

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

**For The Fiscal Year Ended
June 30, 2017**



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

The Honorable Matthew G. Bevin, Governor

William M. Landrum III, Secretary

Finance and Administration Cabinet

The Honorable Steve Pendery, Campbell County Judge/Executive

Members of the Campbell County Fiscal Court

The enclosed report prepared by Dean Dorton Allen Ford, PLLC, Certified Public Accountants, presents the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2017, which collectively comprise the Campbell County Fiscal Court's basic financial statements.

We engaged Dean Dorton Allen Ford, PLLC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Dean Dorton Allen Ford, PLLC evaluated the Campbell County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

Enclosure



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CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

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To the People of Kentucky
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Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell County Fiscal Court, Kentucky (the fiscal court), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the fiscal court's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The fiscal court'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 the Campbell County Fiscal Court Housing Department Housing Choice Voucher Program, a major Special Revenue Fund. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for that entity, is based upon the report of other auditors.

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

	Percent of Assets	Percent of Fund Balance / Net Position	Percent of Revenues
Government-Wide Financial Statements			
Primary Government - Governmental Activities	0.37%	0.75%	11.32%
Fund Financial Statements			
Governmental Funds	1.21%	1.15%	11.33%

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.

To the People of Kentucky
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Auditor's Responsibility (Continued)

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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell County Fiscal Court, as of June 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 5 through 12, Budgetary Comparison Schedules on pages 81 through 87, the Schedule of the Fiscal Court's Proportionate Share of the Net Pension Liability on page 90 and the Schedule of the Fiscal Court Contributions on page 91 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.

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Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the fiscal court's basic financial statements. The combining governmental and fiduciary fund financial statements and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining governmental and fiduciary fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 governmental and fiduciary fund financial statements and the 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 February 21, 2018, on our consideration of the Campbell County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Campbell County Fiscal Court's internal control over financial reporting and compliance.

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
February 21, 2018

CAMPBELL COUNTY OFFICIALS

For The Year Ended June 30, 2017

Fiscal Court Members:

Steve Pendery	County Judge/Executive
Brian Painter	Commissioner
Charlie Coleman	Commissioner
Tom Lampe	Commissioner

Other Elected Officials:

Steven J. Franzen	County Attorney
James A. Daley	Jailer
Jim Luersen	County Clerk
Taunya Nolan Jack	Circuit Court Clerk
Mike Jansen	Sheriff
Daniel Braun	Property Valuation Administrator
Mark Schweitzer	Coroner

Appointed Personnel:

Diane E. Bertke	County Treasurer
Brett Burcham	Occupational Tax Collector
Marie Schenkel	Finance Officer
Matthew W. Elberfeld	County Administrator

**Campbell County
Management's Discussion and Analysis**

June 30, 2017

The financial management of the Campbell County Fiscal Court, Kentucky (the fiscal court) offers readers of the financial statements this narrative overview and analysis of the financial activities of the fiscal court for the fiscal year ended June 30, 2017.

Financial Highlights

- Campbell County's net position was \$32,163,785 as of June 30, 2017, of which \$3,571,749 is unrestricted. In the business-type activities, cash and cash equivalents were \$745,129, with total net position of \$1,220,951. Total debt principal outstanding as of June 30, 2017, was \$21,664,578 with \$1,777,280 due within one year.
- The government's total net position increased by \$3,478,820 during the current year. Revenues increased overall by approximately 6 percent. Expenses decreased 12 percent over the prior year due primarily to the jail expansion project expenditures in the prior year and the project being substantially complete by the end of the prior fiscal year.
- At the close of the current fiscal year, the fiscal court's balance sheet for Governmental Funds reported a fund balance of \$20,143,485. Of this amount, \$17,312,752 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 the fiscal court's basic financial statements. The fiscal court'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 the fiscal court's finances, in a manner similar to a private-sector business. All amounts 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.

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

The *Statement of Activities* presents information showing how the government's net position changed during the fiscal year.

**Campbell County
Management's Discussion and Analysis
June 30, 2017
(Continued)**

Overview of the Financial Statements (Continued)

The Government-Wide Financial Statements distinguish functions of the fiscal court 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*). The fiscal court's governmental activities include the general governmental, protection to persons and property, roads, recreation, and social services. The fiscal court has three business type activities: A.J. Jolly Park, A.J. Jolly Golf Course, and the Jail Commissary Fund.

The Government-Wide Financial Statements include not only the Campbell County Fiscal Court itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the fiscal court. The fiscal court has one such entity: the Campbell County A.J. Jolly Park (Public Properties Corporation). This is known as a blended component unit.

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. The fiscal court, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the fiscal court 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 the Governmental Fund Financial Statements 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*.

The fiscal court maintains multiple individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Road, Jail, Capital Projects, (TANK) Payroll Tax, and the Housing Choice Voucher Program funds, all of which are considered major funds by the fiscal court. The Senior Citizen Tax, Mental Health Tax, Developer Road Escrow, LGEA, and the Health Service funds are considered non-major funds and are represented in a combined form.

The fiscal court 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 Golf Course and Jail Commissary funds. The A.J. Jolly Park fund is considered a non-major fund.

Campbell County
Management's Discussion and Analysis
June 30, 2017
(Continued)

Overview of the Financial Statements (Continued)

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.

Table 1
Campbell County's Net Position

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	Activities	Activities
	2017	2016	2017	2016	2017	2016
Assets						
Current assets	\$ 20,640,436	\$ 20,120,141	\$ 773,534	\$ 612,598	\$ 21,413,970	\$ 20,732,739
Capital assets	47,889,674	47,584,251	731,853	778,348	48,621,527	48,362,599
Total assets	68,530,110	67,704,392	1,505,387	1,390,946	70,035,497	69,095,338
Deferred Outflows of Resources						
Deferred Amount Related to Pension	5,467,602	2,877,206	110,945	68,744	5,578,547	2,945,950
Loss on refunding debt	830,043	913,786			830,043	913,786
Total Deferred Outflows of Resources	6,297,645	3,790,992	110,945	68,744	6,408,590	3,859,736
Liabilities						
Current and other liabilities	2,274,231	3,841,270	38,919	47,044	\$ 2,313,150	3,888,314
Long-term liabilities	41,610,690	39,191,424	356,462	417,894	41,967,152	39,609,318
Total liabilities	43,884,921	43,032,694	395,381	464,938	44,280,302	43,497,632
Deferred Inflows of Resources						
Deferred Amount Related to Pension Plan		753,712		18,765		772,477
Net Position						
Net investment in capital assets, net of related debt	26,225,096	24,177,393	523,152	569,647	\$ 26,748,248	24,747,040
Restricted	1,635,087	2,857,512	208,701	208,701	1,843,788	3,066,213
Unrestricted	3,082,651	674,073	489,098	197,639	3,571,749	871,712
Total net position	\$ 30,942,834	\$ 27,708,978	\$ 1,220,951	\$ 975,987	\$ 32,163,785	\$ 28,684,965

Campbell County
Management's Discussion and Analysis
June 30, 2017
(Continued)

Government-Wide Financial Analysis (Continued)

Changes in Net Position

Governmental Activities. The fiscal court's net position increased \$3,233,856 during fiscal year 2017; key elements of this are as follows:

- Investment in capital assets, net of related debt increased \$2,047,703. This was primarily due to the completion of the expansion of the jail.
- Deferred Amount on Pension Plan Contributions increased \$2,590,396. This is related to an increase in net pension liability as required by the adoption of GASB 68.
- Revenues were \$39,406,765 as reflected in the Statement of Activities.
- Expenditures totaled \$36,172,909 as reflected in the Statement of Activities.

Business-type Activities. The fiscal court's net position for these activities increased \$244,964. This is primarily due to an increase in profits on commissary sales and increased golf course revenue.

Campbell County
Management's Discussion and Analysis
June 30, 2017
(Continued)

Table 2
Campbell County's Consolidated Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
<i>Program Revenues:</i>						
Charges for Services	\$ 5,421,845	\$ 4,689,496	\$ 1,208,902	\$ 1,075,544	\$ 6,630,747	\$ 5,765,040
Operating Grants and Contributions	7,583,094	7,007,857			7,583,094	7,007,857
Capital Grants and Contributions	1,044,659	1,461,045			1,044,659	1,461,045
<i>General Revenues:</i>						
Property Taxes	10,090,996	9,597,878			10,090,996	9,597,878
Occupational Taxes	10,403,710	9,885,661			10,403,710	9,885,661
Other Taxes & Fees	3,620,807	3,379,250			3,620,807	3,379,250
Excess Fees	889,947	988,187			889,947	988,187
Other	351,707	222,784	60	48	351,767	222,832
Total Revenues	39,406,765	37,232,158	1,208,962	1,075,592	40,615,727	38,307,750
Expenses:						
<i>Governmental Activities:</i>						
General Government	11,566,761	12,717,904			11,566,761	12,717,904
Protective Services	10,603,128	10,246,056			10,603,128	10,246,056
Health and Sanitation	1,472,736	1,422,861			1,472,736	1,422,861
Social Services	4,503,304	4,266,298			4,503,304	4,266,298
Recreation and Culture	531,410	488,890			531,410	488,890
Roads	2,508,325	3,067,415			2,508,325	3,067,415
Bus Service	4,364,007	4,396,761			4,364,007	4,396,761
Debt Service	594,958	583,085			594,958	583,085
Other Fiscal Charges		116,761				116,761
Capital Projects	28,280	4,912			28,280	4,912
<i>Business Type Activities:</i>						
Jail Canteen			164,320	114,288	164,320	114,288
A.J. Jolly Golf Course			793,423	937,759	793,423	937,759
A.J. Jolly Park			6,255	27,944	6,255	27,944
Total Expenses	36,172,909	37,310,943	963,998	1,079,991	37,136,907	38,390,934
Transfers		(111,000)		111,000		
Change in net position	3,233,856	(189,785)	244,964	106,601	3,478,820	(83,184)
Net Position-Beginning	27,708,978	27,898,763	975,987	869,386	28,684,965	28,768,149
Net Position-Ending	\$ 30,942,834	\$ 27,708,978	\$ 1,220,951	\$ 975,987	\$ 32,163,785	\$ 28,684,965

**Campbell County
Management's Discussion and Analysis
June 30, 2017
(Continued)**

Financial Analysis of the Fiscal Court's Funds

As noted earlier, the fiscal court uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of the fiscal court's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the fiscal court'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, 2017, the combined ending fund balance of the governmental funds was \$20,143,485. Approximately 86 percent (\$17,312,752) 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 (\$2,830,733) is reserved to indicate that it is not available for new spending because it is restricted or committed.

The fiscal court has six major governmental funds. These are: 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) Capital Projects Fund; 5) (TANK) Payroll Tax Fund; and 6) Housing Choice Voucher Fund. There are five non-major funds. They are the Developers Road Escrow Fund, the Senior Citizen Tax Fund, LGEA Fund, the Mental Health Tax Fund, and the Health Services Fund.

1. The general fund is the chief operating fund of the fiscal court. At the end of the June 30, 2017 fiscal year, the total fund balance of the general fund was \$9,148,254, \$8,522,798 of which was unreserved. The fiscal court received \$8,469,737 in real property tax revenues, which accounts for approximately 50 percent of the general fund revenue. \$3,775,533 was received from personal property, motor vehicle, and insurance taxes which is approximately 22 percent of the fiscal court's general fund revenues. Sheriff and clerk fees accounted for \$889,947 or 5 percent of general fund revenues. Various other taxes, service fees, and investment earnings make up the remaining 23 percent of revenues.
2. The road fund is the fund related to county road and bridge construction and maintenance. The road fund had \$415,664 in fund balance at June 30, 2017. The fund balance at the end of the previous year was \$32,487. The fiscal year 2017 expenditures for road projects were \$3.0 million. State funding provided approximately \$1,370,000 in funding for road projects during the fiscal year. Transfers from the payroll tax fund provided nearly all of the remaining funding requirement.
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, 2017, of \$860,820, all of which was unreserved. The jail fund received \$4,878,805 from the state and federal governments for services, primarily for housing prisoners. Transfers totaling \$4,585,548 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, 2017, the balance in this fund was \$7,779,361.
5. The Housing Choice Voucher Program ended the 2017 fiscal year with a fund balance of \$230,693. The previous year balance was \$92,257. The program derives nearly all of its revenue from the Department of Housing and Urban Development (HUD).

**Campbell County
Management's Discussion and Analysis
June 30, 2017
(Continued)**

Financial Analysis of the Fiscal Court's Funds (Continued)

6. The capital projects fund was created in 2015 to account for the acquisition, rehabilitation and construction costs related to the Campbell County Detention Facility project. As of June 30, 2017, the balance in this fund was \$342,617.
7. The total fund balance for the non-major funds as of June 30, 2017, was \$1,366,076. Total expenditures for the non-major funds for the year were \$1,479,350. Revenue sources for the non-major funds include occupational license and payroll taxes designated for senior citizens and mental health programs in Campbell County.

Proprietary Funds Overview. The fiscal court's Proprietary Fund Statements provide the same type of information found in the *business-type activities* column of the Government-Wide Financial Statements, but in more detail.

The fiscal court has three enterprise funds, A.J. Jolly Park, A.J. Jolly Golf Course, and the Jail Commissary.

1. A.J. Jolly Park net position at June 30, 2017, amounted to \$520,560. The entirety of the park's assets consists of capital assets such as land and land improvements for the golf and general recreation facility. Net capital assets for the park amounted to \$520,560 at the fiscal year-end. On July 1, 2014, all of A.J. Jolly's current assets, liabilities, revenues, and expenditures were assumed by the A.J. Jolly Golf Course fund, a proprietary fund of the fiscal court, for management.
2. A.J. Jolly Golf Course fund's net position at June 30, 2017, was \$(651). Revenues for the golf course amounted to \$869,382 and were derived primarily from user fees.
3. The jail commissary fund had net assets of \$701,042 as of June 30, 2017, with a cash balance of \$603,716. Most of the revenue for this fund is derived from sales to 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 greater than the budget. This increase was primarily due to higher real personal property tax and insurance license fee revenue than anticipated in the budget.

Actual operating expenditures were less than the budget amended by the fiscal court. This was primarily due to the deferral of certain capital improvement projects.

Capital Assets and Debt Administration

Capital Assets. The fiscal court's investment in capital assets for its *governmental* and *business-type activities* as of June 30, 2017, amounted to \$48,621,527 (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 fiscal court has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset additions during the 2017 fiscal year included road and infrastructure improvements, and the substantial completion of the jail expansion project.

**Campbell County
Management's Discussion and Analysis
June 30, 2017
(Continued)**

Capital Assets and Debt Administration (Continued)

Additional information on the fiscal court'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	
	2017	2016	2017	2016	2017	2016
Infrastructure assets	\$ 10,035,028	\$ 9,975,480	\$	\$	\$ 10,035,028	\$ 9,975,480
Land	4,231,925	4,231,925	497,462	497,462	4,729,387	4,729,387
Construction in process & Bldgs & Improvements	30,476,449	30,881,541	57,007	119,389	30,533,456	31,000,930
Other Equipment	1,990,659	1,307,060	149,834	130,857	2,140,493	1,437,917
Vehicles & Equipment	1,155,613	1,188,245	27,550	30,640	1,183,163	1,218,885
Total capital assets, net of accumulated depreciation	\$ 47,889,674	\$ 47,584,251	\$ 731,853	\$ 778,348	\$ 48,621,527	\$ 48,362,599

Long-Term Debt. At the end of the 2017 fiscal year, the fiscal court had total bonds payable of \$21,430,000. The amount of this debt due within the next year is \$1,755,000 and \$19,675,000 is due in subsequent years. This debt is for the jail facilities and jail expansion project, County Administration Building, 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 fiscal court's financial position or results of operations and will be taken into account in developing the 2019 fiscal year budget:

- The 2019 fiscal year budget will continue 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 significant factor in budgeting and accounts for approximately 30 percent of the overall county spending. One of the primary challenges is recruiting and retaining employees.
- The most significant factor that will impact the 2019 fiscal year budget is related to pension costs. The current estimated increase in pension costs for 2019 is \$1.2 million for the county overall.

Requests for Information

This financial report is designed to provide a general overview of the fiscal court'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 Marie Schenkel, Finance Officer, Campbell County Fiscal Court, 1098 Monmouth St. Newport, KY 41071.

**CAMPBELL COUNTY
STATEMENT OF NET POSITION**

June 30, 2017

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**CAMPBELL COUNTY
STATEMENT OF NET POSITION**

June 30, 2017

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 15,026,663	\$ 745,129	\$ 15,771,792
Restricted Cash and Cash Equivalents	630,767		630,767
Accounts Receivable	4,983,006	28,405	5,011,411
Total Current Assets	20,640,436	773,534	21,413,970
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	4,231,925	497,462	4,729,387
Land Improvements	538,695	48,507	587,202
Buildings	29,937,754	8,500	29,946,254
Golf Equipment		68,382	68,382
Clubhouse Furniture and Fixtures		661	661
Other Equipment	1,990,659	80,791	2,071,450
Vehicles and Equipment	1,155,613	27,550	1,183,163
Infrastructure Assets - Net of Accumulated Depreciation			
Accumulated Depreciation	10,035,028		10,035,028
Total Noncurrent Assets	47,889,674	731,853	48,621,527
Total Assets	68,530,110	1,505,387	70,035,497
Deferred Outflows of Resources			
Deferred Amount Related to Pension Plan	5,467,602	110,945	5,578,547
Loss on Refunding Debt	830,043		830,043
Total Deferred Outflows of Resources	6,297,645	110,945	6,408,590
Liabilities			
Current Liabilities:			
Accounts Payable	264,157	16,619	280,776
Family Self Sufficiency Escrow Payable	5,311		5,311
Accrued Liabilities	7,316		7,316
Accrued Salaries and Payroll Taxes	220,167	11,695	231,862
Gift Cards Payable		10,605	10,605
Bonds Payable	1,777,280		1,777,280
Total Current Liabilities	2,274,231	38,919	2,313,150
Noncurrent Liabilities:			
Bonds Payable	19,887,298		19,887,298
Net Pension Liability	21,688,733	356,462	22,045,195
Compensated Absences	34,659		34,659
Total Noncurrent Liabilities	41,610,690	356,462	41,967,152
Total Liabilities	43,884,921	395,381	44,280,302

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

CAMPBELL COUNTY
STATEMENT OF NET POSITION
June 30, 2017
(Continued)

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
Net Position			
Invested in Capital Assets, Net of Related Debt	\$ 26,225,096	\$ 523,152	\$ 26,748,248
Restricted For:			
Roads	200,957		200,957
Social Services	230,693		230,693
Protection to Persons and Property	860,820		860,820
Capital Projects	342,617		342,617
Recreation Project Grants		208,701	208,701
Unrestricted	3,082,651	489,098	3,571,749
Total Net Position	<u>\$ 30,942,834</u>	<u>\$ 1,220,951</u>	<u>\$ 32,163,785</u>

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

**CAMPBELL COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2017**

**CAMPBELL COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2017

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 11,566,761	\$ 543,186	\$ 937,499	\$
Protection to Persons and Property	10,603,128	4,270,060	1,998,914	
General Health and Sanitation	1,472,736	132,701	27,779	
Social Services	4,503,304	396,281	4,069,015	
Recreation and Culture	531,410	79,617		
Roads	2,508,325		298,966	1,044,659
Bus Services	4,364,007		250,921	
Debt Service	594,958			
Capital Projects	28,280			
Total Governmental Activities	36,172,909	5,421,845	7,583,094	1,044,659
Business-Type Activities:				
A.J. Jolly Park	6,255			
A.J. Jolly Golf Course	793,423	869,382		
Jail Commissary	164,320	339,520		
Total Business-Type Activities	963,998	1,208,902		
Total Primary Government	\$ 37,136,907	\$ 6,630,747	\$ 7,583,094	\$ 1,044,659

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
- Total General Revenues
- Change in Net Position
- Net Position - beginning
- 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, 2016
(Continued)

**Net (Expenses) Revenues
and Changes in Net Position**

Primary Government

Governmental Activities	Business-Type Activities	Totals
\$ (10,086,076)	\$	\$ (10,086,076)
(4,334,154)		(4,334,154)
(1,312,256)		(1,312,256)
(38,008)		(38,008)
(451,793)		(451,793)
(1,164,700)		(1,164,700)
(4,113,086)		(4,113,086)
(594,958)		(594,958)
(28,280)		(28,280)
<u>(22,123,311)</u>		<u>(22,123,311)</u>
	(6,255)	(6,255)
	75,959	75,959
	175,200	175,200
	<u>244,904</u>	<u>244,904</u>
<u>(22,123,311)</u>	<u>244,904</u>	<u>(21,878,407)</u>
8,469,737		8,469,737
753,065		753,065
868,194		868,194
10,403,710		10,403,710
1,398,875		1,398,875
67,658		67,658
2,154,274		2,154,274
889,947		889,947
26,530	60	26,590
21,874		21,874
303,303		303,303
<u>25,357,167</u>	<u>60</u>	<u>25,357,227</u>
<u>3,233,856</u>	<u>244,964</u>	<u>3,478,820</u>
<u>27,708,978</u>	<u>975,987</u>	<u>28,684,965</u>
<u>\$ 30,942,834</u>	<u>\$ 1,220,951</u>	<u>\$ 32,163,785</u>

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

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**CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2017

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**CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2017

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Capital Projects Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 7,685,324	\$ 343,815	\$ 177,588	\$ 342,617
Accounts Receivable - Taxes	768,154			
Accounts Receivable - Excess Fees	174,922			
Accounts Receivable - Intergovernmental	39,154	108,848	776,503	
Accounts Receivable - Charges for Services			29,529	
Accounts Receivable - Miscellaneous	63,191		51,317	
Restricted Cash - Police Forfeiture	27,923			
Restricted Cash - Court Filing Fees	597,533			
Restricted Cash - Family Self-Sufficiency				
Total Assets	<u>9,356,201</u>	<u>452,663</u>	<u>1,034,937</u>	<u>342,617</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	100,029	16,420	92,549	
Family Self-Sufficiency Escrow Payable				
Accrued Salaries and Payroll Taxes	107,918	20,579	81,568	
Other Liabilities				
Total Liabilities	<u>207,947</u>	<u>36,999</u>	<u>174,117</u>	
FUND BALANCES				
Restricted For:				
Social Services				
Capital Projects				342,617
Protection to Persons and Property	625,456			
Roads				
Committed To:				
Social Services				
Bus Service				
General Health and Sanitation				
Assigned To:				
Roads		415,664		
Protection to Persons and Property			860,820	
Social Services	1,135,880			
Bus Service				
General Health and Sanitation				
Unassigned	7,386,918			
Total Fund Balances	<u>9,148,254</u>	<u>415,664</u>	<u>860,820</u>	<u>342,617</u>
Total Liabilities and Fund Balances	<u>\$ 9,356,201</u>	<u>\$ 452,663</u>	<u>\$ 1,034,937</u>	<u>\$ 342,617</u>

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

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017
(Continued)

(TANK) Payroll Tax Fund	Housing Choice Voucher Program	Non- Major Funds	Total Governmental Funds
\$ 5,202,240	\$ 245,328	\$ 1,029,751	\$ 15,026,663
2,326,200		387,668	3,482,022
			174,922
250,921		6,599	1,182,025
			29,529
			114,508
			27,923
			597,533
	5,311		5,311
<u>7,779,361</u>	<u>250,639</u>	<u>1,424,018</u>	<u>20,640,436</u>
		55,159	264,157
	5,311		5,311
	7,319	2,783	220,167
	7,316		7,316
	<u>19,946</u>	<u>57,942</u>	<u>496,951</u>
	230,693		230,693
			342,617
			625,456
		200,957	200,957
		105,943	105,943
1,093,753			1,093,753
		231,314	231,314
			415,664
			860,820
		203,288	1,339,168
6,685,608			6,685,608
		624,574	624,574
			7,386,918
<u>7,779,361</u>	<u>230,693</u>	<u>1,366,076</u>	<u>20,143,485</u>
<u>\$ 7,779,361</u>	<u>\$ 250,639</u>	<u>\$ 1,424,018</u>	<u>\$ 20,640,436</u>

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

**CAMPBELL COUNTY
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

For The Year Ended June 30, 2017

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**CAMPBELL COUNTY
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

For The Year Ended June 30, 2017

Total fund balances - Governmental Funds	\$ 20,143,485
Amounts reported for Governmental Activities in the Statement Of Net Position are different because:	
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds:	
Historical cost of capital assets	96,814,960
Accumulated depreciation	(48,925,286)
Discounts on bonds reported in Governmental Activities are not financial resources and therefore are not reported in the funds	
	87,339
Premiums on bonds reported in Governmental Activities are not financial resources and therefore are not reported in the funds	
	(321,917)
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	(1,755,000)
Due in more than one year-bonds, notes and other principal payments	(19,675,000)
Compensated absences	(34,659)
Loss on refunding debt is recorded as a deferred outflow of resources on the Statement of Net Position	
	830,043
Long-term liabilities and deferred inflows and outflows of resources are not financial resources or current liabilities, and therefore, the net impact of the pension-related liabilities and deferred inflows and outflows of resources are not reported in the Governmental Funds	
	<u>(16,221,131)</u>
Net position of Governmental Activities	<u>\$ 30,942,834</u>

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

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

For The Year Ended June 30, 2017

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

For The Year Ended June 30, 2017

	General Fund	Road Fund	Jail Fund	Capital Projects Fund
REVENUES				
Taxes	\$ 13,711,802	\$	\$	\$
Excess Fees	889,947			
Licenses and Permits	339,696	34		
Intergovernmental	815,200	1,369,867	4,878,805	
Charges for Services	151,243		333,917	
Miscellaneous	1,108,642	39,249	360,188	
Interest	2,121	16	30	278
Total Revenues	<u>17,018,651</u>	<u>1,409,166</u>	<u>5,572,940</u>	<u>278</u>
EXPENDITURES				
General Government	3,843,724			
Protection to Persons and Property	3,132,984		6,734,483	
General Health and Sanitation	509,966			
Social Services	63,748		70,075	
Recreation and Culture	448,157			
Roads		1,635,826		
Bus Service				
Debt Service	922,777	78,251	1,252,467	
Capital Projects	320,290	794,607		1,524,448
Administration	3,251,593	512,305	1,865,169	
Total Expenditures	<u>12,493,239</u>	<u>3,020,989</u>	<u>9,922,194</u>	<u>1,524,448</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	4,525,412	(1,611,823)	(4,349,254)	(1,524,170)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	21,874			
Transfers From Other Funds	2,093,200	1,995,000	4,585,548	
Transfers To Other Funds	(4,760,548)			
Total Other Financing Sources (Uses)	<u>(2,645,474)</u>	<u>1,995,000</u>	<u>4,585,548</u>	
Net Change in Fund Balances	1,879,938	383,177	236,294	(1,524,170)
Fund Balances - Beginning	7,268,316	32,487	624,526	1,866,787
Fund Balances - Ending	<u>\$ 9,148,254</u>	<u>\$ 415,664</u>	<u>\$ 860,820</u>	<u>\$ 342,617</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, 2017
(Continued)

(TANK) Payroll Tax Fund	Housing Choice Voucher Program	Non- Major Funds	Total Governmental Funds
\$ 8,917,677	\$	\$ 1,486,034	\$ 24,115,513
			889,947
			339,730
250,921	4,069,015	228,072	11,611,880
	387,497	3,471	876,128
	3,571	13,513	1,525,163
20,580	261	3,244	26,530
<u>9,189,178</u>	<u>4,460,344</u>	<u>1,734,334</u>	<u>39,384,891</u>
150,284	433,760	25,047	4,452,815
			9,867,467
		947,854	1,457,820
	3,888,148	426,550	4,448,521
			448,157
		6,580	1,642,406
4,364,007			4,364,007
			2,253,495
		34,385	2,673,730
8,012		38,934	5,676,013
<u>4,522,303</u>	<u>4,321,908</u>	<u>1,479,350</u>	<u>37,284,431</u>
4,666,875	138,436	254,984	2,100,460
			21,874
			8,673,748
<u>(3,820,000)</u>		<u>(93,200)</u>	<u>(8,673,748)</u>
<u>(3,820,000)</u>		<u>(93,200)</u>	<u>21,874</u>
846,875	138,436	161,784	2,122,334
6,932,486	92,257	1,204,292	18,021,151
<u>\$ 7,779,361</u>	<u>\$ 230,693</u>	<u>\$ 1,366,076</u>	<u>\$ 20,143,485</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 -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2017

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

For The Year Ended June 30, 2017

Net change in fund balances - Governmental Funds	\$ 2,122,334
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p> <p>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 outlays	2,645,450
Depreciation expense	(2,340,027)
<p>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	1,549
<p>Net difference between pension plan contributions of \$1,602,496 reported as expense in the Governmental Funds and the pension expense of \$2,456,483 reported in the Statement of Activities</p>	
	(853,987)
<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 position</p>	
Repayment of long term debt principal	1,720,000
Amortization of loss on refunding debt	(83,743)
Amortization of bond premiums and bond discount	22,280
Change in net position of Governmental Activities	\$ 3,233,856

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

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

June 30, 2017

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CAMPBELL COUNTY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2017

	Business-Type Activities - Enterprise Funds			
	A.J. Jolly Park	A.J. Jolly Golf Course Fund	Jail Commissary Fund	Totals
Assets				
Current Assets:				
Cash and Cash Equivalents	\$	\$ 141,413	\$ 603,716	\$ 745,129
Accounts Receivable			28,405	28,405
Total Current Assets		141,413	632,121	773,534
Noncurrent Assets:				
Capital Assets:				
Land	497,462			497,462
Vehicles			30,897	30,897
Land Improvements	683,675	45,200		728,875
Buildings	140,704			140,704
Clubhouse Furniture and Fixtures		707,764		707,764
Golf Equipment		106,097		106,097
Other Equipment		61,007	50,477	111,484
Less Accumulated Depreciation	(801,281)	(784,278)	(5,871)	(1,591,430)
Total Noncurrent Assets	520,560	135,790	75,503	731,853
Total Assets	520,560	277,203	707,624	1,505,387
Deferred Amount Related to Pension Plan		110,945		110,945
Liabilities				
Current Liabilities:				
Accounts Payable		10,267	6,352	16,619
Accrued Wages		11,465	230	11,695
Gift Card Payable		10,605		10,605
Total Current Liabilities		32,337	6,582	38,919
Noncurrent Liabilities:				
Net Pension Liability		356,462		356,462
Total Liabilities		388,799	6,582	395,381
Net Position				
Invested in Capital Assets,				
Net of Related Debt - Unrestricted	311,859	135,790	75,503	523,152
Invested in Capital Assets,				
Net of Related Debt - Restricted	208,701			208,701
Unrestricted		(136,441)	625,539	489,098
Total Net Position	\$ 520,560	\$ (651)	\$ 701,042	\$ 1,220,951

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

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

For The Year Ended June 30, 2017

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

For The Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds			
	A.J. Jolly Park	A.J. Jolly Golf Course Fund	Jail Commissary Fund	Totals
Operating Revenues				
Golf	\$	\$ 460,082	\$	\$ 460,082
Rentals-Power Carts		232,607		232,607
Rentals-Miscellaneous		2,510		2,510
Commissary Sales-Cigarettes/Soaps			169,766	169,766
Commissary Profits			169,754	169,754
Concession Commissions		159,634		159,634
Miscellaneous Revenue		14,549		14,549
Total Operating Revenues		<u>869,382</u>	<u>339,520</u>	<u>1,208,902</u>
Operating Expenses				
Protection to Persons and Property			9,800	9,800
Educational and Recreational			37,152	37,152
Payments to Suppliers			117,368	117,368
Golf	2,270	391,914		394,184
Clubhouse	3,985	401,509		405,494
Total Operating Expenses	<u>6,255</u>	<u>793,423</u>	<u>164,320</u>	<u>963,998</u>
Operating Income (Loss)	(6,255)	75,959	175,200	244,904
Nonoperating Revenues				
Transfer from other funds		88,088		88,088
Transfer to other funds	(88,088)			(88,088)
Interest Income		10	50	60
Total Nonoperating Revenues	<u>(88,088)</u>	<u>88,098</u>	<u>50</u>	<u>60</u>
Change In Net Position	(94,343)	164,057	175,250	244,964
Net Position - Beginning	614,903	(164,708)	525,792	975,987
Net Position - Ending	<u>\$ 520,560</u>	<u>\$ (651)</u>	<u>\$ 701,042</u>	<u>\$ 1,220,951</u>

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

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

For The Year Ended June 30, 2017

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CAMPBELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For The Year Ended June 30, 2017

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>A.J. Jolly Park</u>	<u>A.J. Jolly Golf Course Fund</u>	<u>Jail Commissary Fund</u>	<u>Totals</u>
Cash Flows From Operating Activities				
Receipts from Green Fees	\$	\$ 460,082	\$	\$ 460,082
Rental for Golf Carts		232,607		232,607
Miscellaneous Rentals		2,510		2,510
Receipts from Concession Sales		159,634		159,634
Miscellaneous Income		14,549		14,549
Receipts from Sale of Cigarettes/Soaps			169,766	169,766
Commissary Profits			170,235	170,235
Payments to Employees		(522,808)	(20,632)	(543,440)
Educational and Recreational			(31,538)	(31,538)
Payments to Suppliers		(355,386)	(117,662)	(473,048)
Net Cash Provided (Used) By Operating Activities		(8,812)	170,169	161,357
Cash Flows From Investing Activities				
Interest Earned		10	50	60
Net Cash Provided By Investing Activities		10	50	60
Net Increase in Cash and Cash Equivalents		(8,802)	170,219	161,417
Cash and Cash Equivalents - July 1, 2016		150,215	433,497	583,712
Cash and Cash Equivalents - June 30, 2017	\$ 0	\$ 141,413	\$ 603,716	\$ 745,129
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (6,255)	\$ 75,959	\$ 175,200	\$ 244,904
Adjustments:				
Depreciation Expense	6,255	34,626	5,614	46,495
Pension Expense		(122,398)		(122,398)
Changes In:				
Accounts Receivable			481	481
Accounts Payable		(8,464)	(10,832)	(19,296)
Accrued Liabilities		11,465	(294)	11,171
Net Cash Provided (Used) By Operating Activities	\$ 0	\$ (8,812)	\$ 170,169	\$ 161,357

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

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**CAMPBELL COUNTY
STATEMENT OF NET POSITION - FIDUCIARY FUNDS**

June 30, 2017

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CAMPBELL COUNTY
STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2017

	<u>Agency Funds</u>
Assets	
Cash and Cash Equivalents	\$ 73,653
Total Assets	<u>73,653</u>
Liabilities	
Amounts Held In Custody For Others	<u>73,653</u>
Total Liabilities	<u>73,653</u>
Net Position	
Net Position	<u><u>\$ 0</u></u>

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

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TO THE FINANCIAL STATEMENTS**

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CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2017

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements of the Campbell County Fiscal Court (the fiscal court) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 the fiscal court include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, as amended by GASB 14, GASB 39, and GASB 61, 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 fiscal court is financially accountable or the organization's exclusion would cause the 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 fiscal court had no discretely presented component units.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the primary government using the blending method.

A.J. Jolly Park:

The activities of A.J. Jolly Park (the park), an agency of the 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. On July 1, 2014, all of the park's current assets, liabilities, revenues, and expenditures were assumed by the A.J. Jolly Golf Course Fund, a proprietary fund of the fiscal court, for management. Some of the park's fixed assets are still being held by the component unit until resolution of the legality of the transfer of its restricted assets. This component unit is blended within the financial statements of the fiscal court.

C. Campbell County Elected Officials

Kentucky law provides for election of the officials listed 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 Campbell 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 the fiscal court.

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Campbell County Elected Officials (Continued)

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

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, deferred outflows, liabilities and deferred inflows, the difference between them being reported as net position. Net position is 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 position - 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 position - those assets that do not meet the definition of restricted net position 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 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 Financial 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.

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

Generally, 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 90 days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least 10 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 5 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 proprietary funds are reported as separate columns in the Fund Financial Statements.

Governmental Funds

The Governmental Fund Financial Statements are reported using the current financial resources measurement focus.

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 sources of revenue for this fund are 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 jail expenses. The primary sources of revenue for this fund are reimbursements from the state and federal governments, 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) To appropriate and pay over to the Transit Authority of Northern Kentucky capital and operating funds as provided in KRS Chapter 96A.
- B) The General Revenue Fund of the County of Campbell and shall be used and expended in defraying the current general expenses of the county.
- C) For traffic improvement and mass transportation related projects as authorized by the fiscal court.

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental Funds (Continued)

Housing Choice Voucher Program - The Campbell County Housing Choice Voucher Program is operated by the 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 (HUD).

The primary government also has the following non-major funds: mental health tax fund, senior citizens tax fund, LGEA Fund, developer road escrow fund, and the health services fund.

Special Revenue Funds:

The road fund, jail fund, (TANK) payroll tax fund, housing choice voucher program, mental health tax fund, senior citizens tax fund, LGEA fund, developer road escrow fund, and the health services 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.

Capital Projects Fund:

Capital Projects Fund - The purpose of this fund is to account for acquisition, rehabilitation and construction costs related to the Campbell County Detention Facility project.

Revenue Recognition

The following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within 60 days of year-end and available to pay obligations of the current period): 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.

Non-exchange transactions, in which the fiscal court receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Property taxes levied to finance the fiscal year 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 fiscal court must provide local resources to be used for a specified purpose. Revenue from non-exchange transactions must be available before it can be recognized.

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

Proprietary Funds

Proprietary funds account for operations that are primarily financed by user charges. 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 fiscal court's enterprise funds are charges to customers at the A.J. Jolly golf course and sales in the jail commissary. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary funds:

A.J. Jolly Golf Course Fund - This fund accounts for the revenues and expenses of operating A.J. Jolly Golf Course.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1). The profits generated from the sale of 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.

A.J. Jolly Park Fund - This fund accounts for certain capital assets that are part of A.J. Jolly Golf Course.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The fiscal court's agency fund is used to account for monies held by the fiscal court 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 and the employee fund account.

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

F. Deposits

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 fiscal court to invest in 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).

G. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and equipment, other 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 and the Proprietary Fund 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	\$ 20,000	3-30
Buildings	\$ 20,000	20-60
Other Equipment	\$ 20,000	5-10
Vehicles and Equipment	\$ 20,000	4-10
Infrastructure	\$ 20,000	20-40

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Long-term Obligations

In the Government-Wide Financial Statements and Proprietary Fund Financial Statements, long term debt and other long-term obligations are reported as liabilities. The principal amount of bonds, notes, and financing obligations are reported.

The Governmental Fund Financial Statements 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

Fiscal court employees earn vacation in proportion to years of service. Vacation time accrues on a per pay period basis. Vacation time may accumulate from year to year up to a maximum of 30 days. Once the maximum is reached, employees must use or forfeit the time. Employees that give proper notice receive pay for unused vacation time that has not expired.

Short-term sick leave accrues on a per pay period basis at the rate of five days per year and may accumulate up to a maximum of 12 days. Employees do not get paid for their unused sick time upon termination.

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.

I. Fund Equity

In the Governmental Fund Financial Statements, the difference between the assets and liabilities 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 fiscal court using its highest level of decision making authority.
- Assigned - for all governmental funds, other than the 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 fiscal court or the delegated 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 THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Fund Equity (Continued)

For resources considered committed, the fiscal court issues an ordinance that can only be changed with another corresponding ordinance.

For resources considered assigned, the fiscal court has designated the county judge/executive to carry out the intent of the fiscal court.

It is the policy of the fiscal court 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.

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 in the financial statements.

“Committed to Bus Service” refers to the portion of the TANK payroll tax receivable (first quarter) which the fiscal court has agreed to provide to TANK to provide transit services in Campbell County.

J. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the state local finance officer.

The state local finance officer does not require the jail commissary fund to be budgeted, because the fiscal court does not approve the expenses made from this fund. However, the fiscal court has chosen to budget this fund.

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.

K. 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 Governmental Fund Financial Statements, material receivables 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 Governmental Fund Financial Statements in accordance with the basis of accounting. Interest and investment earnings are recorded when earned only if paid within 90 days of the year end, since they would be considered both measurable and available.

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

L. 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

The primary government maintained deposits of public funds with depository institutions insured by the FDIC as required by KRS 66.480(1)(d). According to KRS 41.240, 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 Fiscal Court 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 fiscal court does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Operating Leases

A. Copiers

The fiscal court entered into various lease agreements for copiers to be used by various departments. The total expense related to these leases was \$7,959 for the year ended June 30, 2017. The future minimum lease payments for these leases are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>
2018	\$ 6,764
2019	5,439
2020	3,652
2021	<u>1,704</u>
Total Minimum Lease Payments	<u>\$ 17,559</u>

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 3. Operating Leases (Continued)

B. Golf Carts

The fiscal court entered into a lease for golf carts effective March 2014 for a total rental of \$227,418. Payments were due on the first of the month for April through October each year of the lease term. No payments were required November through March. The first payment on the lease was made in October 2014. The fiscal court entered into a new lease agreement for golf carts effective March 2017 for a total rental of \$236,160, which replaced the old lease immediately. Payments are due on the first of the month for April through October each year of the lease term. No payments are required November through March. The first payment on the lease was made in September 2017. The total expense related to this lease is \$47,665 for the year ended June 30, 2017.

<u>Year Ended June 30</u>	<u>Business-Type Activities</u>
2018	\$ 36,960
2019	55,776
2020	55,776
2021	55,776
2022	<u>31,872</u>
Total Minimum Lease Payments	<u>\$ 236,160</u>

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 4,231,925	\$	\$	\$ 4,231,925
Construction In Progress	5,979,747		(5,979,747)	
Total Capital Assets Not Being Depreciated	<u>10,211,672</u>		<u>(5,979,747)</u>	<u>4,231,925</u>
Capital Assets, Being Depreciated:				
Land Improvements	932,646	178,970		1,111,616
Buildings	35,191,979	6,370,691		41,562,670
Other Equipment	3,987,878	1,014,855	(14,030)	4,988,703
Vehicles and Equipment	4,259,738	278,005	(281,471)	4,256,272
Infrastructure	39,881,098	782,676		40,663,774
Total Capital Assets Being Depreciated	<u>84,253,339</u>	<u>8,625,197</u>	<u>(295,501)</u>	<u>92,583,035</u>
Less Accumulated Depreciation For:				
Land Improvements	(532,884)	(40,037)		(572,921)
Buildings	(10,689,947)	(934,969)		(11,624,916)
Other Equipment	(2,680,818)	(331,256)	14,030	(2,998,044)
Vehicles and Equipment	(3,071,493)	(310,637)	281,471	(3,100,659)
Infrastructure	(29,905,618)	(723,128)		(30,628,746)
Total Accumulated Depreciation	<u>(46,880,760)</u>	<u>(2,340,027)</u>	<u>295,501</u>	<u>(48,925,286)</u>
Total Capital Assets, Being Depreciated, Net	<u>37,372,579</u>	<u>6,285,170</u>		<u>43,657,749</u>
Governmental Activities Capital Assets, Net	<u>\$ 47,584,251</u>	<u>\$ 6,285,170</u>	<u>\$ (5,979,747)</u>	<u>\$ 47,889,674</u>

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 4. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 497,462	\$	\$	\$ 497,462
Construction in Process	50,477		(50,477)	
Total Capital Assets Not Being Depreciated	547,939		(50,477)	497,462
Land Improvements	728,875			728,875
Buildings	140,704			140,704
Vehicles	30,897			30,897
Clubhouse Furniture and Fixtures	106,097			106,097
Golf Equipment	707,763			707,763
Other Equipment	61,008	50,477		111,485
Total Capital Assets Being Depreciated	1,775,344	50,477		1,825,821
Less Accumulated Depreciation For:				
Land Improvements	(672,448)	(7,920)		(680,368)
Buildings	(128,219)	(3,985)		(132,204)
Vehicles	(257)	(3,090)		(3,347)
Clubhouse Furniture and Fixtures	(104,922)	(514)		(105,436)
Golf Equipment	(623,120)	(16,261)		(639,381)
Other Equipment	(15,969)	(14,725)		(30,694)
Total Accumulated Depreciation	(1,544,935)	(46,495)		(1,591,430)
Total Capital Assets, Being Depreciated, Net	230,409	3,982		234,391
Business-Type Activities Capital Assets, Net	\$ 778,348	\$ 3,982	\$ (50,477)	\$ 731,853

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

<u>Governmental Activities:</u>	
General Government	\$ 583,946
Protection to Persons and Property	737,210
General Health and Sanitation	14,916
Social Services	54,783
Recreation and Culture	83,253
Roads, Including Depreciation of General Infrastructure Assets	865,919
Total Depreciation Expense - Governmental Activities	<u>\$ 2,340,027</u>
<u>Business-Type Activities:</u>	
Jail Commissary	5,614
A.J. Jolly Golf Course	34,626
A.J. Jolly Park	6,255
Total Depreciation Expense - Business-Type Activities	<u>\$ 46,495</u>

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(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 Campbell County Consolidated Dispatch Board is considered a joint venture of the fiscal court. This joint venture is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on the fiscal court in the future.

Note 6. Long-term Debt

A. General Obligation Refunding Bonds, Series 2012

The 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 semi-annually on June 1 and December 1 at a rate of 2.0 percent. Bonds outstanding at June 30, 2017, were \$615,000.

The debt service requirements for future fiscal years are as follows:

Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2018	\$ 200,000	\$ 10,300
2019	75,000	7,550
2020	85,000	5,950
2021	85,000	4,250
2022	80,000	2,600
2023	90,000	900
Totals	<u>\$ 615,000</u>	<u>\$ 31,550</u>

B. General Obligation Public Project Bonds, Series 2006

As of June 1, 2006, the fiscal court issued \$13,150,000 General Obligation Public Project Bonds, Series 2006. Proceeds of the bonds were principally used for construction at the Campbell County Jail.

On July 24, 2014, the fiscal court issued General Obligation Refunding Bonds, Series 2014 B which resulted in \$6,735,000 of the outstanding balance of General Obligation Public Project Bonds, Series 2006 being defeased, as detailed in paragraph E.

This bond matured and was paid in full during fiscal year 2017.

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 6. Long-term Debt (Continued)

C. General Obligation Public Project Bonds, Series 2008

On September 3, 2008, the fiscal court issued \$9,760,000 General Obligation Public Project Bonds, Series 2008. Proceeds of the bonds were principally used for construction of the Campbell County Administration Building.

On January 20, 2016, the fiscal court issued General Obligation Refunding Bonds, Series 2016 which resulted in \$5,990,000 of the outstanding balance of General Obligation Public Project Bonds, Series 2008 being defeased as detailed in paragraph G.

Bonds outstanding at June 30, 2017, were \$470,000 and mature on January 1, 2018. Interest is payable semi-annually on January 1 and July 1 at rates of 3.50 percent to 4.60 percent. Interest due in 2018 is \$155,067.

D. General Obligation Public Projects Bond, Series 2014 A

On July 29, 2014, the fiscal court issued \$2,500,000 General Obligation Public Projects Bonds, Series 2014 A. These bonds mature in varying amounts from \$105,000 to \$325,000 on December 1 of each year through 2033. Proceeds of the bonds were principally used for construction of the Campbell County Detention Facility. Interest is payable semi-annually on December 1 and June 1 at rates ranging from 2.0 percent to 3.5 percent and principal payments are due annually on December 1 of each year. Bonds outstanding on June 30, 2017, were \$2,195,000.

The debt service requirements for future fiscal years are as follows:

Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2018	\$ 105,000	\$ 62,925
2019	105,000	60,825
2020	105,000	58,725
2021	110,000	56,575
2022	110,000	53,825
2023-2027	615,000	215,800
2028-2032	720,000	115,075
2033-2034	325,000	11,463
Totals	<u>\$ 2,195,000</u>	<u>\$ 635,213</u>

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 6. Long-term Debt (Continued)

E. General Obligation Refunding Bonds, Series 2014 B

On July 29, 2014, the fiscal court issued \$7,165,000 in General Obligation Public Projects Bonds, Series 2014 B, with an average interest rate of 2.41 percent, to advance refund \$6,735,000 of the fiscal court's General Obligation Public Project Bonds, Series 2006 with an average interest rate of 4.27 percent. The proceeds of \$7,251,772, net of a premium of \$143,300 and \$56,528 in issuance costs, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the General Obligation Public Project Bonds, Series 2006. As a result, the General Obligation Public Project Bonds, Series 2006 bonds were considered to be defeased and the liability for those bonds has been removed from the financial statements. This refunding decreases debt service payments over the next ten years by approximately \$550,000 resulting in net present value savings of \$484,057, or 7.2 percent of refunded principal.

The bonds mature in varying amounts from \$80,000 to \$840,000 on December 1 of each year through 2025. Interest is payable semi-annually on December 1 and June 1 at rates ranging from 2.0 percent to 3.0 percent and principal payments are due annually on December 1 of each year. Bonds outstanding on June 30, 2017, were \$6,905,000.

The debt service requirements for future fiscal years are as follows:

Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2018	\$ 705,000	\$ 151,550
2019	715,000	137,350
2020	735,000	122,850
2021	750,000	108,000
2022	760,000	92,900
2023-2026	<u>3,240,000</u>	<u>183,350</u>
Totals	<u>\$ 6,905,000</u>	<u>\$ 796,000</u>

F. General Obligation Bonds, Series 2015

On November 4, 2015, the fiscal court issued \$5,165,000 General Obligation Bonds, Series 2015. The proceeds of \$5,203,508 are net of a premium of \$93,048 and \$54,540 in issuance costs. These bonds mature in varying amounts from \$210,000 to \$330,000 on November 1 of each year through 2036. Proceeds of the bonds were principally used for construction of the Campbell County Detention Facility. Interest is payable semi-annually on May 1 and November 1 at rates ranging from 2.0 percent to 3.5 percent and principal payments are due annually on November 1 of each year. Bonds outstanding on June 30, 2017, were \$4,955,000.

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 6. Long-term Debt (Continued)

F. General Obligation Bonds, Series 2015 (Continued)

The debt service requirements for future fiscal years are as follows:

Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2018	\$ 210,000	\$ 123,700
2019	215,000	119,450
2020	220,000	115,100
2021	225,000	110,650
2022	230,000	106,100
2023-2027	1,225,000	457,494
2028-2032	1,370,000	301,894
2033-2036	1,260,000	84,875
Totals	<u>\$ 4,955,000</u>	<u>\$ 1,419,263</u>

G. General Obligation Refunding Bonds, Series 2016

On January 20, 2016, the fiscal court issued \$6,365,000 in General Obligation Refunding Bonds, Series 2016, with an average interest rate of 2.08 percent, to advance refund \$5,990,000 of the county's General Obligation Bonds, Series 2008 with an average interest rate of 4.13 percent. The proceeds of \$6,430,079 net of a premium of \$127,300 and \$62,221 in issuance costs, were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the G.O. Bonds, Series 2008. As a result, the portion of the G.O. Bonds, Series 2008 that will be refunded is considered to be defeased and the liability for that portion of those bonds has been removed from the financial statements. This refunding decreases debt service payments over the next ten years by approximately \$578,000 resulting in net present value savings of \$515,391 or 8.6 percent of refunded principal.

These bonds mature in varying amounts from \$65,000 to \$695,000 on January 1 of each year through 2028. Interest is payable semi-annually on January 1 and July 1 at rates ranging from 2.0 percent to 2.25 percent and principal payments are due annually on January 1 of each year. Bonds outstanding on June 30, 2017, were \$6,290,000.

Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2018	\$ 65,000	\$ 129,225
2019	560,000	127,925
2020	570,000	116,725
2021	585,000	105,325
2022	600,000	93,625
2023-2027	3,215,000	282,625
2028	695,000	15,638
Totals	<u>\$ 6,290,000</u>	<u>\$ 871,088</u>

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 6. Long-term Debt (Continued)

H. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Compensated Absences	\$ 36,208	\$	\$ 1,549	\$ 34,659	\$
General Obligation					
Public Project Bonds Series 2008	920,000		450,000	470,000	470,000
General Obligation					
Public Project Bonds Series 2006	610,000		610,000		
General Obligation					
Public Refunding Bonds Series 2012	810,000		195,000	615,000	200,000
General Obligation					
Public Refunding Bonds Series 2014B	6,985,000		80,000	6,905,000	705,000
General Obligation					
Public Project Bonds Series 2014A	2,295,000		100,000	2,195,000	105,000
General Obligation					
Public Project Bonds Series 2015	5,165,000		210,000	4,955,000	210,000
General Obligation					
Public Refunding Bonds Series 2016	6,365,000		75,000	6,290,000	65,000
Unamortized Premiums	354,397		32,480	321,917	32,480
Unamortized Discounts	(97,539)		(10,200)	(87,339)	(10,200)
	<u>23,443,066</u>	<u>0</u>	<u>1,743,829</u>	<u>21,699,237</u>	<u>1,777,280</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 23,443,066</u>	<u>\$ 0</u>	<u>\$ 1,743,829</u>	<u>\$ 21,699,237</u>	<u>\$ 1,777,280</u>

Note 7. Interest on Long-term Debt and Financing Obligations

Debt service on the Statement of Activities includes \$533,495 in interest on bonds.

Note 8. Commitments and Contingencies

The fiscal court 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 fiscal court's financial position. Due to the uncertainty of the litigation, a reasonable estimate of the financial impact on the fiscal court cannot be made at this time.

Note 9. Employee Retirement System

A. Plan Description

The fiscal court has elected to participate in the County Employees Retirement System (CERS), which is administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). 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. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 9. Employee Retirement System (Continued)

A. Plan Description (Continued)

established by statute. CERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601-6124 or by calling (502) 696-8800.

The financial statements are prepared using the accrual basis of accounting which is the same method used by all retirement plans of the Commonwealth. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate is based on appraisals. Investments that do not have an established market are reported at estimated fair value.

B. Benefits Provided

CERS provides retirement, disability, and death benefits.

Nonhazardous covered employees can retire with full retirement benefits 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. Retirement benefits are determined based upon a maximum of 2.2 percent of the employee's years of service multiplied by their Final Compensation. Final Compensation is calculated based upon the average of the five highest fiscal years (or last five fiscal years for employees who begin participation on or after September 1, 2008) of salary prior to attainment of the CERS specified age (or age and service combinations).

Hazardous employees can retire with full retirement benefits after 20 years of service or age 55. Hazardous employees who begin participation on or after September 1, 2008, must have 25 years of service or the member is age 60, with a minimum of 60 months of service credit. Retirement benefits are determined based upon a maximum of 2.5 percent of the employee's years of service multiplied by their Final Compensation. Final Compensation is calculated based upon the average of the three highest fiscal years of salary prior to attainment of the CERS specified age (or age and service combinations).

CERS allows non-hazardous and hazardous employees to retire prior to meeting the requirements above and receive partial benefits, providing they meet certain age and service related criteria.

Employees are eligible for service-related disability benefits regardless of length of service. Five years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal the employee's final full-year salary.

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 9. Employee Retirement System (Continued)

B. Benefits Provided (Continued)

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:

<u>Years of Service</u>	<u>% Paid by Insurance Fund</u>	<u>% Paid by Member through Payroll Deduction</u>
20 or more	100%	0%
15 - 19	75%	25%
14 - 10	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. 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.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 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.

C. Contributions

Benefit and contribution rates are established by state 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 fiscal court's contribution rate for nonhazardous employees was 18.68 percent, 17.06 percent, and 17.67 percent for the years ended June 30, 2017, 2016, and 2015, respectively.

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 percent will go to the member's account and 1 percent will go to the Kentucky Retirement System insurance fund. The fiscal court's contribution rate for hazardous employees was 31.06 percent, 32.95 percent and 34.31 percent for the years ended June 30, 2017, 2016, and 2015, respectively.

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 9. Employee Retirement System (Continued)

C. Contributions (Continued)

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5 percent (non-hazardous) and 8 percent (hazardous) of their annual creditable compensation and 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board of Trustees of Kentucky Retirement Systems based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a 4 percent (nonhazardous) and 7.5 percent (hazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

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

At June 30, 2017, the fiscal court reported a liability of \$22,045,195 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The fiscal court's proportion of the net pension liability was based on a projection of the fiscal court's long-term share of contributions to the pension plan relative to the projected contributions of all participating organizations, actuarially determined.

The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kyret.ky.gov or can be obtained as described in the paragraph above.

For the year ended June 30, 2017, the fiscal court recognized pension expense of \$2,456,482. At June 30, 2017, the fiscal court reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 9. Employee Retirement System (Continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions (Continued)

	<u>Deferred Outflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments:	
Hazardous	\$ 327,401
Non-Hazardous	778,587
Difference between expected and actual experience:	
Hazardous	133,743
Non-Hazardous	106,405
Change of assumptions:	
Hazardous	532,134
Non-Hazardous	1,291,146
Change in proportion and differences between employee contributions and proportionate share of contributions:	
Hazardous	261,203
Non-Hazardous	545,432
Fiscal Court's contributions subsequent to the measurement date of June 30, 2016:	
Hazardous	474,381
Non-Hazardous	<u>1,128,115</u>
Total	<u>\$ 5,578,547</u>

The deferred outflows of resources related to the fiscal court's contributions to the CERS plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. The deferred outflows of resources related to the net difference between projected and actual earnings on pension plan investments are amortized and recognized in pension expense over five years. All other amounts reported as deferred outflows of resources related to pensions are amortized and recognized in pension expense over the average expected remaining service life of the entire plan membership, which is four years for nonhazardous employees and five years for hazardous employees. The net increase in pension expense related to the amortization of these deferred outflows of resources is as follows:

Year ending June 30:	
2018	\$ 1,169,116
2019	1,169,116
2020	1,082,621
2021	<u>555,198</u>
	<u>\$ 3,976,051</u>

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 9. Employee Retirement System (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	4.0 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2013, and the 1994 Group Annuity Mortality Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class:	Target Allocation	Long Term Nominal Rate of Return
Combined Equity	44%	5.40%
Combined Fixed Income	19%	1.50%
Real Return (Diversified Inflation Strategies)	10%	3.50%
Real Estate	5%	4.50%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.50%
Cash Equivalent	2%	(.025)%
Total	<u>100%</u>	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payment of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 9. Employee Retirement System (Continued)

G. Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the fiscal court's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the fiscal court's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
The Fiscal Court's share of the net pension liability	\$ 27,533,358	\$ 22,045,195	\$ 17,391,119

Note 10. Deferred Compensation

The 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 permit 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 year ended June 30, 2017, the fiscal court 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 collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 12. Estimated Infrastructure Historical Cost

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2003, (the year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year the infrastructure was built by determining when a major reconstruction was performed 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 year ended June 30, 2003, and thereafter are recorded at actual historical cost.

Note 13. Concentration of Business Risk

Housing Choice Voucher Program

The operations of the Housing Choice Voucher Program (program) 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, 2017, contributions from HUD made up 99.9 percent of the total revenues received.

Note 14. Interfund Transactions

Transfers are indicative of 1.) funding for capital projects, 2.) moving unrestricted revenues collected in the general fund to subsidize various programs accounted for in other funds in accordance with budgetary authorization, and 3) reallocation of special revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The following is a list of interfund transactions as of June 30, 2017:

	Total Transfers Out	Total Transfers In
General Fund	\$ 4,760,548	\$ 2,093,200
Road Fund		1,995,000
Jail Fund		4,585,548
(TANK) Payroll Tax Fund	3,820,000	
Non-Major	93,200	
Total Transfers	<u>\$ 8,673,748</u>	<u>\$ 8,673,748</u>

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 15. Disaggregation of Accounts Payable

The following is a list of accounts payable by function as of June 30, 2017:

	Totals	General Fund	Road Fund	Jail Fund	Non-Major Funds
General Government	\$ 45,878	\$ 45,878	\$	\$	\$
Roads	16,420		16,420		
Protection To Persons and Property	101,475	10,506		90,969	
General Health and Sanitation	53,817	10,143			43,674
Social Services	11,673	106		82	11,485
Recreation and Culture	18,132	18,132			
Administration	16,762	15,264		1,498	
Total	<u>\$ 264,157</u>	<u>\$ 100,029</u>	<u>\$ 16,420</u>	<u>\$ 92,549</u>	<u>\$ 55,159</u>

Note 16. Tax Abatements

Pursuant to GASB Statement No. 77, Tax Abatement Disclosures, the Campbell County Fiscal Court is required to disclose certain information about tax abatements as defined in the statement. GASB No. 77 defines a tax abatement as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the county or its citizens. As of June 30, 2017, the Campbell County Fiscal Court provides tax abatements through several programs: Tax Increment Financing (TIF), Kentucky Business Investment Program (KBI), Jobs Development Program (JDP), and Property Assessment/Reassessment Moratorium (PARM).

- TIF enables the Campbell County Fiscal Court to finance certain redevelopment costs with the incremental tax revenue generated by the net increase in assessed valuation resulting from the redevelopment. TIF also allows for the abatement of up to 100 percent of incremental property taxes and occupational license taxes or fees for periods of up to 20 or 30 years depending on the type of development area. A TIF may be granted but may not be activated until sometime later in its grant period. Some agreements require the Campbell County Fiscal Court to make infrastructure change and/or make best effort to facilitate the project's progress. There are currently five TIFs active and one TIF approved but not activated. Payments made by appropriation rather than a tax liability reduction. Authority for the program is contained in KRS 65.7041 et seq. and KRS 154.30.
- KBI provides a wage incentive of up to 1 percent of the gross wages of each employee for qualified businesses in Campbell County. An eligible company must be engaged in one of the following activities: manufacturing, agribusiness, regional or national headquarters operations, or certain nonretail service or technology activities. The minimum requirements for an eligible project are: create a minimum of ten new, full-time jobs for Kentucky residents, incur at least \$100,000 in eligible costs, and meet a minimum level of wages and benefits. The tax incentives involved with the program are available for up to ten years. The authority for this program is established in KRS 154.32.

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017
(Continued)

Note 16. Tax Abatements (Continued)

- JDP provides up to a 40 percent reduction in employee withholding fees payable to the county by the approved company for a term not to exceed ten years. This program facilitates the creation of new jobs, new sources of revenue for the support of public services, and improvement in the quality of life for county citizens through the creation of sustainable jobs with higher salaries. Inducements for eligible companies encourage the location or expansion of manufacturing facilities, agribusiness operations, and nonretail professional, scientific, or technical service facilities. The minimum requirements for an eligible project are: create a minimum new fiscal year payroll of \$250,000 that is subject to the county employee withholding fee within the first year after approval of an application by the county for the inducement. The authority for this program is established in Ordinance O-08-11 passed on June 1, 2011.
- Property Assessment/Reassessment Moratorium program allows the waiver of the local incremental tax value of real property tax for added improvements from the assessment of a structure for five years.

The Campbell County Fiscal Court has reported abatements amounts for all known program participants during the year. A summary of the taxes forgone on the county's abatement programs for the year ended June 30, 2017, are as follows:

<u>Abatement Name</u>	<u>Tax Abated</u>	<u>Abatement Amount</u>
Tax Increment Financing	Property Taxes & Occupational Taxes	\$ 42,437
Kentucky Business Investment Program & Jobs Development Program	Payroll Taxes on New Jobs	\$ 74,172

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis

For The Year Ended June 30, 2017

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CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis

For The Year Ended June 30, 2017

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 13,031,870	\$ 13,031,870	\$ 13,609,991	\$ 578,121
Excess Fees	840,000	840,000	877,970	37,970
Licenses and Permits	287,500	287,500	339,696	52,196
Intergovernmental	882,585	882,585	844,685	(37,900)
Charges for Services	110,400	110,400	151,243	40,843
Miscellaneous	1,202,250	1,202,250	1,123,683	(78,567)
Interest	2,000	2,000	2,124	124
Total Revenues	<u>16,356,605</u>	<u>16,356,605</u>	<u>16,949,392</u>	<u>592,787</u>
EXPENDITURES				
General Government	4,046,153	4,178,453	3,935,016	243,437
Protection to Persons and Property	3,428,715	3,548,144	3,200,142	348,002
General Health and Sanitation	521,200	570,200	524,149	46,051
Social Services	73,850	73,850	65,623	8,227
Recreation and Culture	436,975	465,575	460,225	5,350
Debt Service	923,145	923,145	922,777	368
Capital Projects	691,500	665,682	320,290	345,392
Administration	3,837,400	3,527,189	3,305,268	221,921
Total Expenditures	<u>13,958,938</u>	<u>13,952,238</u>	<u>12,733,490</u>	<u>1,218,748</u>
Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	2,397,667	2,404,367	4,215,902	1,811,535
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	952,000	952,000	2,093,200	1,141,200
Transfers To Other Funds	(5,894,695)	(5,894,695)	(4,760,548)	1,134,147
Total Other Financing Sources (Uses)	<u>(4,942,695)</u>	<u>(4,942,695)</u>	<u>(2,667,348)</u>	<u>2,275,347</u>
Net Change in Fund Balance	(2,545,028)	(2,538,328)	1,548,554	4,086,882
Fund Balance - Beginning	<u>2,545,028</u>	<u>2,545,028</u>	<u>6,762,223</u>	<u>4,217,195</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 6,700</u>	<u>\$ 8,310,777</u>	<u>\$ 8,304,077</u>

See notes to the required supplementary information.

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2017
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$		\$ 34	\$ 34
Intergovernmental		1,276,411	1,269,287	(7,124)
Miscellaneous		56,970	39,249	(17,721)
Interest		20	16	(4)
Total Revenues		<u>1,333,401</u>	<u>1,308,586</u>	<u>(24,815)</u>
EXPENDITURES				
Roads		2,148,500	1,688,448	258,352
Debt Service		78,320	78,251	69
Capital Projects		1,702,500	794,607	774,893
Administration		547,900	519,849	351,751
Total Expenditures		<u>4,477,220</u>	<u>3,081,155</u>	<u>1,385,065</u>
Deficiency of Revenues Over Expenditures Before Other Financing Sources		(3,143,819)	(1,772,569)	1,360,250
OTHER FINANCING SOURCES				
Transfers From Other Funds		<u>3,143,819</u>	<u>1,995,000</u>	<u>(1,148,819)</u>
Net Change in Fund Balance		11,000	222,431	211,431
Fund Balance - Beginning			<u>121,384</u>	<u>121,384</u>
Fund Balance - Ending	\$	<u>0</u>	\$ 343,815	\$ 332,815

See notes to the required supplementary information.

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2017
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 5,187,800	\$ 5,187,800	\$ 4,760,508	\$ (427,292)
Charges for Services	278,300	278,300	330,530	52,230
Miscellaneous	291,250	291,250	335,230	43,980
Interest	25	25	30	5
Total Revenues	<u>5,757,375</u>	<u>5,757,375</u>	<u>5,426,298</u>	<u>(331,077)</u>
EXPENDITURES				
Protection to Persons and Property	7,713,620	7,707,620	6,902,402	805,218
Debt Service	1,254,100	1,254,100	1,252,467	1,633
Social Services	125,500	131,500	69,993	61,507
Administration	2,332,800	2,332,800	1,916,533	416,267
Total Expenditures	<u>11,426,020</u>	<u>11,426,020</u>	<u>10,141,395</u>	<u>1,284,625</u>
Deficiency of Revenues Over Expenditures Before Other Financing Sources	(5,668,645)	(5,668,645)	(4,715,097)	953,548
OTHER FINANCING SOURCES				
Transfers From Other Funds	<u>5,668,645</u>	<u>5,668,645</u>	<u>4,585,548</u>	<u>(1,083,097)</u>
Net Change in Fund Balance			(129,549)	(129,549)
Fund Balance - Beginning			<u>307,137</u>	<u>307,137</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 177,588</u>	<u>\$ 177,588</u>

See notes to the required supplementary information.

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2017
(Continued)

	(TANK) PAYROLL TAX FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 8,381,000	\$ 8,381,000	\$ 8,810,123	\$ 429,123
Intergovernmental	270,000	270,000	287,125	17,125
Interest	3,164	3,164	20,580	17,416
Total Revenues	<u>8,654,164</u>	<u>8,654,164</u>	<u>9,117,828</u>	<u>463,664</u>
EXPENDITURES				
General Government	100,000	155,000	150,284	4,716
Bus Service	4,425,345	4,364,345	4,364,007	338
Administration	85,000	91,000	8,012	82,988
Total Expenditures	<u>4,610,345</u>	<u>4,610,345</u>	<u>4,522,303</u>	<u>88,042</u>
Excess of Revenues Over Expenditures Before Other Financing Uses	4,043,819	4,043,819	4,595,525	551,706
OTHER FINANCING USES				
Transfers To Other Funds	<u>(4,043,819)</u>	<u>(4,043,819)</u>	<u>(3,820,000)</u>	<u>223,819</u>
Net Change in Fund Balances			775,525	775,525
Fund Balance - Beginning			<u>4,426,715</u>	<u>4,426,715</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,202,240</u>	<u>\$ 5,202,240</u>

See notes to the required supplementary information.

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2017
(Continued)

	HOUSING CHOICE VOUCHER PROGRAM			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 3,565,025	\$ 3,565,025	\$ 4,069,015	\$ 503,990
Charges for Services	475,384	475,384	387,497	(87,887)
Miscellaneous	2,400	2,400	3,571	1,171
Interest	100	100	261	161
Total Revenues	<u>4,042,909</u>	<u>4,042,909</u>	<u>4,460,344</u>	<u>417,435</u>
EXPENDITURES				
Social Services	3,565,025	3,565,025	3,888,148	(323,123)
General Government	500,884	500,884	433,760	67,124
Total Expenditures	<u>4,065,909</u>	<u>4,065,909</u>	<u>4,321,908</u>	<u>(255,999)</u>
Net Change in Fund Balances	(23,000)	(23,000)	138,436	161,436
Fund Balance - Beginning	<u>92,257</u>	<u>92,257</u>	<u>92,257</u>	<u>92,257</u>
Fund Balance - Ending	<u>\$ 69,257</u>	<u>\$ 69,257</u>	<u>\$ 230,693</u>	<u>\$ 161,436</u>

See notes to the required supplementary information.

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board 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. Unbalanced Budget - Housing Choice Voucher Program

The county has presented an unbalanced budget for the Housing Choice Voucher Program.

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017
(Continued)

Note 3. 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 GAAP. A schedule reconciling the fund balance on a cash basis at June 30, 2017, to the fund balance on an accrual basis follows:

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Capital Projects Fund</u>	<u>(TANK) Payroll Tax Fund</u>
<u>Sources/Inflows of Resources</u>					
Total Revenues - Budgetary Basis	\$ 16,949,392	\$ 1,308,586	\$ 5,426,298	\$ 278	\$ 9,117,828
Differences - (Budget to GAAP) The Fiscal Court budgets for revenues only to the extent they are expected to be received rather than on the modified accrual basis.	<u>69,259</u>	<u>100,580</u>	<u>146,642</u>		<u>71,350</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 17,018,651</u>	<u>\$ 1,409,166</u>	<u>\$ 5,572,940</u>	<u>\$ 278</u>	<u>\$ 9,189,178</u>
<u>Uses/Outflows of Resources</u>					
Total Expenses - Budgetary Basis	\$ 12,733,490	\$ 3,081,155	\$ 10,141,395	\$ 2,609,119	\$ 4,522,303
Differences - (Budget to GAAP) The Fiscal Court budgets for claims only to the extent they are expected to be paid rather than on the modified accrual basis.	<u>(240,251)</u>	<u>(60,166)</u>	<u>(219,201)</u>	<u>(1,084,671)</u>	
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 12,493,239</u>	<u>\$ 3,020,989</u>	<u>\$ 9,922,194</u>	<u>\$ 1,524,448</u>	<u>\$ 4,522,303</u>
<u>Ending Fund Balances</u>					
Fund Balance - Budgetary Basis	\$ 8,310,777	\$ 343,815	\$ 177,588	\$ 342,617	\$ 5,202,240
Differences - (Budget to GAAP) The Fiscal Court budgets for transactions only to the extent they are expected to be received or paid rather than on the modified accrual basis.	<u>837,477</u>	<u>71,849</u>	<u>683,232</u>		<u>2,577,121</u>
Total Ending Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 9,148,254</u>	<u>\$ 415,664</u>	<u>\$ 860,820</u>	<u>\$ 342,617</u>	<u>\$ 7,779,361</u>

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CAMPBELL COUNTY
ADDITIONAL INFORMATION REGARDING THE PENSION PLAN
Required Supplementary Information

June 30, 2017

CAMPBELL COUNTY
SCHEDULE OF THE FISCAL COURT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
Required Supplementary Information
For The Years Ended June 30 for the Last Ten Years**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
The Fiscal Court's proportionate percentage of the net pension liability	0.68%	0.62%	0.64%
The Fiscal Court's proportionate share of the net pension liability	\$ 22,045,195	\$ 17,908,532	\$ 13,773,000
The Fiscal Court's covered-employee payroll	\$ 6,979,571	\$ 6,119,066	\$ 6,251,073
The Fiscal Court's proportionate share of the net pension liability as a percentage of its covered-employee payroll	316%	293%	220%
Plan fiduciary net position as a percentage of the total pension liability	53.95%	59.35%	65.96%

**The amounts presented for each fiscal year were determined as of the measurement date of the net pension liability, which is as of the Fiscal Court's prior fiscal year end.

Schedule is intended to show information for ten years. Available years will be displayed as they become available.

Changes in Assumptions and Benefit Terms from 2015 to 2016:

Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as described below:

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

Note: There were no changes from 2016 to 2017.

CAMPBELL COUNTY
SCHEDULE OF FISCAL COURT CONTRIBUTIONS
COUNTY EMPLOYEES RETIREMENT SYSTEM
Required Supplementary Information
For The Years Ended June 30 for the Last Ten Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,602,496	\$ 1,372,824	\$ 1,187,200
Contributions in relation to the contractually required contribution	\$ 1,602,496	\$ 1,372,824	\$ 1,187,200
The Fiscal Court's covered-employee payroll	\$ 7,284,250	\$ 6,979,571	\$ 6,119,066
Contributions as a percentage of covered-employee payroll	22.00%	19.67%	19.40%

Schedule is intended to show information for ten years. Available years will be displayed as they become available.

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

June 30, 2017

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

June 30, 2017

	Mental Health Tax Fund	Developer Road Escrow	Senior Citizens Tax Fund	LGEA Fund	Health Service Fund	Total Non-Major Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 641,117	\$ 179,771	\$ 187,677	\$ 21,186	\$	\$ 1,029,751
Accounts Receivable-Taxes	258,445		129,223			387,668
Accounts Receivable-Intergovernmental			6,599			6,599
Total Assets	<u>899,562</u>	<u>179,771</u>	<u>323,499</u>	<u>21,186</u>		<u>1,424,018</u>
LIABILITIES						
Accounts Payable	35,029		11,485		8,645	55,159
Accrued Salaries and Payroll Taxes			2,783			2,783
Total Liabilities	<u>35,029</u>		<u>14,268</u>		<u>8,645</u>	<u>57,942</u>
FUND BALANCES						
Restricted For:						
Roads		179,771		21,186		200,957
Committed To:						
Social Services			105,943			105,943
General Health and Sanitation	239,959				(8,645)	231,314
Assigned To:						
Social Services			203,288			203,288
General Health and Sanitation	624,574					624,574
Total Fund Balances	<u>\$ 864,533</u>	<u>\$ 179,771</u>	<u>\$ 309,231</u>	<u>\$ 21,186</u>	<u>\$ (8,645)</u>	<u>\$ 1,366,076</u>

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

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

For the Year Ended June 30, 2017

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

For the Year Ended June 30, 2017

	Mental Health Tax Fund	Developer Road Escrow	Senior Citizens Tax Fund	LGEA Fund	Health Service Fund	Total Non-Major Governmental Funds
REVENUES						
Taxes	\$ 990,783	\$	\$ 495,251	\$	\$	\$ 1,486,034
Charges for Services			3,471			3,471
Miscellaneous			13,513			13,513
Intergovernmental			69,199	22,226	136,647	228,072
Interest	2,163	18	1,063			3,244
Total Revenues	<u>992,946</u>	<u>18</u>	<u>582,497</u>	<u>22,226</u>	<u>136,647</u>	<u>1,734,334</u>
EXPENDITURES						
General Government	16,698		8,349			25,047
General Health and Sanitation	802,562				145,292	947,854
Social Services			426,550			426,550
Roads				6,580		6,580
Capital Projects			34,385			34,385
Administration			38,934			38,934
Total Expenditures	<u>819,260</u>	<u></u>	<u>508,218</u>	<u>6,580</u>	<u>145,292</u>	<u>1,479,350</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Uses	173,686	18	74,279	15,646	(8,645)	254,984
OTHER FINANCING USES						
Transfers To Other Funds	(93,200)					(93,200)
Total Other Financing Uses	<u>(93,200)</u>	<u></u>	<u></u>	<u></u>	<u></u>	<u>(93,200)</u>
Net Change in Fund Balances	80,486	18	74,279	15,646	(8,645)	161,784
Fund Balances - Beginning	784,047	179,753	234,952	5,540		1,204,292
Fund Balances - Ending	<u>\$ 864,533</u>	<u>\$ 179,771</u>	<u>\$ 309,231</u>	<u>\$ 21,186</u>	<u>\$ (8,645)</u>	<u>\$ 1,366,076</u>

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

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

June 30, 2017

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

June 30, 2017

	Jail Inmate Account	Employee Fund Account	Total Agency Funds
Assets			
Cash and Cash Equivalents	\$ 55,635	\$ 18,018	\$ 73,653
Total Assets	<u>55,635</u>	<u>18,018</u>	<u>73,653</u>
Liabilities			
Amounts Held In Custody For Others	<u>55,635</u>	<u>18,018</u>	<u>73,653</u>
Total Liabilities	<u>55,635</u>	<u>18,018</u>	<u>73,653</u>
Net Position			
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, 2017

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

For the Year Ended June 30, 2017

Federal Grantor CFDA #	Program Title	Pass-Through Grantor's Number	Expenditures	Provided to Subrecipients
<u>Department of Housing and Urban Development</u>				
<i>Direct Award:</i>				
14.871	Section 8 Housing Choice Voucher Program	KY136	\$ 4,321,908	\$ _____
Total U.S. Department of Housing and Urban Development			4,321,908	
<u>U.S. Department of Health and Human Services</u>				
<i>Passed-Through Northern Kentucky Area Development District:</i>				
93.044	Title III, Part B-Grants for Supportive Services and Senior Centers	Not Available	62,600	
<u>U.S. Department of Homeland Security</u>				
<i>Passed-Through Kentucky Office of Homeland Security:</i>				
97.067	Homeland Security Grant Program	Not Available	188,568	
<i>Passed-Through Kentucky Department of Emergency Management:</i>				
97.042	Emergency Management Performance Grants	Not Available	72,510	_____
Total U.S. Department of Homeland Security			261,078	
<u>U.S. Department of Transportation</u>				
<i>Passed-Through Kentucky Transportation Cabinet (KYTC)/Federal Highway Administration (FHWA):</i>				
20.219	Recreational Trails Program	RTP Project # 502.14	88,023	
<i>Passed-Through Kentucky Transportation Cabinet:</i>				
20.600	State and Community Highway Safety	Not Available	23,873	_____
Total U.S. Department of Transportation			111,896	_____
Total Expenditures of Federal Awards			\$ 4,757,482	\$ 0

CAMPBELL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2017

Note 1 - The accompanying Schedule of Expenditures of Federal Awards (schedule) includes the federal grant award 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 - Determination of Major Program

The Type A programs for the fiscal court are any programs for which total expenditures of federal awards exceed \$750,000 for fiscal year 2017 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 - Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The fiscal court has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 - There were no noncash expenditures of federal awards for fiscal year 2017.

**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***

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**Report Of Independent Auditors On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell County Fiscal Court (the fiscal court), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the fiscal court's basic financial statements, and have issued our report thereon dated February 21, 2018. Our report includes a reference to other auditors who audited the financial statements of the Campbell County Fiscal Court's Housing Department Housing Choice Voucher Program, as described in our report on the fiscal court'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 statements, we considered the fiscal court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the fiscal court's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 that might be material weaknesses or significant deficiencies. 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.

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 the fiscal court's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
February 21, 2018

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH UNIFORM GUIDANCE**

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**Report Compliance For Each Major Federal
Program And Report On Internal Control Over Compliance
In Accordance With Uniform Guidance**

Independent Auditor's Report

The Honorable Steven Pendery, Campbell County Judge/Executive
Members of the Campbell County Fiscal Court
Campbell County Fiscal Court
Newport, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Campbell County Fiscal Court's (the fiscal court) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the fiscal court's major federal programs for the year ended June 30, 2017. The fiscal court's major federal program is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

The fiscal court's basic financial statements include the operations of the Campbell County Fiscal Court's Housing Department Housing Choice Voucher Program (the program), which received \$4,321,908 in federal awards during the year ended June 30, 2017. We did not audit the program. The fiscal court engaged other auditors to perform an audit of the operations of the program in accordance with the Uniform Guidance, whose report has been furnished to us. Our audit, as described below, insofar as it relates to the program is based upon the reports of other auditors.

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 the fiscal court'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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the fiscal court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With Uniform Guidance
(Continued)

Auditor's Responsibility (Continued)

We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the fiscal court's compliance.

Opinion on Each Major Federal Program

In our opinion, based on our audit and the report of the other auditors, the fiscal court 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, 2017.

Report on Internal Control over Compliance

Management of the fiscal court 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 the fiscal court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the fiscal court'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
February 21, 2018

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

For The Year Ended June 30, 2017

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

For The Year Ended June 30, 2017

Section I: Summary of Auditors' Results

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None Reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes No

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
*14.871	Housing Choice Voucher Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

* - Audited by other auditors

CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2017
(Continued)

Section II: Financial Statement Findings

None

Section III: Federal Award Findings and Questioned Costs

None

Section IV: Summary Schedule of Prior Audit Findings

2016-001 - CFDA 14.871 Section 8 Housing Choice Voucher Program Did Not Submit Financial Information
Timely - *Resolved*

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

CAMPBELL COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2017**

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

For The Fiscal Year Ended June 30, 2017

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



County Judge/Executive



County Treasurer