 083-44012-236

The Project is a 96-unit apartment project for the elderly located in Highland Heights, Kentucky. The Project is operated under Section 236 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development with respect to rental charges and operating methods. The Project’s major program is its Section 236 direct loan.

Legal title to the Project is held by Campbell County Public Properties Corporation, a nonprofit corporation. The accompanying financial statements are those of the Project and do not represent the financial statements of Campbell County Public Properties Corporation. The Project is a component unit of the Campbell County Fiscal Court.

The Project is subject to Section 8 Housing Assistance Payments agreements with U.S. Department of Housing and Urban Development (HUD), and a significant portion of the Project’s rental income is received from HUD. The Project’s non-major programs are its rent subsidy and Flexible Subsidy Loan.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

A.J. Jolly Park

The A.J. Jolly Park is a component unit enterprise fund of the Campbell County Fiscal Court. The Park is the operator of the A.J. Jolly Golf Course.

Jail Canteen Fund

Inmates at the Campbell County Jail are set up with an account upon entry. Inmates are permitted to order items, such as snacks, and use money from their account to pay. This fund's purpose is to record the profits from this operation. The profits are used to benefit the prisoners.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The agency funds of Campbell County are the Jail Inmate Account, the Employee Fund Account, the Senior Citizen's Account, and the Performance Bond Account (no balance as of June 30, 2010).

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). Investments are reported at fair market value.

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated assets are recorded at fair market value at the time of donation.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	3-30
Buildings and Building Improvements	\$ 5,000	20-60
Machinery and Equipment	\$ 5,000	5-10
Vehicles	\$ 5,000	4-10
Utility Systems	\$ 5,000	25-40
Infrastructure	\$ 5,000	20-40

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

Compensated Absences

The County's policies regarding vacation time do not permit an employee to accumulate vacation time. Although they earn time based on their years of service, they have until April of the following year to utilize all vacation time earned the previous year. However, upon termination of employment, employees do not receive pay for unused vacation time.

The County Police and the Road Department have a separate contract for sick leave. These employees earn 40 hours of sick leave per year. The entire 40 hours is given to them in January. If they are still employed by the Fiscal Court on December 31, they receive pay for their unused sick time the following January. If they are not employed on December 31, they do not get paid for their unused sick time.

The remaining Fiscal Court employees also receive 40 hours of sick leave in January; however, they do not get paid for their unused sick time.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent Fiscal Court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the Fiscal Court incurs no liability until performance has occurred on the part of the party with whom the Fiscal Court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

"Reserved for TANK (Transit Authority of Northern Kentucky) Contributions" refers to the portion of the TANK payroll tax receivable (first quarter) which the Campbell County Fiscal Court has agreed to provide to TANK to provide transit service in Campbell County.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The State Local Finance Officer does not require the Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to this fund and these transfers are budgeted in the governmental funds.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted, because the Fiscal Court does not approve these expenses made from these funds. However, Campbell County has chosen to budget these funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include payroll taxes.

In the fund financial statements, material receivables in the governmental funds include revenue accruals, such as, occupational taxes, grants, and other similar revenues since they are usually both measurable and available. Non-exchange transactions, collectible but not available, are deferred in the fund financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded when earned only if paid within 90 days since they would be considered both measurable and available.

K. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as "due to and from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

At June 30, 2010, Lakeside Terrace Apartments owed the General Fund \$108,950.

Note 2. Deposits and Investments

A. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The county does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (A). As of June 30, 2010, all deposits were covered by FDIC Insurance or a properly executed collateral security agreement.

B. Investments

At June 30, 2010, all of the county's investments were classified as cash and cash equivalents. These were collateralized by pledged securities held by the county's agent in the county's name, and therefore were not subject to custodial credit risk.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 3. Operating Leases

A. Copiers

The Fiscal Court/Jail entered into lease agreements for copiers to be used by various county departments. The total expense related to this lease was \$10,452 for the fiscal year ended June 30, 2010. The leases are set to expire at different dates. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities Amount</u>
2011	\$ 9,992
2012	5,616
2013	2,640
2014	2,640
2015	<u>660</u>
Total Minimum Lease Payments	<u>\$ 21,548</u>

B. Golf Carts

The Park entered into a three-year lease for golf carts effective June 2008 for a total rental of \$393,822. This replaced the previous lease for golf carts that expired in October 2009. Under the terms of the lease, the Park agreed to obtain an "all risk" property insurance policy covering its full replacement value. In addition, the Park is required to obtain public liability insurance naming the lessor as an additional insured.

Minimum future lease payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Business-type Activities Amount</u>
2011	\$ 54,054
2012	61,776
2013	<u>23,166</u>
Total Minimum Lease Payments	<u>\$ 138,996</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 3,860,187	\$	\$	\$ 3,860,187
Construction In Progress	8,655,477		(8,655,477)	
Total Capital Assets Not Being Depreciated	12,515,664		(8,655,477)	3,860,187
Capital Assets, Being Depreciated:				
Land Improvements	703,607	155,426		859,033
Buildings	21,907,331	11,828,583		33,735,914
Other Equipment	2,049,474	1,153,337	(395,324)	2,807,487
Vehicles and Equipment	3,390,568	214,576	(114,597)	3,490,547
Infrastructure	35,348,572	117,180		35,465,752
Total Capital Assets Being Depreciated	63,399,552	13,469,102	(509,921)	76,358,733
Less Accumulated Depreciation For:				
Land Improvements	(241,277)	(47,514)		(288,791)
Buildings	(5,064,353)	(754,289)		(5,818,642)
Other Equipment	(1,393,842)	(184,489)	374,856	(1,203,475)
Vehicles and Equipment	(2,489,077)	(265,589)	114,597	(2,640,069)
Infrastructure	(23,081,217)	(1,391,204)		(24,472,421)
Total Accumulated Depreciation	(32,269,766)	(2,643,085)	489,453	(34,423,398)
Total Capital Assets, Being Depreciated, Net	31,129,786	10,826,017	(20,468)	41,935,335
Governmental Activities Capital Assets, Net	\$ 43,645,450	\$ 10,826,017	\$ (8,675,945)	\$ 45,795,522

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Capital Assets (Continued)

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 497,462	\$	\$	\$ 497,462
Land Improvements	268,340			268,340
Total Capital Assets Not Being Depreciated	765,802			765,802
Capital Assets, Being Depreciated:				
Land Improvements	688,820			688,820
Buildings	1,938,107	10,755		1,948,862
Portable Building Equipment	139,840	9,990		149,830
Equipment for Tenant Use	78,121	4,179		82,300
Furnishings	45,714			45,714
Office Furniture and Equipment	8,482			8,482
Maintenance Equipment	5,001			5,001
Clubhouse Furniture and Fixtures	100,954	5,143		106,097
Golf Equipment	596,993	1,522		598,515
Total Capital Assets Being Depreciated	3,602,032	31,589		3,633,621
Less Accumulated Depreciation For:				
Land Improvements	(593,083)	(38,004)		(631,087)
Buildings	(1,538,690)	(63,138)		(1,601,828)
Portable Building Equipment	(55,758)	(13,701)		(69,459)
Equipment for Tenant Use	(71,895)	(2,207)		(74,102)
Furnishings	(36,725)	(1,488)		(38,213)
Office Furniture and Equipment	(7,476)	(294)		(7,770)
Maintenance Equipment	(2,965)	(264)		(3,229)
Clubhouse Furniture and Fixtures	(91,146)	(3,190)		(94,336)
Golf Equipment	(498,326)	(20,257)		(518,583)
Total Accumulated Depreciation	(2,896,064)	(142,543)		(3,038,607)
Total Capital Assets, Being Depreciated, Net	705,968	(110,954)		595,014
Business-Type Activities Capital Assets, Net	\$ 1,471,770	\$ (110,954)	\$	\$ 1,360,816

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 4. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities</u>	
General Government	\$ 449,149
Protection to Persons and Property	581,138
General Health and Sanitation	10,161
Social Services	51,616
Recreation and Culture	89,812
Roads, Including Depreciation of General Infrastructure Assets	<u>1,461,209</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,643,085</u>
<u>Business-Type Activities</u>	
A.J. Jolly Park	\$ 63,249
Lakeside Terrace Apartments	<u>79,294</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 142,543</u>

Note 5. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following is considered a joint venture of Campbell County Fiscal Court: Campbell County Consolidated Dispatch Board.

The audit of Campbell County Consolidated Dispatch Board can be obtained by writing the Board at 998 Monmouth Street, Newport, KY 41071-2115.

Note 6. Capital Lease Receivable

The Campbell County Extension District Board entered into a capital lease with the Campbell County Public Properties Corporation (CCPPC) on January 6, 1992 for construction of a building for housing the offices of the Extension District. The CCPPC agreed to provide adequate land for the facility as well as assume the responsibility for securing a qualified licensed architect who would design and oversee the complete construction of the project. The Extension District has full responsibility to pay the entire cost of the construction including that of securing financing for the professional expenses, bond expenses, and construction expenses. It was agreed that the Extension District would advance the CCPPC \$175,000 for initial expenses related to the construction and upon occupation of the building by the Extension District, a semi-annual rent obligation would be payable to the CCPPC. The sum payable to the CCPPC shall include all expenses on an amortized basis over the life of the bonds for all costs related to financing and all fees associated with the issuance of the bonds. The Extension District has been granted the option of purchasing the building, parking lot, and area required for ingress and egress from the CCPPC for \$1.00 plus the assumption of all indebtedness owed for the construction of the project, if any. This option expires within 30 years from the signing of the above contract.

The Extension District advanced the CCPPC an additional \$96,932 to cover construction costs in excess of that originally contemplated.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 6. Capital Lease Receivable (Continued)

For financial statement purposes, this has been treated as a capital lease.

At June 30, 2010, the future minimum payments required under the lease agreement and the present value of minimum capital lease payments are as follows:

Fiscal Year Ended June 30	Principal	Interest	Total
2011	\$ 70,000	\$ 7,527	\$ 77,527
2012	70,000	4,640	74,640
2013	75,000	1,594	76,594
	<u>\$ 215,000</u>	<u>\$ 13,761</u>	<u>\$ 228,761</u>

Note 7. Long-term Debt

A. 2001 Refunding Bonds

The Campbell County Fiscal Court issued as of July 1, 2001 \$2,520,000 General Project Refunding Bond, Series 2001, to refund Campbell County, Kentucky Public Properties Corporation Multiple Projects Revenue Bonds, Series 1992. In the 1992 series, a portion of the project was subleased by the County to the Campbell County Extension District Board pursuant to a sublease dated December 1, 1992 for automatically renewable annual periods through December 1, 2012. Payments to the County under the sublease are equal to the pro-rata portion of the lease payments to be made by the County, which are allocable to the portion of the project being subleased to the Extension District Board. The outstanding balance due to the Campbell County Fiscal Court from the Extension District Board as of June 30, 2010 was \$215,000.

The bonds mature in varying amounts from \$70,000 to \$170,000 from December 1, 2001 to December 1, 2022 at interest rates ranging from 3.20% to 5.00%

Bonds outstanding on June 30, 2010 were \$1,365,000. The debt service requirements for future fiscal years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2011	\$ 155,000	\$ 48,250
2012	160,000	45,877
2013	170,000	43,251
2014	70,000	40,339
2015	75,000	37,139
2016-2020	330,000	112,607
2021-2025	405,000	41,554
Totals	<u>\$ 1,365,000</u>	<u>\$ 369,017</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 7. Long-term Debt (Continued)

B. First Mortgage Refunding and Improvement Revenue Bonds, Series 1997 (Campbell County Public Properties Corporation)

First Mortgage Refunding and Improvement Revenue Bonds, Series 1997 were issued July 1, 1997 in the amount of \$3,650,000 for the purpose of refunding First Mortgage Revenue bonds (Jail Facilities Project) issued November 1, 1989. The bonds mature in varying amounts from \$95,000 to \$285,000 from November 1, 1997 through 2017. Interest is payable semiannually on May 1 and November 1 at rates from 4.70% to 4.80%. The bonds are secured by a foreclosable first mortgage lien on the jail property and A.J. Jolly Park and a pledge of revenue from both facilities. During the year ended June 30, 1998, the Campbell County Public Parks Corporation advanced A.J. Jolly Park \$466,200 to pay the cost of a new irrigation system. The amount of bonds assigned to the park and recreation improvements was \$1,665,000. Under the terms of the agreement, the Park is obligated to pay its proportionate part of the bonds and interest as they become due.

Bonds outstanding on June 30, 2010 were \$1,055,000. The debt service requirements for future fiscal years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2011	\$ 285,000	\$ 59,902
2012	95,000	34,680
2013	100,000	30,000
2014	105,000	25,080
2015	110,000	19,920
2016-2020	360,000	46,320
Totals	<u>\$ 1,055,000</u>	<u>\$ 215,902</u>

C. First Mortgage Refunding and Improvement Revenue Bonds, Series 1998 (Campbell County Public Properties Corporation)

As of July 1, 1998, Campbell County Public Properties Corporation issued \$1,545,000 First Mortgage Refunding Revenue Bonds (Court Facilities Project), Series 1998. These bonds mature in varying amounts on August 1 of each year from 1999 through 2009. Proceeds of the bonds were issued principally to defease and discharge First Mortgage Revenue Bonds (District Court Building) dated February 1, 1991. Under this arrangement, the Corporation made provision for discharge of all bonds by depositing with the Trustee permissible investment obligations sufficient to pay all principal and interest requirements on the bonds to a permitted date of redemption, or to the date of maturity; consequently, the Corporation has no further liability for the bonds. Interest is payable semiannually on February 1 and August 1 at rates ranging from 4.00% to 4.30% and principal payments are due annually on August 1 of each year. The final payment on this bond was made in August 2009 and is paid in full.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 7. Long-term Debt (Continued)

D. General Obligation Public Project Bonds, Series 2006

As of June 1, 2006, Campbell County, Kentucky issued \$13,150,000 General Obligation Public Project Bonds, Series 2006. These bonds mature in varying amounts (from \$250,000 to \$880,000) on December 1 of each year from 2006 through 2025. Proceeds of the bonds issued will be principally used for construction at the Campbell County Jail. Interest is payable semiannually on June 1 and December 1 at rates ranging from 4.00% to 4.38% and principal payments are due annually on December 1 of each year.

Bonds outstanding on June 30, 2010 were \$11,270,000. The debt service requirements for future fiscal years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2011	\$ 590,000	\$ 454,743
2012	615,000	430,643
2013	640,000	405,543
2014	665,000	379,444
2015	695,000	352,244
2016-2020	3,300,000	1,359,064
2021-2025	3,885,000	624,060
2026-2030	880,000	19,250
Totals	<u>\$ 11,270,000</u>	<u>\$ 4,024,992</u>

E. General Obligation Public Project Bonds, Series 2008

On September 3, 2008 Campbell County, Kentucky issued \$9,760,000 General Obligation Public Project Bonds, Series 2008. These bonds mature in varying amounts (from \$115,000 to \$730,000) on January 1 of each year from 2009 through 2028. Proceeds of the bonds issued will be principally used for construction of the Campbell County Administration Building. Interest is payable semiannually on January 1 and July 1 at rates ranging from 3.00% to 4.200% and principal payments are due annually on January 1 of each year.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 7. Long-term Debt (Continued)

E. General Obligation Public Project Bonds, Series 2008 (Continued)

Bonds outstanding on June 30, 2010 were \$9,285,000. The debt service requirements for future fiscal years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2011	\$ 365,000	\$ 355,413
2012	370,000	344,463
2013	380,000	335,900
2014	405,000	320,550
2015	420,000	307,388
2016-2020	2,355,000	1,303,075
2021-2025	2,900,000	808,572
2026-2030	2,090,000	175,284
Totals	<u>\$ 9,285,000</u>	<u>\$ 3,950,645</u>

F. Mortgage Payable (Lakeside Terrace Apartments)

In fiscal year 1992, HUD approved \$151,464 in Flexible Subsidy Funds under section 201 of the Housing Community Development Amendments of 1978. This is represented by a note at 1% interest which shall become due and payable starting in August 2010, at which date the final payment will be made on the existing mortgage. During the year ended Jun 30, 2010, the loan was paid in full.

G. Related Party Note Payable

During the year ended June 30, 2008, the Campbell County Fiscal Court loaned Lakeside Terrace Apartments HUD Project No. 083-44012-236 \$95,500. This loan is to be repaid over seven and one half years with the first payment due in January 2008. During the year ended June 30, 2009, the Court loaned the project an additional \$30,000 for cash flow purposes. The balance due as of June 30, 2010, was \$108,950. No interest is being charged. The repayment schedule is as follows:

Fiscal Year Ended June 30	Business-Type Activities
	Amount
2011	\$ 21,790
2012	21,790
2013	21,790
2014	21,790
2015	21,790
	<u>\$ 108,950</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 7. Long-term Debt (Continued)

H. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Compensated Absences	\$ 46,651	\$ 2,672	\$	\$ 49,323	\$
General Obligation					
Public Refunding Bonds	1,515,000		150,000	1,365,000	155,000
General Obligation					
Public Project Bonds	9,645,000		360,000	9,285,000	365,000
General Obligation					
Public Project Bonds	11,835,000		565,000	11,270,000	590,000
First Mortgage Refunding and Improvement Revenue					
Bond Series 1997	1,320,000		265,000	1,055,000	285,000
First Mortgage Refunding Revenue Bonds Series 1998	135,000		135,000		
Governmental Activities Long-term Liabilities	<u>\$ 24,496,651</u>	<u>\$ 2,672</u>	<u>\$ 1,475,000</u>	<u>\$ 23,024,323</u>	<u>\$ 1,395,000</u>
<u>Business Type Activities:</u>					
Mortgage Payable	\$ 10,163	\$	\$ 10,163		
Flexible Subsidy Loan	151,464		151,464		
Business Type Activities Long-term Liabilities	<u>161,627</u>		<u>161,627</u>		
Total	<u><u>\$ 24,658,278</u></u>	<u><u>\$ 2,672</u></u>	<u><u>\$ 1,636,627</u></u>	<u><u>\$ 23,024,323</u></u>	<u><u>\$ 1,395,000</u></u>

Note 8. Interest on Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$948,397 in interest on bonds.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 9. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.97 percent.

The County's CERS contribution totaled \$1,665,685 for the year ended June 30, 2008; \$1,495,515 for June 30, 2009; and \$2,190,105 for June 30, 2010.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 10. Insurance

For the fiscal year ended June 30, 2010, Campbell County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 11. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2003 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year this infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through June 30, 2002. All infrastructure assets placed in service during the fiscal year ended June 30, 2003 and thereafter are recorded at actual historical cost.

Note 12. Concentrations of Business Risk

A. Lakeside Terrace Apartments

Lakeside Terrace Apartments' sole asset is a 96-unit apartment project. The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with very little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

B. Housing Choice Voucher Program

The Housing Choice Voucher Program's operations are concentrated in the low-income rental market. In addition, the Program operates in a heavily regulated environment. The operation of the Program is subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with very little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. The majority of revenue is received from annual contributions from HUD. For the year ended June 30, 2010, approximately 99.7% of the Program's total revenue was received from that source.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 13. Interfund Transactions

The following is a list of interfund transactions as of June 30, 2010:

	Totals	General Fund	Road Fund	Jail Fund	(TANK) Payroll Tax Fund	General Obligation Bond/ Construction Fund	Mental Health Fund	Senior Citizens' Fund
	\$	\$ (134,000)	\$	\$	\$	\$ 134,000	\$	\$
		53,202				(53,202)		
		33,000						(33,000)
		120,083					(120,083)	
		2,050,000			(2,050,000)			
		(3,405,771)		3,405,771				
		(25,000)		11,438			(11,438)	
			1,166,000		(1,166,000)		25,000	
Total Transfers to Other Funds	<u>\$(6,998,494)</u>	<u>\$ (3,564,771)</u>	<u>\$</u>	<u>\$</u>	<u>\$ (3,216,000)</u>	<u>\$ (53,202)</u>	<u>\$ (131,521)</u>	<u>\$ (33,000)</u>
Total Transfers from Other Funds	<u>\$ 6,998,494</u>	<u>\$ 2,256,285</u>	<u>\$ 1,166,000</u>	<u>\$ 3,417,209</u>	<u>\$</u>	<u>\$ 134,000</u>	<u>\$ 25,000</u>	<u>\$</u>

1. To remove resources from the funds recording to the revenue to the funds that will expend them.

Note 14. Disaggregation of Accounts Payable

The following is a list of accounts payable by function as of June 30, 2010:

	Totals	General Fund	Road Fund	Jail Fund	Housing Voucher Program	Senior Citizens Tax	Mental Health Tax
General Government	\$ 67,441	\$ 67,441	\$	\$	\$	\$	\$
Roads	21,882		21,882				
Protection To Persons and Property	119,917	22,143		97,774			
General Health and Sanitation	4,932	4,017					915
Social Services	9,124	1,851			383	6,890	
Recreation and Culture	11,510	11,510					
Capital Projects	390	390					
Total Administration	<u>11,827</u>	<u>11,233</u>		<u>594</u>			
Total	<u>\$ 247,023</u>	<u>\$ 118,585</u>	<u>\$ 21,882</u>	<u>\$ 98,368</u>	<u>\$ 383</u>	<u>\$ 6,890</u>	<u>\$ 915</u>

Note 15. Subsequent Events

The County has evaluated and considered the need to recognize or disclose subsequent events through December 21, 2010, which represents the date these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2010, have not been evaluated by the County.

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information

For The Year Ended June 30, 2010

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information

For The Year Ended June 30, 2010

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 9,446,200	\$ 9,446,200	\$ 9,549,551	\$ 103,351
In Lieu of Tax Payments				
Excess Fees	829,000	829,000	856,263	27,263
Licenses and Permits	153,600	153,600	115,995	(37,605)
Intergovernmental Revenue	1,310,120	1,662,120	1,286,810	(375,310)
Charges for Services	48,500	48,500	69,782	21,282
Miscellaneous	3,483,540	3,483,540	3,599,579	116,039
Interest	60,000	60,000	8,063	(51,937)
Total Revenues	<u>15,330,960</u>	<u>15,682,960</u>	<u>15,486,043</u>	<u>(196,917)</u>
EXPENDITURES				
General Government	3,581,655	3,750,705	3,159,501	591,204
Protection to Persons and Property	3,252,445	3,341,545	2,922,525	419,020
General Health and Sanitation	425,120	463,220	430,808	32,412
Social Services	713,840	730,040	685,251	44,789
Recreation and Culture	494,430	524,730	420,184	104,546
Debt Service	2,556,450	1,863,450	1,038,763	824,687
Capital Projects	2,451,000	2,592,200	1,423,420	1,168,780
Administration	3,633,600	3,397,650	2,995,081	402,569
Total Expenditures	<u>17,108,540</u>	<u>16,663,540</u>	<u>13,075,533</u>	<u>3,588,007</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,777,580)</u>	<u>(980,580)</u>	<u>2,410,510</u>	<u>3,391,090</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(4,080,000)	(4,080,000)	(3,564,771)	
Transfers From Other Funds	4,201,000	4,201,000	2,256,285	
Total Other Financing Sources (Uses)	<u>121,000</u>	<u>121,000</u>	<u>(1,308,486)</u>	
Net Changes in Fund Balance	(1,656,580)	(859,580)	1,102,024	1,961,604
Fund Balance - Beginning	1,656,580	1,675,580	3,437,300	1,761,720
Fund Balance - Ending	<u>\$</u>	<u>\$ 816,000</u>	<u>\$ 4,539,324</u>	<u>\$ 3,723,324</u>

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2010
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$	\$	\$	\$
Intergovernmental Revenue	775,950	775,950	814,652	38,702
Miscellaneous	35,250	35,250	53,962	18,712
Interest	4,000	4,000	161	(3,839)
Total Revenues	<u>815,200</u>	<u>815,200</u>	<u>868,775</u>	<u>53,575</u>
EXPENDITURES				
Roads	2,447,470	2,403,570	1,506,028	897,542
Debt Service	92,200	92,200	91,238	962
Capital Projects	362,900	397,900	199,000	198,900
Administration	434,500	443,400	431,121	12,279
Total Expenditures	<u>3,337,070</u>	<u>3,337,070</u>	<u>2,227,387</u>	<u>1,109,683</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(2,521,870)</u>	<u>(2,521,870)</u>	<u>(1,358,612)</u>	<u>1,163,258</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	2,330,000	2,330,000	1,166,000	(1,164,000)
Total Other Financing Sources (Uses)	<u>2,330,000</u>	<u>2,330,000</u>	<u>1,166,000</u>	<u>(1,164,000)</u>
Net Changes in Fund Balance	(191,870)	(191,870)	(192,612)	(742)
Fund Balance - Beginning	<u>191,870</u>	<u>191,870</u>	<u>225,406</u>	<u>33,536</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 32,794</u>	<u>\$ 32,794</u>

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2010
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 3,878,610	\$ 3,878,610	\$ 4,168,617	\$ 290,007
Charges for Services	238,090	238,090	217,272	(20,818)
Miscellaneous	289,680	289,680	274,191	(15,489)
Interest	3,810	3,810	202	(3,608)
Total Revenues	<u>4,410,190</u>	<u>4,410,190</u>	<u>4,660,282</u>	<u>250,092</u>
EXPENDITURES				
Protection to Persons and Property	5,639,080	5,907,480	5,459,682	447,798
Debt Service	1,120,700	1,120,700	1,119,760	940
Administration	1,734,760	1,732,360	1,685,798	46,562
Total Expenditures	<u>8,494,540</u>	<u>8,760,540</u>	<u>8,265,240</u>	<u>495,300</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(4,084,350)</u>	<u>(4,350,350)</u>	<u>(3,604,958)</u>	<u>745,392</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	4,000,000	4,000,000	3,417,209	(582,791)
Total Other Financing Sources (Uses)	<u>4,000,000</u>	<u>4,000,000</u>	<u>3,417,209</u>	<u>(582,791)</u>
Net Changes in Fund Balance	(84,350)	(350,350)	(187,749)	162,601
Fund Balance - Beginning	<u>84,350</u>	<u>84,350</u>	<u>334,414</u>	<u>250,064</u>
Fund Balance - Ending	<u>\$</u>	<u>\$ (266,000)</u>	<u>\$ 146,665</u>	<u>\$ 412,665</u>

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2010
(Continued)

(TANK) PAYROLL TAX FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 7,856,100	\$ 7,856,100	\$ 7,240,130	\$ (615,970)
Intergovernmental Revenue	325,000	325,000	324,039	(961)
Miscellaneous			25	25
Interest	47,500	47,500	3,553	(43,947)
Total Revenues	<u>8,228,600</u>	<u>8,228,600</u>	<u>7,567,747</u>	<u>(660,853)</u>
EXPENDITURES				
General Government	79,000	79,000	52,061	26,939
Bus Services	4,682,300	4,682,300	4,582,671	99,629
Administration	256,000	256,000	9,090	246,910
Total Expenditures	<u>5,017,300</u>	<u>5,017,300</u>	<u>4,643,822</u>	<u>373,478</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>3,211,300</u>	<u>3,211,300</u>	<u>2,923,925</u>	<u>(287,375)</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(4,730,000)	(4,730,000)	(3,216,000)	1,514,000
Total Other Financing Sources (Uses)	<u>(4,730,000)</u>	<u>(4,730,000)</u>	<u>(3,216,000)</u>	<u>1,514,000</u>
Net Changes in Fund Balance	(1,518,700)	(1,518,700)	(292,075)	1,226,625
Fund Balance - Beginning	<u>1,518,700</u>	<u>1,518,700</u>	<u>2,604,898</u>	<u>1,086,198</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 2,312,823</u>	<u>\$ 2,312,823</u>

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2010
(Continued)

HOUSING CHOICE VOUCHER PROGRAM

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 3,927,240	\$ 3,927,240	\$ 3,799,476	\$ (127,764)
Interest			10,507	10,507
Miscellaneous			604	604
Total Revenues	<u>3,927,240</u>	<u>3,927,240</u>	<u>3,810,587</u>	<u>(116,653)</u>
EXPENDITURES				
General Government			413,416	
Social Services	3,927,240	3,927,240	3,397,995	529,245
Capital Projects			3,177	(3,177)
Total Expenditures	<u>3,927,240</u>	<u>3,927,240</u>	<u>3,814,588</u>	<u>526,068</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)			<u>(4,001)</u>	<u>409,415</u>
Net Changes in Fund Balance			(4,001)	(4,001)
Fund Balance - Beginning			<u>582,421</u>	<u>582,421</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 578,420</u>	<u>\$ 578,420</u>

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

In the required supplementary information, the budgetary comparison of the Housing Choice Voucher Program has not been included.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Budgetary Basis vs. GAAP

Accounting principles applied for purposes of developing data on budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles.

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>TANK Fund</u>
<u>Sources/Inflows of Resources</u>				
Actual Amount (Budgetary Basis)	\$ 15,486,043	\$ 868,775	\$ 4,660,282	\$ 7,567,747
Differences - Budget to GAAP)				
The County budgets for revenues only to the extent they are expected to be received rather than on the modified accrual basis.	<u>(95,432)</u>	<u>31,887</u>	<u>40,532</u>	<u>7,527</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 15,390,611</u>	<u>\$ 900,662</u>	<u>\$ 4,700,814</u>	<u>\$ 7,575,274</u>

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2010
(Continued)

Note 2. Budgetary vs. GAAP (Continued)

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>TANK Fund</u>
<u>Uses/Outflows of Resources</u>				
Actual Amount (Budgetary Basis)	\$ 13,075,533	\$ 2,227,387	\$ 8,265,240	\$ 4,643,822
Differences - (Budget to GAAP) The County budgets for claims only to the extent they are expected to be paid rather than on the modified accrual basis.	<u>(109,463)</u>	<u>(191,257)</u>	<u>(33,886)</u>	
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 12,966,070</u>	<u>\$ 2,036,130</u>	<u>\$ 8,231,354</u>	<u>\$ 4,643,822</u>
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>TANK Fund</u>
<u>Other Financing Sources (Uses)</u>				
Actual Amount (Budgetary Basis)	\$ (1,308,486)	\$ 1,166,000	\$ 3,417,209	\$ (3,216,000)
Differences - (Budget to GAAP) The County budgets for transfers only to the extent they are expected to be transferred rather than on the modified accrual basis.				
Total Other Financing Sources (Uses) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ (1,308,486)</u>	<u>\$ 1,166,000</u>	<u>\$ 3,417,209</u>	<u>\$ (3,216,000)</u>

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2010
(Continued)

Note 2. Budgetary vs. GAAP (Continued)

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>TANK Fund</u>
<u>Ending Fund Balances</u>				
Actual Amount (Budgetary Basis)	\$ 4,539,324	\$ 32,794	\$ 146,665	\$ 2,312,823
Differences - (Budget to GAAP)				
The County budgets for transactions only to the extent they are expected to be carried out rather than on the modified accrual basis.	<u>750,238</u>	<u>177,629</u>	<u>432,304</u>	<u>2,242,079</u>
Total Ending Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances				
Balances - Governmental Funds	<u>\$ 5,289,562</u>	<u>\$ 210,423</u>	<u>\$ 578,969</u>	<u>\$ 4,554,902</u>

**CAMPBELL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information**

June 30, 2010

**CAMPBELL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information**

June 30, 2010

	LGEA Fund	General Obligation Bond Fund	Senior Citizen Tax Fund	Mental Health Tax Fund
ASSETS				
Cash and Cash Equivalents	\$ 7,601	\$	\$ 168,325	\$ 83,344
Accounts Rec			116,389	220,170
Total Assets	<u>7,601</u>		<u>284,714</u>	<u>303,514</u>
LIABILITIES AND FUND BALANCES				
LIABILITES				
Accounts Payable			6,890	915
Accrued Liabilities			<u>3,547</u>	
Total Liabilities			<u>10,437</u>	<u>915</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	<u>7,601</u>		<u>274,277</u>	<u>302,599</u>
Total Fund Balances	<u>7,601</u>		<u>274,277</u>	<u>302,599</u>
Total Liabilities and Fund Balances	<u>\$ 7,601</u>	<u>\$</u>	<u>\$ 284,714</u>	<u>\$ 303,514</u>

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

CAMPBELL COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information
For The Year Ended June 30, 2010
(Continued)

Developer Road Escrow Fund	Total Non-Major Governmental Funds
\$ 147,228	\$ 406,498
	<u>336,559</u>
<u>147,228</u>	<u>743,057</u>
	7,805
	<u>3,547</u>
	<u>11,352</u>
<u>147,228</u>	<u>731,705</u>
<u>147,228</u>	<u>731,705</u>
<u>\$ 147,228</u>	<u>\$ 743,057</u>

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

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CAMPBELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

For The Year Ended June 30, 2010

CAMPBELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

For The Year Ended June 30, 2010

	LGEA Fund	General Obligation Bond Fund	Senior Citizen Tax Fund	Mental Health Tax Fund
REVENUES				
Taxes	\$	\$	\$ 412,483	\$ 812,300
Intergovernmental	10,571		80,215	
Charges for Services			1,476	
Miscellaneous			16,136	
Interest	13	68,831	331	249
Total Revenues	<u>10,584</u>	<u>68,831</u>	<u>510,641</u>	<u>812,549</u>
EXPENDITURES				
General Government			2,892	5,783
General Health and Sanitation				731,372
Social Services			474,530	10,500
Roads	13,013			
Debt Service			17,175	
Capital Projects		2,837,957		
Administration			29,205	131
Total Expenditures	<u>13,013</u>	<u>2,837,957</u>	<u>523,802</u>	<u>747,786</u>
Excess (Deficiency) of Revenues Over				
Expenditures Before Other	<u>(2,429)</u>	<u>(2,769,126)</u>	<u>(13,161)</u>	<u>64,763</u>
Financing Sources (Uses)				
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds		134,000		25,000
Transfers To Other Funds		(53,202)	(33,000)	(131,521)
Total Other Financing Sources (Uses)		<u>80,798</u>	<u>(33,000)</u>	<u>(106,521)</u>
Net Change in Fund Balances	(2,429)	(2,688,328)	(46,161)	(41,758)
Fund Balances - Beginning	10,030	2,688,328	320,438	344,357
Fund Balances - Ending	<u>\$ 7,601</u>	<u>\$</u>	<u>\$ 274,277</u>	<u>\$ 302,599</u>

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

CAMPBELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2010
(Continued)

Developer Road Escrow Fund	Federal CDBG Fund	Total Non-Major Governmental Funds
\$	\$	\$ 1,224,783
	55,000	145,786
		1,476
2,990		19,126
291		69,715
<u>3,281</u>	<u>55,000</u>	<u>1,460,886</u>
		8,675
		731,372
	55,000	540,030
		13,013
		17,175
		2,837,957
		<u>29,336</u>
	<u>55,000</u>	<u>4,177,558</u>
<u>3,281</u>		<u>(2,716,672)</u>
		159,000
		<u>(217,723)</u>
		<u>(58,723)</u>
3,281		(2,775,395)
143,947		3,507,100
<u>\$ 147,228</u>	<u>\$ 0</u>	<u>\$ 731,705</u>

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

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CAMPBELL COUNTY
COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS
Other Supplementary Information

June 30, 2010

CAMPBELL COUNTY
COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS
OTHER SUPPLEMENTARY INFORMATION

June 30, 2010

	<u>Jail Inmate Account</u>	<u>Employee Fund Account</u>	<u>Senior Citizen Account</u>	<u>Total Agency Funds</u>
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 58,019	\$ 9,534	\$ 4,186	\$ 71,739
Total Assets	<u>58,019</u>	<u>9,534</u>	<u>4,186</u>	<u>71,739</u>
Liabilities				
Amounts Held In Custody For Others	58,019	9,534	4,186	71,739
Total Liabilities	<u>\$ 58,019</u>	<u>\$ 9,534</u>	<u>\$ 4,186</u>	<u>\$ 71,739</u>
Net Assets				
Total Net Assets	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

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

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**CAMPBELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2010

CAMPBELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2010

Federal Grantor			
Program Title	Federal	Pass-Through	
<u>Grant Name</u>	<u>CFDA#</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Award			
Section 8 Housing Choice Voucher Program	14.871		\$ 3,397,995 *
Campbell County Homebuyer Assistance Program	14.228		<u>55,000</u>
Total U.S. Department of Housing and Urban Development			<u>3,452,995</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through State Cabinet for Health and Family Services			
Department for Aging and Independent Living			
Passed Through Northern Kentucky Area Development District			
Title III B	93.044		<u>77,803</u>
<u>U.S. Department of Energy</u>			
Direct Award			
Energy Efficiency and Conservation Block Grant Program	81.128		<u>58,500</u>
<u>U.S. Department of Transportation</u>			
Passed Through State Transportation Cabinet			
State and Community Highway Safety	20.600		<u>22,546</u>
<u>U.S. Department of Homeland Security</u>			
Direct Award			
Emergency Management Performance Grant	97.042		<u>124,685</u>
<u>U.S. Department of Justice</u>			
Direct Award			
Public Safety Partnership and Community Policing Grant	16.710		7,936
Passed Through City of Newport			
Edward Byrne Memorial Justice Assistance Grant	16.738		3,500
Recovery Act - Edward Byrne Memorial Justice Grant	16.804		<u>29,686</u>
Total U.S. Department of Justice			<u>41,122</u>
<u>Election Assistance Commission</u>			
Passed Through State Board of Elections			
Help America Vote Act	90.401		<u>297,000</u>
Total Cash Expenditures of Federal Awards			<u>\$ 4,074,651</u>

* - Programs tested as major programs.

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

CAMPBELL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2010

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Campbell County, Kentucky and is presented on a GAAP basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 – Pass Through Program

Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, Campbell County Fiscal Court provided federal awards to the following:

<u>Program</u>	<u>CFDA Number</u>	<u>Subrecipient</u>	<u>Pass-Through Grant Amount</u>
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	Greater Cincinnati Energy Alliance	\$ 58,500
Campbell County Homebuyer Assistance Program	14.228	City of Newport Housing Authority	<u>40,000</u>
Total Pass Through			<u>\$ 98,500</u>

**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**

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

The Honorable Steve Pendery, Campbell County Judge/Executive
Members of the Campbell County Fiscal Court

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated December 21, 2010. We did not audit the Campbell County Fiscal Court Housing Department Housing Choice Voucher Program, the Campbell County Public Properties Corporation, the Lakeside Terrace Apartments HUD Project No. 083-44-12-236, and the A.J. Jolly Park. These were audited by other auditors whose reports thereon have been furnished to us. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Campbell County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Campbell County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Campbell County Fiscal Court's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Campbell County's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2.

The Campbell County Judge/Executive's responses to the findings identified in our audit are included in the schedule of findings and questioned costs. We did not audit the County Judge/Executive's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Campbell County Fiscal Court, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
December 21, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

The Honorable Steve Pendery, Campbell County Judge/Executive
Members of the Campbell County Fiscal Court

Compliance

We have audited the compliance of Campbell County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. We did not audit the compliance of the Campbell County Housing Choice Voucher Program. Compliance requirements described in the OMB Circular A-133 Compliance Supplement applicable to the Campbell County Housing Choice Voucher Program were audited by other auditors. Our opinion presented herein, insofar as it relates to the Campbell County Housing Choice Voucher Program is based solely on the report of other auditors. Campbell County's major federal program is identified in the summary of auditor results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Campbell County's management. Our responsibility is to express an opinion on Campbell County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Campbell County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Campbell County's compliance with those requirements.

In our opinion based on our report and the reports of other auditors, Campbell County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Report On Compliance With Requirements Applicable To Each Major Program
And On Internal Control Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance

The management of Campbell County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Campbell County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above.

This report is intended solely for the information and use of management, the Campbell County Fiscal Court, others within the entity, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
December 21, 2010

**CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For The Year Ended June 30, 2010

CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky.
2. No significant deficiencies relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. Two instances of noncompliance material to the financial statements of Campbell County are disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Campbell County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Campbell County reported in Part C of this schedule.
7. The program tested as a major program was: Housing Choice Voucher Program (CFDA #14.871)
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Campbell County was determined not to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

STATE LAWS AND REGULATIONS

2010-01 Campbell County Fiscal Court Failed To Remove Employees From Insurance Coverage After Employment Terminated

The Fiscal Court incurred costs throughout the fiscal year for employees that were no longer employed by the County. When an employee leaves the County, the County needs to take necessary steps in order to remove their coverage for both health and life insurance immediately.

The current arrangement allows for the county to get credited by the health insurance provider for three months excess coverage following termination. However, if the former employee uses this coverage, it would likely be hard for the county to recoup the funds. In addition, several instances were noted that exceeded the three month credit period, which would not allow reimbursement.

County Judge/Executive Steve Pendery's Response: We are aware that our health insurance provider has failed to remove some employees from premium billings in a timely manner after the County has provided notice that employment has terminated, resulting in overbilling. There have also been difficulties securing credit for such overbilling. The County has recently given the provider written notice that this problem must be corrected, and the matter will be pursued to completion. This matter only concerns premium billing. Once the provider receives notice of the termination, further coverage for health benefits is denied unless the former employee has secured continuing coverage through COBRA.

**CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2010
(Continued)**

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

STATE LAWS AND REGULATIONS (Continued)

2010-02 The Fiscal Court Failed To Review Administrative Code

The Fiscal Court did not update the administrative code in accordance with KRS 68.005(2), which states “The fiscal court shall review the county administrative code annually and, during the month of June, may by a two-thirds majority of the entire fiscal court amend the county administrative code at that time.”

County Judge/Executive Steve Pendery’s Response: On December 15, 2010, the Fiscal Court approved an update of the Administrative Code. In the future, reviews shall be accomplished annually in accordance with KRS 68.005(2).

**C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARDS PROGRAM
AUDIT**

None

D. PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

None

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CAMPBELL COUNTY FISCAL COURT

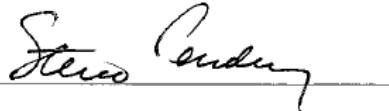
**For The Fiscal Year Ended
June 30, 2010**

Appendix A

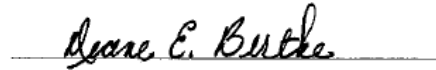
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CAMPBELL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2010

The Campbell County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in cursive script, appearing to read "Steve Lindsey", is written over a horizontal line.

County Judge/Executive

A handwritten signature in cursive script, appearing to read "Deane E. Butler", is written over a horizontal line.

County Treasurer

