

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

**For The Fiscal Year Ended  
June 30, 2014**



**ADAM H. EDELEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CAMPBELL COUNTY FISCAL COURT**

**June 30, 2014**

The Auditor of Public Accounts has completed the audit of the Campbell County Fiscal Court for fiscal year ended June 30, 2014.

We have issued unmodified opinions, based on our audit and the audits of Van Gorder, Walker & Co., Inc., on the governmental activities, business-type activities, discretely presented component units, each major fund, and aggregate remaining fund information financial statements of Campbell County, Kentucky.

In accordance with OMB Circular 133, we have also issued an unmodified 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, 2014.

#### **Financial Condition:**

The fiscal court had total net position of \$40,279,025 as of June 30, 2014. The fiscal court had an unrestricted net position of \$13,635,590 in its governmental activities as of June 30, 2014, with total net position of \$39,259,224. In its business-type activities, total net cash and cash equivalents were \$392,977 with total net position of \$1,019,801. The fiscal court had total debt principal as of June 30, 2014 of \$17,630,972 with \$1,294,732 due within the next year.

#### **Report Comment:**

2014-001 The County Judge Executive, The Former Jailer, And The Current Jailer Were Not Paid In Accordance With The Maximum Salary Authorization Set For Calendar Year 2013

#### **Deposits:**

The fiscal court and component units' deposits were insured and collateralized by bank securities.



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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

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

Independent Auditor's Report

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Campbell County, Kentucky's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We 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.
- Non-Major Debt Service Fund-Campbell County Public Properties Corporation.

Certain portions of the Proprietary Funds including:

- Major Proprietary Fund-A.J. Jolly Park.



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### **Auditor's Responsibility (Continued)**

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:

<b>Government-Wide Financial Statements</b>	<b>Percent of Assets</b>	<b>Percent of Revenues</b>
Primary Government - Governmental Activities	1.26%	11.31%
Primary Government - Business Type Activities	71.93%	77.14%
<b>Fund Financial Statements</b>		
Governmental Funds - Major Funds	4.19%	11.25%
Proprietary Funds - Major Funds	26.62%	77.14%

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 13 and 59 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Campbell County, Kentucky's basic financial statements. The combining fund financial statements and schedule of expenditures of federal awards, as required by U.S Office of Management and Budget Circular A-133, Audits of State and Local Governments and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements and schedule of expenditures of federal awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2015 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.<sup>9</sup> The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Campbell County, Kentucky's internal control over financial reporting and compliance.

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**Other Reporting Required by *Government Auditing Standards* (Continued)**

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

2014-001 The County Judge Executive, The Former Jailer, And The Current Jailer Were Not Paid In Accordance With The Maximum Salary Authorization Set For Calendar Year 2013

Respectfully submitted,



Adam H. Edelen  
Auditor of Public Accounts

March 20, 2015

CAMPBELL COUNTY OFFICIALS

For The Year Ended June 30, 2014

**Fiscal Court Members:**

Steve Pendery	County Judge/Executive
Brian Painter	Commissioner
Kenneth L. Rehtin	Commissioner
Pete Garrett	Commissioner

**Other Elected Officials:**

Steven J. Franzen	County Attorney
James A. Daley	Jailer
Jack Snodgrass	County Clerk
Taunya Nolan Jack	Circuit Court Clerk
Jeff Kidwell	Sheriff
Daniel Braun	Property Valuation Administrator
Mark Schweitzer	Coroner

**Appointed Personnel:**

Diane E. Bertke	County Treasurer
Linda Eads	Occupational Tax Collector
Matthew W. Elberfeld	Finance Officer

**Campbell County**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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, 2014. 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's net position was \$40,279,025 as of June 30, 2014, of which \$13,774,855 is unrestricted. In the enterprise funds, cash and cash equivalents were \$392,977, with total net position of \$1,019,801. Total debt principal as of June 30, 2014 was \$17,630,927 with \$1,294,732 due within one year.
- The government's total net position increased by \$542,243 from the prior year. Revenues and expenses remained relatively flat compared to the prior year.
- At the close of the current fiscal year, Campbell County's balance sheet for Governmental Funds reported a fund balance of \$15,607,380. Of this amount, \$14,977,563 is available for spending at the government's discretion (unreserved fund balance).

**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.

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 Position* 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.

**Campbell County  
Management's Discussion and Analysis  
June 30, 2014  
(Continued)**

**Overview of the Financial Statements (Continued)**

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 two business type activities: A.J. Jolly Park and the Jail Commissary Fund.

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 three such entities: A.J. Jolly Park, 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*.

**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 multiple 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, and the Housing Choice Voucher Program 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 and the Federal CDBG 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.

**Campbell County**  
**Management's Discussion and Analysis**  
**June 30, 2014**  
**(Continued)**

**Government-wide Financial Statements (Continued)**

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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 A.J. Jolly Park and Jail Commissary 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 Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

**Campbell County**  
**Management's Discussion and Analysis**  
**June 30, 2014**  
**(Continued)**

**Government-wide Financial Analysis (Continued)**

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

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	2014	2013	2014	2013	2014	2013
<b>Assets</b>						
Current assets	\$ 16,572,118	\$ 16,206,770	\$ 416,277	\$ 335,666	\$ 16,988,395	\$ 16,542,436
Capital assets	41,330,057	42,112,557	671,835	698,540	42,001,892	42,811,097
Other assets	-	229,684	-	-	-	229,684
Total assets	57,902,175	58,549,011	1,088,112	1,034,206	58,990,287	59,583,217
<b>Liabilities</b>						
Current and other liabilities	2,259,470	1,924,447	68,311	65,551	\$ 2,327,781	1,989,998
Long-term liabilities	16,383,481	17,801,212	-	-	16,383,481	17,801,212
Total liabilities	18,642,951	19,725,659	68,311	65,551	18,711,262	19,791,210
<b>Net Position</b>						
Net investment in capital assets	24,993,817	23,387,241	671,835	698,540	\$ 25,665,652	24,085,781
Restricted	629,817	168,205	208,701	208,701	838,518	376,906
Unrestricted	13,635,590	15,267,906	139,265	61,414	13,774,855	15,329,320
Total net position	\$ 39,259,224	\$ 38,823,352	\$ 1,019,801	\$ 968,655	\$ 40,279,025	\$ 39,792,007

**Changes in Net Position**

*Governmental Activities.* Campbell County's net position increased \$542,803 during fiscal year 2014; key elements of this are as follows:

- Current assets and cash increased \$365,348. This was primarily due to a decrease in expenditures and a minimal decrease in revenue during the fiscal year.
- Investment in capital assets, net of related debt increased \$1,606,576. This was due to the fact that infrastructure assets were added while debt on previously acquired assets was paid down.
- Current and long-term liabilities decreased \$968,231 as a result of debt service payments made during the fiscal year.
- Revenues were \$34,183,395 as reflected in the Statement of Revenues and Expenditures.
- Expenditures totaled \$33,899,703 as reflected in the Statement of Revenues and Expenditures.

*Business-type Activities.* Campbell County's net position for these activities increased \$61,146. This is primarily due to AJ Jolly Golf Course being open for the entire golf season compared to the prior year.

**Campbell County**  
**Management's Discussion and Analysis**  
**June 30, 2014**  
**(Continued)**

**Government-wide Financial Analysis (Continued)**

**Table 2**  
**Campbell County's Consolidated Statement of Activities**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
<i>Program Revenues:</i>						
Charges for Services	\$ 4,115,213	\$ 253,632	\$ 791,105	\$ 492,982	\$ 4,906,318	\$ 746,614
Operating Grants and Contributions	6,808,305	8,581,445	-	-	6,808,305	8,581,445
Capital Grants and Contributions	1,086,773	2,632,960	-	-	1,086,773	2,632,960
<i>General Revenues:</i>						
Property Taxes	8,728,904	8,451,466	-	-	8,728,904	8,451,466
Occupational Taxes	9,215,052	9,042,052	-	-	9,215,052	9,042,052
Other Taxes	3,037,951	2,864,112	-	-	3,037,951	2,864,112
Excess Fees	844,525	1,004,307	-	-	844,525	1,004,307
Other	346,672	1,876,071	56	932,748	346,728	2,808,819
<b>Total Revenues</b>	<b>34,183,395</b>	<b>34,706,045</b>	<b>791,161</b>	<b>1,425,730</b>	<b>34,974,556</b>	<b>36,131,775</b>
<b>Expenses:</b>						
<i>Governmental Activities:</i>						
General Government	10,049,203	9,867,468	-	-	10,049,203	9,867,468
Protective Services	9,427,594	9,000,540	-	-	9,427,594	9,000,540
Health and Sanitation	1,172,250	1,147,177	-	-	1,172,250	1,147,177
Social Services	4,268,874	4,514,692	-	-	4,268,874	4,514,692
Recreation and Culture	457,992	372,706	-	-	457,992	372,706
Roads	2,822,733	2,774,619	-	-	2,822,733	2,774,619
Bus Service	4,281,803	4,454,607	-	-	4,281,803	4,454,607
Debt Service	718,813	762,268	-	-	718,813	762,268
Capital Projects	262,890	44,022	-	-	262,890	44,022
<i>Business Type Activities:</i>						
Jail Canteen	-	-	101,375	100,617	101,375	100,617
Lakeside Terrace Apts.	-	-	-	184,628	-	184,628
A.J. Jolly Park	-	-	807,640	741,311	807,640	741,311
<b>Total Expenses</b>	<b>33,462,152</b>	<b>32,938,099</b>	<b>909,015</b>	<b>1,026,556</b>	<b>34,371,167</b>	<b>33,964,655</b>
Transfers	(179,000)	681,356	169,000	(681,356)	(10,000)	-
Change in net position	542,242	2,449,302	51,146	(282,182)	593,388	2,167,120
Net Position-Beginning	38,716,981	36,374,050	968,655	1,250,837	39,685,636	37,624,887
Net Position-Ending	<b>\$ 39,259,223</b>	<b>\$ 38,823,352</b>	<b>\$ 1,019,801</b>	<b>\$ 968,655</b>	<b>\$ 40,279,024</b>	<b>\$ 39,792,007</b>



**Campbell County  
Management's Discussion and Analysis  
June 30, 2014  
(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 June 30, 2014, the combined ending fund balance of County governmental funds was \$15,607,380. Approximately 96% (\$14,977,563) 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 (\$629,817) is reserved to indicate that it is not available for new spending because it is restricted.

The County has 5 major governmental funds. These are: 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) (TANK) Payroll Tax Fund; and 5) Housing Choice Voucher Fund. 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, 2014 fiscal year, the total fund balance of the General Fund was \$6,810,840, all of which was unreserved. The county received \$7,278,786 in Real Property tax revenues, which accounts for approximately 49% of the general fund revenue. \$4,428,422 was received from personal property, motor vehicle and insurance taxes which is approximately 30% of the county's general fund revenues. Sheriff and Clerk fees accounted for \$844,525 or 7% of general fund revenues. Various other taxes, service fees and investment earnings make up the remaining 14% 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 \$18,597 in fund balance at June 30, 2014. The fund balance at the end of the previous year was \$146,096. The fiscal year 2014 expenditures for road projects were \$3.3 million. State funding provided approximately \$1,100,000 in funding for road projects during the fiscal year. Transfers from the general fund provided nearly all of the remaining funding requirement.

**Campbell County  
Management's Discussion and Analysis  
June 30, 2014  
(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, 2014 of \$341,910, all of which was unreserved. The Jail Fund received \$4,177,251 from the state and federal governments for services, primarily for housing prisoners. Transfers totaling \$3,732,891 from other funds were used to fund 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, 2014 the balance in this fund was \$7,055,946.
5. The Housing Choice Voucher Program ended the 2014 fiscal year with a fund balance of \$623,991. The previous year balance was \$624,637. 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, 2014 was \$0. The Corporation was dissolved on June 30, 2014 and the corporation was closed.
7. The total fund balance for the non-major funds as of June 30, 2014 was \$756,096. Total expenditures and transfers for the non-major funds for the year were \$2,105,329. Revenue sources for the non-major funds include occupational license and payroll taxes designated for senior citizens and mental health programs in the County.

*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 two enterprise funds, A.J. Jolly Park and the Jail Commissary.

1. A.J. Jolly Park net position at June 30, 2014 amounted to \$722,561 with a cash balance of \$107,101. 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 \$671,835 at the fiscal year-end. Revenues for the golf course amounted to \$657,141 and were derived from user fees.
2. The Jail Commissary Fund had net assets of \$297,240 as of June 30, 2014 with a cash balance of \$285,876. 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**

Actual operating revenues were less than the budget amended by the Fiscal Court. This increase was primarily due to lower grant funding than anticipated in the budget.

Actual operating expenditures were less than the budget amended by the Fiscal Court. This was primarily due to less than anticipated cost in the general government, road and jail funds.

**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, 2014, amounted to \$42,001,892 (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  
Management's Discussion and Analysis  
June 30, 2014  
(Continued)**

**Capital Assets and Debt Administration (Continued)**

Major capital asset events during the 2014 fiscal year included road and infrastructure improvements, the purchase of several new vehicles, 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)**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Infrastructure assets	\$ 8,915,222	\$ 9,009,254	\$ -	\$ -	\$ 8,915,222	\$ 9,009,254
Land	3,860,187	3,860,187	497,462	497,462	4,357,649	4,357,649
Construction in process & Bldgs & Improvements	26,428,989	27,150,229	42,692	93,959	26,471,681	27,244,188
Other Equipment	1,110,634	1,269,151	131,681	107,119	1,242,315	1,376,270
Vehicles & Equipment	1,015,025	823,736	-	-	1,015,025	823,736
Total capital assets, net of accumulated depreciation	<u>\$ 41,330,057</u>	<u>\$ 42,112,557</u>	<u>\$ 671,835</u>	<u>\$ 698,540</u>	<u>\$ 42,001,892</u>	<u>\$ 42,811,097</u>

*Long-Term Debt.* At the end of the 2014 fiscal year, Campbell County had total bonds payable of \$17,630,972. The amount of this debt due within the next year is \$1,294,732 and \$16,336,240 is due in subsequent years. This debt is for the district court facilities, the County Administration Building, jail and park facilities and equipment and emergency dispatch center equipment. This debt is described in note 6 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 2015 fiscal year budget:

- The 2015 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.
- 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.
- Despite a recent trend toward improvement, the 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 Matt Elberfeld, Finance Officer, Campbell County Fiscal Court, 1098 Monmouth St. Newport, KY 41071.

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**CAMPBELL COUNTY  
STATEMENT OF NET POSITION**

**June 30, 2014**



**CAMPBELL COUNTY**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 12,559,897	\$ 392,977	\$ 12,952,874
Accounts Receivable	4,012,221	23,300	4,035,521
Total Current Assets	<u>16,572,118</u>	<u>416,277</u>	<u>16,988,395</u>
Noncurrent Assets:			
Capital Assets-Net of Accumulated Depreciation			
Land	3,860,187	497,462	4,357,649
Construction In Progress	37,182		37,182
Land Improvements	427,094	21,407	448,501
Buildings	25,964,713	21,285	25,985,998
Golf Equipment		128,038	128,038
Clubhouse Furniture and Fixtures		3,643	3,643
Other Equipment	1,110,634		1,110,634
Vehicles and Equipment	1,015,025		1,015,025
Infrastructure Assets-Net of Accumulated Depreciation	<u>8,915,222</u>		<u>8,915,222</u>
Total Noncurrent Assets	<u>41,330,057</u>	<u>671,835</u>	<u>42,001,892</u>
Total Assets	<u>57,902,175</u>	<u>1,088,112</u>	<u>58,990,287</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	419,901	10,690	430,591
Family Self Sufficiency Escrow Payable	16,867		16,867
Accrued Liabilities	14,504	46,779	61,283
Accrued Salaries and Payroll Taxes	513,466	237	513,703
Gift Cards Payable		10,605	10,605
Bonds Payable	<u>1,294,732</u>		<u>1,294,732</u>
Total Current Liabilities	<u>2,259,470</u>	<u>68,311</u>	<u>2,327,781</u>
Noncurrent Liabilities:			
Bonds Payable	16,336,240		16,336,240
Compensated Absences	<u>47,241</u>		<u>47,241</u>
Total Noncurrent Liabilities	<u>16,383,481</u>		<u>16,383,481</u>
Total Liabilities	<u>18,642,951</u>	<u>68,311</u>	<u>18,711,262</u>

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

**CAMPBELL COUNTY**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**  
**(Continued)**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	\$ 24,993,817	\$ 671,835	\$ 25,665,652
Restricted For:			
Roads	168,244		168,244
Social Services	461,573		461,573
Recreation Project Grants		208,701	208,701
Unrestricted	13,635,590	139,265	13,774,855
Total Net Position	<u>\$ 39,259,224</u>	<u>\$ 1,019,801</u>	<u>\$ 40,279,025</u>

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



**CAMPBELL COUNTY  
STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2014**

**CAMPBELL COUNTY  
STATEMENT OF ACTIVITIES**

**For The Year Ended June 30, 2014**

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 10,049,203	\$ 408,260	\$ 1,306,042	\$
Protection to Persons and Property	9,427,594	3,582,809	1,480,608	
General Health and Sanitation	1,172,250	30,832	87,154	
Social Services	4,268,874	5,193	3,543,454	
Recreation and Culture	457,992	88,119		
Roads	2,822,733		73,150	1,086,773
Bus Services	4,281,803		317,897	
Debt Service	718,813			
Capital Projects	262,890			
Total Governmental Activities	33,462,152	4,115,213	6,808,305	1,086,773
Business-type Activities:				
A.J. Jolly Park	807,640	610,258		
Jail Canteen	101,375	180,847		
Total Business-type Activities	909,015	791,105		
Total Primary Government	\$ 34,371,167	\$ 4,906,318	\$ 6,808,305	\$ 1,086,773

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Occupational Taxes

Other Taxes

Rental Motor Vehicle License Fee

Insurance License Fee/Tax

Excess Fees

Unrestricted Investment Earnings

Sale of Assets

Miscellaneous Revenues

Transfers (See Note 17)

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning (Restated)

Net Position - Ending

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

**CAMPBELL COUNTY**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2014**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (8,334,901)	\$	\$ (8,334,901)
(4,364,177)		(4,364,177)
(1,054,264)		(1,054,264)
(720,227)		(720,227)
(369,873)		(369,873)
(1,662,810)		(1,662,810)
(3,963,906)		(3,963,906)
(718,813)		(718,813)
(262,890)		(262,890)
(21,451,861)		(21,451,861)
	(197,382)	(197,382)
	79,472	79,472
	(117,910)	(117,910)
(21,451,861)	(117,910)	(21,569,771)
\$ 7,278,786.00	\$	\$ 7,278,786
671,305		671,305
778,813		778,813
9,215,052		9,215,052
1,139,550		1,139,550
59,648		59,648
1,838,753		1,838,753
844,525		844,525
28,321	56	28,377
5,112		5,112
313,239		313,239
(179,000)	169,000	(10,000)
21,994,104	169,056	22,163,160
542,243	51,146	593,389
38,716,981	968,655	39,685,636
\$ 39,259,224	\$ 1,019,801	\$ 40,279,025

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

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**CAMPBELL COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2014**

**CAMPBELL COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2014**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>(TANK) Payroll Tax Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 6,268,734	\$ 108,688	\$ 326,184	\$ 4,670,162
Accounts Rec-Taxes	736,317			2,067,887
Accounts Rec-Excess Fees	117,036			
Accounts Rec-Intergov Rev	54,483	16,387	365,198	317,897
Accounts Rec-Charges for Services	1,109		21,763	
Accounts Rec-Miscellaneous	20,751		28,718	
Accounts Receivable-Other				
Accounts Receivable-Fraud recovery, net				
Restricted Cash-Family Self-Sufficiency Escrow				
Total Assets	<u>7,198,430</u>	<u>125,075</u>	<u>741,863</u>	<u>7,055,946</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITES</b>				
Accounts Payable	145,666	61,734	196,540	
Accounts Payable-HUD				
Family Self-Sufficiency Escrow Paybale				
Accrued Salaries and Payroll Taxes	241,924	44,744	203,413	
Other Liabilities				
Total Liabilities	<u>387,590</u>	<u>106,478</u>	<u>399,953</u>	
 <b>FUND BALANCES</b>				
<b>Restricted For:</b>				
Social Services				
Roads				
<b>Committed To:</b>				
Social Services				
Bus Service				1,028,272
General Health and Sanitation				
<b>Assigned To:</b>				
Roads		18,597		
Protection to Persons and Property			341,910	
Social Services	153,895			
Bus Service				6,027,674
<b>Unassigned</b>	<u>6,656,945</u>			
Total Fund Balances	<u>6,810,840</u>	<u>18,597</u>	<u>341,910</u>	<u>7,055,946</u>
Total Liabilities and Fund Balances	<u>\$ 7,198,430</u>	<u>\$ 125,075</u>	<u>\$ 741,863</u>	<u>\$ 7,055,946</u>

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

CAMPBELL COUNTY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2014  
(Continued)

<u>Housing Choice Voucher Program</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
\$ 659,798	\$ 526,331	\$ 12,559,897
	229,765	3,033,969
		117,036
		753,965
		22,872
		49,469
3,421		3,421
14,504		14,504
16,985		16,985
<u>694,708</u>	<u>756,096</u>	<u>16,572,118</u>
6,206		410,146
9,755		9,755
16,867		16,867
23,385		513,466
14,504		14,504
<u>70,717</u>		<u>964,738</u>
461,573		461,573
	168,244	168,244
162,418		162,418
		1,028,272
	587,852	587,852
		18,597
		341,910
		153,895
		6,027,674
		6,656,945
<u>623,991</u>	<u>756,096</u>	<u>15,607,380</u>
<u>\$ 694,708</u>	<u>\$ 756,096</u>	<u>\$ 16,572,118</u>

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

**CAMPBELL COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2014**  
**(Continued)**

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

Total Fund Balances	\$ 15,607,380
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	84,521,100
Accumulated Depreciation	(43,191,043)
Discount on Bond Reported in Governmental Activities Are Not Financial Resources And Therefore Is Not Reported in the Funds	114,477
Premium on Bond Reported in Governmental Activities Are Not Financial Resources And Therefore Is Not Reported in the Funds	(40,449)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Due Within One Year-Bonds, Notes and Other Principal Payments	(1,300,000)
Due in More than One Year-Bonds, Notes and Other Principal Payments	(16,405,000)
Compensated Absences	<u>(47,241)</u>
Net Position Of Governmental Activities	<u>\$ 39,259,224</u>



**CAMPBELL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2014**

**CAMPBELL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2014**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>(TANK) Payroll Tax Fund</b>
<b>REVENUES</b>				
Taxes	\$ 12,207,512	\$	\$	\$ 7,898,666
Excess Fees	844,525			
Licenses and Permits	223,208			
Intergovernmental	956,506	1,106,408	4,177,251	316,085
Charges for Services	69,371		241,635	
Miscellaneous	990,156	42,759	333,813	1,812
Interest	3,389	33	55	21,153
<b>Total Revenues</b>	<u>15,294,667</u>	<u>1,149,200</u>	<u>4,752,754</u>	<u>8,237,716</u>
<b>EXPENDITURES</b>				
General Government	3,735,998			97,190
Protection to Persons and Property	2,862,025		6,011,070	
General Health and Sanitation	465,660			
Social Services	814,618			
Recreation and Culture	384,875			
Roads		2,126,712		
Bus Service				4,281,803
Debt Service	968,137	73,882	926,794	
Capital Projects	553,585	665,017	140,101	
Administration	3,024,548	511,088	1,658,577	10,357
<b>Total Expenditures</b>	<u>12,809,446</u>	<u>3,376,699</u>	<u>8,736,542</u>	<u>4,389,350</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>2,485,221</u>	<u>(2,227,499)</u>	<u>(3,983,788)</u>	<u>3,848,366</u>
<b>Other Financing Sources (Uses)</b>				
Transfer to Proprietary Fund	(179,000)			
Transfers From Other Funds	2,684,049	2,100,000	3,732,891	
Transfers To Other Funds	(4,563,201)			(2,590,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(2,058,152)</u>	<u>2,100,000</u>	<u>3,732,891</u>	<u>(2,590,000)</u>
Net Change in Fund Balances	427,069	(127,499)	(250,897)	1,258,366
Fund Balances - Beginning (Restated)	6,383,771	146,096	592,807	5,797,580
Fund Balances - Ending	<u>\$ 6,810,840</u>	<u>\$ 18,597</u>	<u>\$ 341,910</u>	<u>\$ 7,055,946</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, 2014**  
**(Continued)**

<b>Housing Choice Voucher Program</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 877,584	\$ 20,983,762
		844,525
		223,208
3,827,102		10,383,352
		311,006
18,608	22,072	1,409,220
280	3,412	28,322
<u>3,845,990</u>	<u>903,068</u>	<u>34,183,395</u>
451,399	10,798	4,295,385
		8,873,095
	691,674	1,157,334
3,395,237		4,209,855
		384,875
	21,725	2,148,437
		4,281,803
		1,968,813
		1,358,703
	17,393	5,221,963
<u>3,846,636</u>	<u>741,590</u>	<u>33,900,263</u>
<u>(646)</u>	<u>161,478</u>	<u>283,132</u>
		(179,000)
		8,516,940
	(1,363,739)	(8,516,940)
	(1,363,739)	(179,000)
(646)	(1,202,261)	104,132
624,637	1,958,357	15,503,248
<u>\$ 623,991</u>	<u>\$ 756,096</u>	<u>\$ 15,607,380</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, 2014**



**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, 2014**

Net Change in Fund Balances - Total Governmental Funds	\$ 104,132
Amounts reported for governmental activities in the Statement of	
<p>Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital Outlay (net of transfer from CIP)	1,095,813
Depreciation Expense	(1,906,196)
Assets disposed of, net book value	
<p>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.</p>	
Change in Compensated Absences	3,763
<p>The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.</p>	
Repayment of Long Term Debt Principal	1,250,000
Amortization of Bond Issuance Costs, Bond Premiums, and Bond Discount	<u>(5,269)</u>
Change in Net Position of Governmental Activities	<u>\$ 542,243</u>

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

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**CAMPBELL COUNTY**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**June 30, 2014**



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

**June 30, 2014**

	<b>Business-Type Activities - Enterprise Funds</b>		
	<b>A.J. Jolly Park</b>	<b>Jail Commissary Fund</b>	<b>Totals</b>
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 107,101	\$ 285,876	\$ 392,977
Accounts Receivable	3,692	19,608	23,300
Total Current Assets	110,793	305,484	416,277
Noncurrent Assets:			
Capital Assets:	497,462		497,462
Land	683,675		683,675
Land Improvements	140,704		140,704
Building	707,763		707,763
Equipment	106,097		106,097
Less Accumulated Depreciation	(1,463,866)		(1,463,866)
Total Noncurrent Assets	671,835		671,835
Total Assets	782,628	305,484	1,088,112
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	2,683	8,007	10,690
Accrued Liabilities	46,779		46,779
Accrued Wages		237	237
Gift Card Payable	10,605		10,605
Total Liabilities	60,067	8,244	68,311
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	671,835		671,835
Restricted-Recreation Project Grants	208,701		208,701
Unrestricted	(157,975)	297,240	139,265
Total Net Position	\$ 722,561	\$ 297,240	\$ 1,019,801

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 POSITION -**  
**PROPRIETARY FUND**  
**For The Year Ended June 30, 2014**



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

**For The Year Ended June 30, 2014**

	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>A.J. Jolly Park</u>	<u>Jail Commissary Fund</u>	<u>Totals</u>
<b>Operating Revenues</b>			
Golf	\$ 381,538	\$	\$ 381,538
Rentals-Power Carts	195,198		195,198
Rentals-Miscellaneous	1,526		1,526
Commissary Sales-Cigarettes/Soaps	78,218	33,367	111,585
Commissary Profits		146,760	146,760
Concession Commissions	661		661
Miscellaneous Revenue		720	720
Total Operating Revenues	<u>657,141</u>	<u>180,847</u>	<u>837,988</u>
Less:			
Rent Expense-Power Carts	<u>(46,883)</u>		<u>(46,883)</u>
Gross Profit on Operating Revenues	<u>610,258</u>	<u>180,847</u>	<u>791,105</u>
<b>Operating Expenses</b>			
Protection to Persons and Property		13,967	13,967
Educational and Recreational		33,090	33,090
Payments to Suppliers		54,318	54,318
Golf	473,818		473,818
Clubhouse	333,822		333,822
Total Operating Expenses	<u>807,640</u>	<u>101,375</u>	<u>909,015</u>
Operating Income (Loss)	<u>(197,382)</u>	<u>79,472</u>	<u>(117,910)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Contribution from Campbell County Fiscal Court	169,000		169,000
Interest Income	20	36	56
Total Nonoperating Revenues (Expenses)	<u>169,020</u>	<u>36</u>	<u>169,056</u>
Change In Net Assets	(28,362)	79,508	51,146
Total Net Position - Beginning	<u>750,923</u>	<u>217,732</u>	<u>968,655</u>
Total Net Position - Ending	<u>\$ 722,561</u>	<u>\$ 297,240</u>	<u>\$ 1,019,801</u>

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

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**CAMPBELL COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**For The Year Ended June 30, 2014**



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

**For The Year Ended June 30, 2014**

	<u><b>Business-Type Activities - Enterprise Funds</b></u>		
	<u><b>A.J. Jolly Park</b></u>	<u><b>Jail Commissary Fund</b></u>	<u><b>Totals</b></u>
<b>Cash Flows From Operating Activities</b>			
Receipts from Green Fees	\$ 381,538	\$	\$ 381,538
Rental for Golf Carts	195,198		195,198
Miscellaneous Rentals	1,526		1,526
Receipts from Concession Sales	74,526		74,526
Miscellaneous Income	661		661
Receipts from Sale of Cigarettes/Soaps		27,498	27,498
Profits		143,905	143,905
Payments to Employees		(13,926)	(13,926)
Educational and Recreational	(521,755)	(31,499)	(553,254)
Payments to Suppliers	(307,909)	(50,518)	(358,427)
Net Cash Provided (Used) By Operating Activities	<u>(176,215)</u>	<u>75,460</u>	<u>(100,755)</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers In/Out	<u>169,000</u>		<u>169,000</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>169,000</u>		<u>169,000</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Purchases of capital assets	<u>(825)</u>		<u>(825)</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(825)</u>		<u>(825)</u>
<b>Cash Flows From Investing Activities</b>			
Interest Earned	<u>20</u>	<u>36</u>	<u>56</u>
Net Cash Provided (Used) By Investing Activities	<u>20</u>	<u>36</u>	<u>56</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(8,020)	75,496	67,476
Cash and Cash Equivalents - July 1, 2013	<u>115,121</u>	<u>210,380</u>	<u>325,501</u>
Cash and Cash Equivalents - June 30, 2014	<u>\$ 107,101</u>	<u>\$ 285,876</u>	<u>\$ 392,977</u>

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, 2014  
 (Continued)

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	<u>Business-Type Activities - Enterprise Fund</u>		
	<u>A.J. Jolly Park</u>	<u>Jail Commissary Fund</u>	<u>Totals</u>
Operating Income (Loss)	\$ (197,382)	\$ 79,472	\$ (117,910)
Depreciation Expense	27,530		27,530
Changes In:			
Accounts Receivable	(3,692)	(9,443)	(13,135)
Prepays	(30,496)		(30,496)
Accounts Payable		5,390	5,390
Accrued Liabilities	27,455	41	27,496
Gift Card Payable	370		370
Net Cash Provided (Used) By Operating Activities	<u>\$ (176,215)</u>	<u>\$ 75,460</u>	<u>\$ (100,755)</u>

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

**CAMPBELL COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS**  
**June 30, 2014**



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

**June 30, 2014**

	<b>Agency Funds</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 77,138
Total Assets	77,138
 <b>Liabilities</b>	
Amounts Held In Custody For Others	77,138
Total Liabilities	77,138
 <b>Net Position</b>	
Total Net Position	\$ 0

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

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**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2014**

**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**

The financial statements of Campbell County include 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 had 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 this organization. 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 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, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Units (Continued)

*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 Matt Elberfeld, Fiscal Director, Campbell County Fiscal Court, 1098 Monmouth St., Newport, KY 41701.

**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, 2014**  
**(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 position 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 interfund 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 position 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.

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.

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.

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 sale ninety days following April 15.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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.

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**

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 license 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.

*(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.

The primary government also has the following non-major funds: Mental Health Tax Fund, Campbell County Public Properties Corporation, and the Developer Road Escrow Fund.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

**Governmental Funds (Continued)**

Special Revenue Funds:

The Road Fund, Jail Fund, (TANK) Payroll Tax Fund, Campbell County Housing Choice Voucher Program, Mental Health Tax Fund, the Developer Road Escrow Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of significant restricted and/or committed revenue sources and expenditures that are legally restricted or committed for specific purposes.

Debt Service Fund:

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.

**Revenue Recognition**

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within sixty days of year-end and available to pay obligations of the current period). The revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, charges for services, interest income and intergovernmental revenues. All other Governmental revenues are recognized when received. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made. When revenue is received in advance it is considered unearned until expenditures are made.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Property taxes levied to finance fiscal year 2014 are recorded when there is an enforceable legal claim and when the revenue is measurable and available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

**Expenditure Recognition**

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

**Proprietary Funds**

Proprietary funds are accounted for using the accrual basis of accounting and the economic resources measurement focus. These funds account for operations that are primarily financed by user charges. The economic resources measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in these funds.

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 Commissary Fund. 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 fund:

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 Commissary Fund – The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

**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 in the Utility Tax Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary funds: the Jail Inmate Account, the Employee Fund Account, and the Performance Bond Account (no balance as of June 30, 2014).

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**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).

**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.

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

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**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. Upon termination of employment, employees do receive pay for unused vacation time that has not expired.

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.

**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 non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.



**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the county has designated the County Judge Executive to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

“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 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 Position and Statement of Activities; however, encumbrances are reflected on the Balance Sheet – Governmental Funds as part of the fund balance.

“Committed to Bus Service” 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 services 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 Commissary 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, 2014**  
**(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 relate 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 Position.

**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. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government’s deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of June 30, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**B. Investments**

At June 30, 2014, 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, 2014**  
**(Continued)**

**Note 3. Operating Leases**

**A. Copiers**

The fiscal court entered into various lease agreements for vehicles to be used by various county departments. The total expense related to these leases was \$5,688 for the fiscal year ended June 30, 2014. The future minimum lease payments for these leases are as follows:

Fiscal Year Ended June 30	Governmental Activities Amount
2015	\$ 2,100
2016	1,440
Total Minimum Lease Payments	<u>\$ 3,540</u>

**B. Golf Carts**

The A.J. Jolly Park entered into a lease for golf carts effective March 2012 for a total rental of \$185,328. No payments were required for the months of April through June, as well as July 2012 under this lease. First payment on the lease was to be made in August 2012. This replaces the previous lease for golf carts that was set to expire in fiscal year 2013. 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:

Fiscal Year Ended June 30	Business-type Activities Amount
2015	\$ 54,054
2016	30,888
Total Minimum Lease Payments	<u>\$ 84,942</u>

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**  
**(Continued)**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 3,860,187	\$	\$	\$ 3,860,187
Construction In Progress	245,042		(207,860)	37,182
Total Capital Assets Not Being Depreciated	4,105,229		(207,860)	3,897,369
Capital Assets, Being Depreciated:				
Land Improvements	886,361			886,361
Buildings	34,610,297	354,456		34,964,753
Other Equipment	3,156,789	71,913	(7,416)	3,221,286
Vehicles and Equipment	3,706,672	375,928	(66,993)	4,015,607
Infrastructure	37,034,348	501,376		37,535,724
Total Capital Assets Being Depreciated	79,394,467	1,303,673	(74,409)	80,623,731
Less Accumulated Depreciation For:				
Land Improvements	(421,578)	(37,689)		(459,267)
Buildings	(8,169,893)	(830,147)		(9,000,040)
Other Equipment	(1,880,238)	(237,830)	7,416	(2,110,652)
Vehicles and Equipment	(2,862,453)	(205,122)	66,993	(3,000,582)
Infrastructure	(28,025,094)	(595,408)		(28,620,502)
Total Accumulated Depreciation	(41,359,256)	(1,906,196)	74,409	(43,191,043)
Total Capital Assets, Being Depreciated, Net	38,035,211	(602,523)		37,432,688
Governmental Activities Capital Assets, Net	\$ 42,140,440	\$ (602,523)	\$ (207,860)	\$ 41,330,057

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**  
**(Continued)**

**Note 4. Capital Assets (Continued)**

Capital asset activity for Business-Type Activities for the year ended June 30, 2014 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 497,462	\$	\$	\$ 497,462
Total Capital Assets Not Being Depreciated	497,462			497,462
Capital Assets, Being Depreciated:				
Land Improvements	683,675			683,675
Buildings	140,704			140,704
Clubhouse Furniture and Fixtures	106,097			106,097
Golf Equipment	706,938	825		707,763
Total Capital Assets Being Depreciated	1,637,414	825		1,638,239
Less Accumulated Depreciation For:				
Capital Assets, Being Depreciated:				
Land Improvements	(659,998)	(2,270)		(662,268)
Buildings	(115,019)	(4,400)		(119,419)
Clubhouse Furniture and Fixtures	(100,413)	(2,041)		(102,454)
Golf Equipment	(560,906)	(18,819)		(579,725)
Total Accumulated Depreciation	(1,436,336)	(27,530)		(1,463,866)
Total Capital Assets, Being Depreciated, Net	201,078	(26,705)		174,373
Governmental Activities Capital Assets, Net	\$ 698,540	\$ (26,705)	\$ 0	\$ 671,835

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

<u>Governmental Activities:</u>	
General Government	\$ 526,586
Protection to Persons and Property	558,262
General Health and Sanitation	14,916
Social Services	59,019
Recreation and Culture	73,117
Roads, Including Depreciation of General Infrastructure Assets	674,296
Total Depreciation Expense - Governmental Activities	<u>\$ 1,906,196</u>
<u>Business-Type Activities</u>	
AJ Jolly Park	\$ 27,530
Total Depreciation Expense - Business-Type Activities	<u>\$ 27,530</u>

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**  
**(Continued)**

**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.

**Note 6. Long-term Debt**

**A. General Obligation Refunding Bonds**

The Campbell County Fiscal Court issued as of February 24, 2012 \$1,645,000 General Obligation Refunding Bond, Series 2012, to refund Campbell County, Kentucky General Project Refunding Bond, Series 2001 and First Mortgage Refunding and Improvement Revenue Bonds, Series 1997. The bonds mature in varying amounts from \$5,000 to \$200,000 from June 1, 2012 through 2022. Interest is payable semiannually on June 1 and December 1 at a rate of 2.00%. Bonds outstanding on June 30, 2014 were \$1,180,000. The debt service requirements for future fiscal years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2015	\$ 185,000	\$ 21,750
2016	185,000	18,050
2017	195,000	14,250
2018	200,000	10,300
2019	75,000	7,550
2020-2023	340,000	13,700
Totals	<u>\$ 1,180,000</u>	<u>\$ 85,600</u>

**B. 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 4.375% and principal payments are due annually on December 1 of each year.

Bonds outstanding on June 30, 2014 were \$8,760,000. The debt service requirements for future fiscal years are as follows:

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**B. General Obligation Public Project Bonds, Series 2006 (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2015	\$ 695,000	\$ 352,244
2016	720,000	323,944
2017	610,000	297,344
2018	630,000	272,544
2019	655,000	246,434
2020-2024	3,725,000	785,872
2025-2026	1,725,000	76,234
Totals	<u>\$ 8,760,000</u>	<u>\$ 2,354,616</u>

**C. 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 3.25% to 4.20% and principal payments are due annually on January 1 of each year.

Bonds outstanding on June 30, 2014 were \$7,765,000. The debt service requirements for future fiscal years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2015	\$ 420,000	\$ 307,388
2016	435,000	292,688
2017	450,000	277,463
2018	470,000	261,713
2019	490,000	244,793
2020-2024	2,780,000	920,748
2025-2027	2,720,000	292,530
Totals	<u>\$ 7,765,000</u>	<u>\$ 2,597,323</u>

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**  
**(Continued)**

**Note 6. Long-term Debt (Continued)**

**D. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary Government:</b>					
<b><u>Governmental Activities:</u></b>					
Compensated Absences	\$ 51,004	\$	\$ 3,763	\$ 47,241	\$
General Obligation Public Public Project Bonds	8,170,000		405,000	7,765,000	420,000
General Obligation Public Project Bonds	9,425,000		665,000	8,760,000	695,000
General Obligation Public Refunding Bonds	1,360,000		180,000	1,180,000	185,000
Unamortized Premiums	45,208		4,759	40,449	4,759
Unamortized Discounts	(124,504)		(10,027)	(114,477)	(10,027)
				<u>(114,477)</u>	<u>(10,027)</u>
Governmental Activities Long-term Liabilities	<u>\$ 18,926,708</u>	<u>\$ 0</u>	<u>\$ 1,248,495</u>	<u>\$ 17,678,213</u>	<u>\$ 1,294,732</u>

**Note 7. Interest On Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$ 718,813 in interest on bonds.

**Note 8. Commitments and Contingencies**

The County is involved in multiple lawsuits that arose from the normal course of doing business. While individually they may not be significant; in the aggregate, they could negatively impact the county's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the county cannot be made at this time.

**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 18.99 percent.



**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**  
**(Continued)**

**Note 9. Employee Retirement System (Continued)**

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 35.70 percent.

The county's contribution for FY 2012 was \$1,950,541, FY 2013 was \$1,994,596, and FY 2014 was \$1,851,233.

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.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

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.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**  
**(Continued)**

**Note 10. Deferred Compensation**

The Campbell County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 11. Insurance**

For the fiscal year ended June 30, 2014, 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.

**Note 12. 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 was 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 13. Concentration of Business Risk**

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, 2014, contributions from HUD made up 99% of the total revenues received.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**  
**(Continued)**

**Note 14. Interfund Transactions**

The following is a list of interfund transactions as of June 30, 2014:

	Total Transfers Out	Total Transfers In
General Fund	\$ 4,742,201	\$ 2,684,049
Road Fund		2,100,000
Jail Fund		3,732,891
(TANK) Payroll Tax Fund	2,590,000	
AJ Jolly Fund *		179,000
Non-Major	1,363,739	
Total Transfers	<u>\$ 8,695,940</u>	<u>\$ 8,695,940</u>

The reason for transfers is to move resources from funds, for budgetary purposes, to funds that will expend them.  
 \*A.J. Jolly Fund received \$169,000; the remaining \$10,000 was still in the Accounts Payable account as of June 30, 2014.

**Note 15. Disaggregation of Accounts Payable**

The following is a list of accounts payable by function as of June 30, 2014:

	Totals	General Fund	Road Fund	Jail Fund	Housing Voucher Program
General Government	\$ 259,349	\$ 65,997	\$	\$ 193,352	\$
Roads	61,734		61,734		
Protection To Persons and Property	21,804	21,804			
General Health and Sanitation	6,568	6,568			
Social Services	20,633	4,672			15,961
Recreation and Culture	11,118	11,118			
Capital Projects	1,221	1,221			
Total Administration	<u>37,474</u>	<u>34,286</u>		<u>3,188</u>	
Total	<u>\$ 419,901</u>	<u>\$ 145,666</u>	<u>\$ 61,734</u>	<u>\$ 196,540</u>	<u>\$ 15,961</u>

**Note 16. Changes in Accounting Principles, Reporting Practices and Prior Period Adjustments**

The Housing Choice Voucher Program – Fraud receivable allowance for doubtful accounts were decreased \$29,075 for old age tenant balances that management has determined are uncollectible. These tenant balances were recorded in a previous period. Capital Assets were increased by \$27,884 due to some Housing Choice Voucher Program assets were omitted from the master capital asset listing provided by Fiscal Court.

GASB Statement No 65- Items previously reported as assets and liabilities were adopted and implemented during the fiscal year which resulted in a restatement of beginning net position. All applicable provisions of this statement have been incorporated into the financial statements and notes. The net position as previously reported has been restated to conform to generally accepted accounting principles.

The effect on net position was a decrease of \$106,371.

**CAMPBELL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**  
**(Continued)**

**Note 16. Changes in Accounting Principles, Reporting Practices and Prior Period Adjustments**  
**(Continued)**

Due to Statement no. 54 of the Governmental Accounting Standards Board: Fund Balance Reporting and Governmental Fund Type Definitions, the General Fund includes the following fund: Senior Citizen Tax Fund that was reported separately in the prior year as a non-major fund. The net effect was an increase to the beginning balance of the General Fund of \$232,727 on the *Statement of Revenues, Expenditures, and Changes in Fund Balance*.

**Note 17. A.J. Jolly Park Transfer**

A \$10,000 transfer to A.J. Jolly Park Fund from the General Fund was not completed. The transfer was posted in the General Fund and transferred into the Accounts Payable Account. This transfer was reflected on the governmental activities column of the government-wide financial statements as having been completed, however it was not reflected in the A.J. Jolly Park audit as being received by June 30, 2014 which was audited by other auditors.

**Note 18. Subsequent Events – New Debt And Refinance Of Old Debt**

The County of Campbell, Kentucky proposed to issue the General Obligation Bonds, Series 2014A (the “2014A Bonds”) and General Obligation Refunding Bonds, Series 2014B (the “2014B Bonds,” together with the 2014A Bonds, the “Bonds”), dated July 29, 2014, which will be issued on July 29, 2014. The Bonds consist of \$8,240,000 Serial Bonds, \$250,000 3.000% Term Bonds due December 1, 2025, \$265,000 3.000% Term Bonds due December 1, 2027, \$285,000 3.000% Term Bonds due December 1, 2029, \$300,000 3.250% Term Bonds due December 1, 2031 and \$325,000 3.500% Term Bonds due December 1, 2033.

A portion of the proceeds of the 2014B Bonds will be used to purchase United States Treasury Securities – State and Local Government Series (the “Restricted Acquired Obligations”), together with an initial cash deposit, which will be placed in an irrevocable trust (the “Escrow Fund”), to be used solely to refund that portion of the County’s General Obligation Public Project Bonds, Series 2006 (the “Refunded Bonds”).

**CAMPBELL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Budgetary Basis**

**For The Year Ended June 30, 2014**



**CAMPBELL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Budgetary Basis**

**For The Year Ended June 30, 2014**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 11,512,165	\$ 11,512,165	\$ 11,739,817	\$ 227,652
Excess Fees	1,000,000	1,000,000	864,550	(135,450)
Licenses and Permits	147,200	147,200	223,208	76,008
Intergovernmental Revenue	929,670	929,670	854,127	(75,543)
Charges for Services	53,650	53,650	70,884	17,234
Miscellaneous	982,209	982,209	1,015,346	33,137
Interest	4,800	4,800	2,276	(2,524)
Total Revenues	<u>14,629,694</u>	<u>14,629,694</u>	<u>14,770,208</u>	<u>140,514</u>
<b>EXPENDITURES</b>				
General Government	4,021,996	4,181,496	3,680,981	500,515
Protection to Persons and Property	3,209,940	3,213,290	2,839,227	374,063
General Health and Sanitation	475,811	499,111	462,675	36,436
Social Services	133,153	123,653	282,783	(159,130)
Recreation and Culture	612,884	644,084	387,649	256,435
Debt Service	973,300	973,300	968,137	5,163
Capital Projects	773,000	889,700	553,864	335,836
Administration	3,688,049	3,353,999	2,955,308	398,691
Total Expenditures	<u>13,888,133</u>	<u>13,878,633</u>	<u>12,130,624</u>	<u>1,748,009</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>741,561</u>	<u>751,061</u>	<u>2,639,584</u>	<u>1,888,523</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	1,671,500	1,671,500	2,684,049	1,012,549
Transfers To Other Funds	(4,205,000)	(4,205,000)	(4,725,534)	(520,534)
Total Other Financing Sources (Uses)	<u>(2,533,500)</u>	<u>(2,533,500)</u>	<u>(2,041,485)</u>	<u>492,015</u>
Net Changes in Fund Balance	(1,791,939)	(1,782,439)	598,099	2,380,538
Fund Balance - Beginning	<u>1,791,939</u>	<u>1,791,939</u>	<u>5,622,722</u>	<u>3,830,783</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 9,500</u>	<u>\$ 6,220,821</u>	<u>\$ 6,211,321</u>

\*\*

\*\* Includes budget transfer to Senior Citizen Tax Fund

**CAMPBELL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Budgetary Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,794,032	\$ 1,794,032	\$ 1,298,172	\$ (495,860)
Miscellaneous	37,000	37,000	42,759	5,759
Interest	300	300	33	(267)
Total Revenues	<u>1,831,332</u>	<u>1,831,332</u>	<u>1,340,964</u>	<u>(490,368)</u>
<b>EXPENDITURES</b>				
Roads	2,350,056	2,167,256	2,088,625	78,631
Debt Service	74,000	74,000	73,882	118
Capital Projects	944,008	1,130,308	665,017	465,291
Administration	521,403	517,903	510,361	7,542
Total Expenditures	<u>3,889,467</u>	<u>3,889,467</u>	<u>3,337,885</u>	<u>551,582</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(2,058,135)</u>	<u>(2,058,135)</u>	<u>(1,996,921)</u>	<u>61,214</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	2,000,000	2,000,000	2,100,000	100,000
Total Other Financing Sources (Uses)	<u>2,000,000</u>	<u>2,000,000</u>	<u>2,100,000</u>	<u>100,000</u>
Net Changes in Fund Balance	(58,135)	(58,135)	103,079	161,214
Fund Balance - Beginning	58,135	58,135	5,609	(52,526)
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 108,688</u>	<u>\$ 108,688</u>



**CAMPBELL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Budgetary Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

	<b>JAIL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 4,200,721	\$ 4,200,721	\$ 4,256,728	\$ 56,007
Charges for Services	207,126	207,126	238,192	31,066
Miscellaneous	288,240	288,240	327,983	39,743
Interest	200	200	55	(145)
Total Revenues	<u>4,696,287</u>	<u>4,696,287</u>	<u>4,822,958</u>	<u>126,671</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	6,122,199	6,288,799	5,887,142	401,657
Debt Service	926,800	926,800	926,794	6
Capital Projects	1,389,091	1,223,491	146,369	1,077,122
Administration	1,935,447	1,934,447	1,647,852	286,595
Total Expenditures	<u>10,373,537</u>	<u>10,373,537</u>	<u>8,608,157</u>	<u>1,765,380</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(5,677,250)</u>	<u>(5,677,250)</u>	<u>(3,785,199)</u>	<u>1,892,051</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	4,205,000	4,205,000	3,732,891	(472,109)
Transfers To Other Funds				
Borrowed Money	1,389,091	1,389,091		(1,389,091)
Total Other Financing Sources (Uses)	<u>5,594,091</u>	<u>5,594,091</u>	<u>3,732,891</u>	<u>(1,861,200)</u>
Net Changes in Fund Balance	(83,159)	(83,159)	(52,308)	30,851
Fund Balance - Beginning	83,159	83,159	378,492	295,333
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 326,184</u>	<u>\$ 326,184</u>

**CAMPBELL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Budgetary Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

	<b>(TANK) Payroll Tax Fund</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 7,652,000	\$ 7,652,000	\$ 7,890,649	\$ 238,649
Intergovernmental Revenue	287,000	287,000	305,821	18,821
Miscellaneous			1,812	1,812
Interest	2,700	2,700	21,153	18,453
Total Revenues	<u>7,941,700</u>	<u>7,941,700</u>	<u>8,219,435</u>	<u>277,735</u>
<b>EXPENDITURES</b>				
General Government	76,000	104,400	97,190	7,210
Bus Services	4,345,000	4,351,600	4,281,803	69,797
Administration	215,000	180,000	10,357	169,643
Total Expenditures	<u>4,636,000</u>	<u>4,636,000</u>	<u>4,389,350</u>	<u>246,650</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>3,305,700</u>	<u>3,305,700</u>	<u>3,830,085</u>	<u>524,385</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(3,550,000)	(3,550,000)	(2,590,000)	960,000
Total Other Financing Sources (Uses)	<u>(3,550,000)</u>	<u>(3,550,000)</u>	<u>(2,590,000)</u>	<u>960,000</u>
Net Changes in Fund Balances	(244,300)	(244,300)	1,240,085	1,484,385
Fund Balances - Beginning	244,300	244,300	3,430,078	3,185,778
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,670,163</u>	<u>\$ 4,670,163</u>

**CAMPBELL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Budgetary Basis**  
**For The Year Ended June 30, 2014**  
**(Continued)**

**HOUSING CHOICE VOUCHER PROGRAM**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 3,368,175	\$ 3,368,175	\$ 3,474,029	\$ 105,854
Charges for Services	316,000	316,000	353,073	37,073
Miscellaneous	5,700	5,700	18,608	12,908
Interest	400	400	280	(120)
Total Revenues	<u>3,690,275</u>	<u>3,690,275</u>	<u>3,845,990</u>	<u>155,715</u>
<b>EXPENDITURES</b>				
Social Services	3,708,349	3,708,349	3,720,636	(12,287)
Administration	130,306	130,306	126,000	4,306
Total Expenditures	<u>3,838,655</u>	<u>3,838,655</u>	<u>3,846,636</u>	<u>(7,981)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(148,380)</u>	<u>(148,380)</u>	<u>(646)</u>	<u>147,734</u>
Net Changes in Fund Balances	(148,380)	(148,380)	(646)	147,734
Fund Balances - Beginning	148,380	148,380	624,637	476,257
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 623,991</u>	<u>\$ 623,991</u>

**CAMPBELL COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2014**

**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.

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. Campbell County Health Services, Inc.**

Auditors included Campbell County Health Services, Inc. in the General Fund, increasing revenues by \$179,305 and increasing expenditures by \$178,745. This account had not been previously budgeted and was not included in the General Fund. The inclusion resulted in the General Fund being over budget in line item Social Services.

**Note 3. Housing Choice Voucher Program**

The total expended from the Housing Choice Voucher Program exceeded the budget by \$7,981.

**Note 4. 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. Also included are reconciling items for Senior Citizen's activity that is included in the General Fund. A schedule reconciling the fund balance on a cash basis at June 30, 2014, to the fund balance on an accrual basis follows:

	<b>General</b>	<b>Road</b>	<b>Jail</b>	<b>TANK</b>
	<b><u>Fund</u></b>	<b><u>Fund</u></b>	<b><u>Fund</u></b>	<b><u>Fund</u></b>
<b><u>Sources/Inflows of Resources</u></b>				
Actual Amount (Budgetary Basis)	\$ 14,770,208	\$ 1,340,964	\$ 4,822,958	\$ 8,219,435
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.	9,916	(191,764)	(70,204)	18,281
To adjust for Senior Citizen's Tax Revenue	514,543			
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 15,294,667</u>	<u>\$ 1,149,200</u>	<u>\$ 4,752,754</u>	<u>\$ 8,237,716</u>

**CAMPBELL COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2014**  
**(Continued)**

**Note 4. Budgetary Basis vs. GAAP (Continued)**

	<b>General</b>	<b>Road</b>	<b>Jail</b>	<b>TANK</b>
	<b><u>Fund</u></b>	<b><u>Fund</u></b>	<b><u>Fund</u></b>	<b><u>Fund</u></b>
<b><u>Uses/Outflows of Resources</u></b>				
Actual Amount (Budgetary Basis)	\$ 12,130,624	\$ 3,337,885	\$ 8,608,157	\$ 4,389,350
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.	102,114	38,814	128,385	
To adjust for Senior Citizen's Tax Expenditures	576,708			
<hr/>				
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 12,809,446	\$ 3,376,699	\$ 8,736,542	\$ 4,389,350
<hr/>				
<b><u>Other Financing Sources(Uses)</u></b>				
Actual Amount (Budgetary Basis)	\$ (2,041,485)	\$ 2,100,000	\$ 3,732,891	\$ (2,590,000)
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.				
To adjust for Senior Citizen's Transfer	(16,667)			
<hr/>				
Total Other Financing Sources(Uses) as as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ (2,058,152)	\$ 2,100,000	\$ 3,732,891	\$ (2,590,000)
<hr/>				
<b><u>Ending Fund Balances</u></b>				
Actual Amount (Budgetary Basis)	\$ 6,220,821	\$ 108,688	\$ 326,184	\$ 4,670,163
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.	542,106	(90,091)	15,726	2,385,783
To adjust for Senior Citizen's Tax Ending Balance	47,953			
<hr/>				
Total Ending Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 6,810,840	\$ 18,597	\$ 341,910	\$ 7,055,946
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**CAMPBELL COUNTY  
COMBINING BALANCE SHEET –  
NON-MAJOR GOVERNMENTAL FUNDS  
Other Supplementary Information**

**June 30, 2014**





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

**June 30, 2014**

	<b>Mental Health Tax Fund</b>	<b>Developer Road Escrow</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 358,087	\$ 168,244	\$ 526,331
Accounts Rec-Taxes	229,765		229,765
Total Assets	<u>587,852</u>	<u>168,244</u>	<u>756,096</u>
<b>FUND BALANCES</b>			
<b>Restricted For:</b>			
Roads		168,244	168,244
<b>Assigned To:</b>			
General Health and Sanitation	587,852		587,852
Total Fund Balances	<u>\$ 587,852</u>	<u>\$ 168,244</u>	<u>\$ 756,096</u>

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

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**CAMMPBELL COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS**

**Other Supplementary Information**

**For the Year Ended June 30, 2014**



**CAMMPBELL COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS**

**Other Supplementary Information**

**For the Year Ended June 30, 2014**

	<b>Mental Health Tax Fund</b>	<b>Developer Road Escrow</b>	<b>Public Properties Corporation Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 877,584	\$	\$	\$ 877,584
Miscellaneous		21,725	347	22,072
Interest	2,265	39	1,108	3,412
Total Revenues	<u>879,849</u>	<u>21,764</u>	<u>1,455</u>	<u>903,068</u>
<b>EXPENDITURES</b>				
General Government	10,798			10,798
General Health and Sanitation	691,674			691,674
Roads		21,725		21,725
Administration			17,393	17,393
Total Expenditures	<u>702,472</u>	<u>21,725</u>	<u>17,393</u>	<u>741,590</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>177,377</u>	<u>39</u>	<u>(15,938)</u>	<u>161,478</u>
<b>Other Financing Sources (Uses)</b>				
Transfers To Other Funds	(86,500)		(1,277,239)	(1,363,739)
Total Other Financing Sources (Uses)	<u>(86,500)</u>		<u>(1,277,239)</u>	<u>(1,363,739)</u>
Net Change in Fund Balances	90,877	39	(1,293,177)	(1,202,261)
Fund Balances - Beginning	496,975	168,205	1,293,177	1,958,357
Fund Balances - Ending	<u>\$ 587,852</u>	<u>\$ 168,244</u>	<u>\$ 0</u>	<u>\$ 756,096</u>

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

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**CAMPBELL COUNTY**  
**COMBINING STATEMENT OF FIDUCIARY FUND NET POSITION**  
**Other Supplementary Information**

**June 30, 2014**





**CAMPBELL COUNTY**  
**COMBINING STATEMENT OF FIDUCIARY FUND NET POSITION**  
**Other Supplementary Information**

**June 30, 2014**

	<b>Jail Inmate Account</b>	<b>Employee Fund Account</b>	<b>Total Agency Funds</b>
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 63,006	\$ 14,132	\$ 77,138
Total Assets	<u>63,006</u>	<u>14,132</u>	<u>77,138</u>
<b>Liabilities</b>			
Amounts Held In Custody For Others	<u>63,006</u>	<u>14,132</u>	<u>77,138</u>
Total Liabilities	<u>63,006</u>	<u>14,132</u>	<u>77,138</u>
<b>Net Position</b>			
Total Net Position	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</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, 2014**



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

**Fiscal Year Ended June 30, 2014**

Federal Grantor CFDA #	Program Title	Pass-Through Grantor's Number	Expenditures
Cash Programs:			
<b><u>Department of Housing and Urban Development</u></b>			
<i>Direct Award:</i>			
14.871	Section 8 Housing Choice Voucher Program	Not Available	** \$ 3,823,445
<b><u>U.S. Department of Justice</u></b>			
<i>Direct Award:</i>			
16.607	Bulletproof Vest Partnership Program	Not Available	2,408
<b><u>U.S. Department of Transportation</u></b>			
<i>Passed-Through Kentucky Department of Military Affairs:</i>			
20.600	State and Community Highway Safety	Not Available	25,024
<b><u>U.S. Department of Health and Human Services</u></b>			
<i>Passed-Through Kentucky Cabinet for Families and Children:</i>			
Department for Aging and Independent Living			
<i>Passed-Through Northern Kentucky Area Development District:</i>			
93.044	Title III B-Grants for Supportive Services and Senior Citizens	Not Available	60,000
<b><u>U.S. Department of Homeland Security</u></b>			
<i>Passed-Through Kentucky Department of Military Affairs:</i>			
97.042	Emergency Management Performance Grants	Not Available	<u>41,911</u>
Total Expenditures of Federal Awards			<u>\$ 3,952,788</u>

\*\*Tested as Major Program or Cluster

**CAMPBELL COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Year Ended June 30, 2014**

Note 1 - 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 - Determination of Major Program

The Type A program for the fiscal court is any program for which total expenditures of federal awards exceed \$300,000 for fiscal year 2014 or were deemed high risk. There was one Type A program. The major program tested was:

- CFDA #14.871 Section 8 Housing Choice Voucher Program

Note 3 - There were no noncash expenditures of federal awards for fiscal year 2014.

**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**







**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

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

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

Independent Auditor's Report

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, 2014, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated March 20, 2015. Other auditors audited the financial statements of the Campbell County Fiscal Court Housing Department Housing Choice Voucher Program, the Campbell County Public Properties Corporation, and the A.J. Jolly Park, as described in our report on Campbell County, Kentucky's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Campbell County Fiscal Court's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Campbell County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Campbell County Fiscal Court's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, which is described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.



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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards, and which is described in the accompanying schedule of findings and questioned costs as item 2014-01.

**Campbell County's Response to Finding**

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

**Purpose of this Report**

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

Respectfully submitted,



Adam H. Edelen  
Auditor of Public Accounts

March 20, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

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

Report On Compliance For Each Major Federal Program  
And Report On Internal Control Over Compliance  
In Accordance With OMB Circular A-133

Independent Auditor's Report

**Report on Compliance for Each Major Federal Program**

We have audited Campbell County, Kentucky's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Campbell County's major federal programs for the year ended June 30, 2014. Campbell County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Campbell County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Campbell County's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Campbell County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.



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

**Report on Internal Control over Compliance**

Management of Campbell County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Campbell County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Campbell 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen  
Auditor of Public Accounts

March 20, 2015

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

**For The Year Ended June 30, 2014**





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

**Fiscal Year Ended June 30, 2014**

**Section I: Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	___ Yes	__x__ No
Are any significant deficiencies identified not considered to be material weaknesses?	__x__ Yes	___ None Reported
Is any noncompliance material to financial statements noted?	__x__ Yes	___ No

***Federal Awards***

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

Are any material weaknesses identified?	___ Yes	__x__ No
Are any significant deficiencies identified not considered to be material weaknesses?	___ Yes	__x__ None Reported
Are any audit findings disclosed that are required to be reported in accordance with <a href="#">U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section .510(a)</a> ?	___ Yes	__x__ No

Identification of major programs:

CFDA Number and Name of Federal Program or Cluster

14.871 Housing Choice Voucher Program
---------------------------------------

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
Is the auditee qualified as a low-risk auditee?	x Yes <input type="checkbox"/> No

**CAMPBELL COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Fiscal Year Ended June 30, 2014**  
**(Continued)**

**Section II: Finding - Financial Statement Audit**

*Financial Statement Finding*

2014-001 The County Judge Executive, The Former Jailer, And The Current Jailer Were Not Paid In Accordance With The Maximum Salary Authorization Set For CY 2013

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The County Judge Executive, the former Jailer, and the current Jailer were overpaid during calendar year 2013. Controls were not in place to ensure that officials were paid appropriately.

- The maximum salary set by the Kentucky Department for Local Government (DLG) for the County Judge Executive for calendar year 2013 was \$104,034. During calendar year 2013, he was compensated \$104,102, resulting in a salary overpayment of \$68.
- The maximum salary set by DLG for the former Jailer who retired after January 2013 was \$104,034; therefore, he was entitled to \$8,670 (1/12<sup>th</sup> of the annual salary maximum). During calendar year 2013, he was compensated \$13,536 plus an additional \$550 for car allowance (which is prohibited per KRS 64.710), resulting in a total overpayment of \$5,416.
- The maximum salary set by DLG for the current Jailer who was sworn in February 2013 was \$92,475; therefore, he was entitled to \$84,768 (11/12<sup>th</sup> of the annual salary maximum). During calendar year 2013, he was compensated \$80,351 plus an additional \$6,050 for car allowance (which is prohibited per KRS 64.710), resulting in a total overpayment of \$1,633.

Failure to implement controls over payroll could result in amounts due to or due from officials or employees. When brought to the attention of management, all amounts due to the Fiscal Court for overpayment of salaries were requested from and paid by the officials. We recommend the County establish and implement controls to ensure that officials are paid in accordance with the maximum salary authorization schedule set by the Kentucky Department for Local Government.

*County Judge/Executive Steve Pendery's Response: Campbell County agrees with the finding and all amounts were repaid upon notification of the miscalculation. Campbell County has implemented controls to help ensure elected officials are paid in accordance with the salary authorization schedule set by the Kentucky Department for Local Government.*

**CAMPBELL COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2014  
(Continued)**

**Section II: Finding - Financial Statement Audit**

*Internal Control - Material Weaknesses*

None.

**Section III: Findings And Questioned Costs - Major Federal Awards Program Audit**

None.

**Section IV: Summary Schedule of Prior Audit Findings (FEDERAL FINDINGS ONLY)**

None.

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