

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

**For The Year Ended
June 30, 2019**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

The Honorable Andy Beshear, Governor

Holly M. Johnson, Secretary

Finance and Administration Cabinet

The Honorable Steven Pendery, Campbell County Judge/Executive

Members of the Campbell County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

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, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Campbell County Fiscal Court's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

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 an opinion on the basic 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	0.29%	0.79%	10.87%
Fund Financial Statements			
Governmental Funds	0.78%	0.76%	10.87%



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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell County Fiscal Court's as of June 30, 2019, and the respective changes in its 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, Budgetary Comparison Schedules, the Schedule of Proportionate Share of the Net Pension Liability and Schedule of Contributions, and Schedule of Proportionate Share of the Net OPEB Liability and Schedule of Contributions 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.

To the People of Kentucky
 The Honorable Andy Beshear, Governor
 Holly M. Johnson, Secretary
 Finance and Administration Cabinet
 The Honorable Steven Pendery, Campbell County Judge/Executive
 Members of the Campbell County Fiscal Court

Other Matters (Continued)

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Campbell County Fiscal Court's basic financial statements. The combining governmental and fiduciary fund financial statements, 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 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2021, on our consideration of the Campbell County Fiscal Court's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the Campbell County Fiscal Court's 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.

Based on the results of our audit, we present the accompanying Schedule of Findings and Responses included herein, which discusses the following report comments:

- 2019-001 The Processes Over The Campbell County Detention Center's Commissary Fund Resulted In Material Misstatements
- 2019-002 The Campbell County Jailer Did Not Enter Into A Written Collateral Security Agreement With The Financial Institution To Protect Deposits

Respectfully submitted,



Mike Harmon
 Auditor of Public Accounts

March 2, 2021

CAMPBELL COUNTY OFFICIALS**For The Year Ended June 30, 2019****Fiscal Court Members:**

Steve Pendery	County Judge/Executive
Brian Painter	Commissioner
Charlie Coleman	Former Commissioner
Tom Lampe	Commissioner
Geoff Besecker	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	Former County Treasurer
Brett Burcham	Occupational Tax Collector
Marie Schenkel	Finance Director/Treasurer
Matthew W. Elberfeld	Deputy Judge/Executive/County Administrator

Campbell County
Management's Discussion and Analysis
June 30, 2019

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, 2019. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights

- Campbell County's net position was \$27,713,444 as of June 30, 2019, of which (\$2,662,353) is unrestricted. In the business-type activities, cash and cash equivalents were \$1,242,474, with total net position of \$1,651,094. Total debt principal outstanding as of June 30, 2019 was \$18,005,000 with \$1,715,000 due within one year.
- The government's total net position increased by \$1,843,556 during the current year. Revenues increased overall by approximately 6.5%. Expenses increased 2.7% over the prior year.
- At the close of the current fiscal year, the Fiscal Court's balance sheet for Governmental Funds reported a fund balance of \$27,788,909. Of this amount, \$10,496,821 is available for spending at the government's discretion (unassigned 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.

Governmental Accounting Standards Board (GASB) Statement No. 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.

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 & Recreation (included in the General Fund), A.J. Jolly Golf Course, and the Jail Commissary Fund.

**Campbell County
Management's Discussion and Analysis
June 30, 2019
(Continued)**

Overview of the Financial Statements (Continued)

Government-Wide Financial Statements. (Continued)

The Government-Wide Financial Statements include not only 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 two such entities: Campbell County, Kentucky, Public Parks Corporation and Campbell County, Kentucky, Public Parks Corporation No. 2. These are known as blended component units.

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, (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, Health Service, and the CDBG 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 Park, A.J. Jolly Golf Course, and Jail Commissary funds. The Public Parks Corporation fund is considered a non-major fund.

Campbell County
Management's Discussion and Analysis
June 30, 2019
(Continued)

Overview of the Financial Statements (Continued)

Fund 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 Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current assets	\$ 27,788,909	\$ 24,587,623	\$ 1,350,071	\$ 717,116	\$ 29,138,980	\$ 25,304,739
Capital assets	46,408,306	46,929,259	959,366	888,097	47,367,672	47,817,356
Total assets	74,197,215	71,516,882	2,309,437	1,605,213	76,506,652	73,122,095
Deferred Outflows of Resources						
Deferred Amount Related to Pension	7,608,617	9,910,902	156,070	160,154	7,764,687	10,071,056
Deferred Amount Related to Post-Employment Benefits Other than Pension	2,757,997	2,590,331	56,573	54,567	2,814,570	2,644,898
Loss on refunding debt	662,557	746,300			662,557	746,300
Total Deferred Outflows of Resources	11,029,171	13,247,533	212,643	214,721	11,241,814	13,462,254
Liabilities						
Current and other liabilities	2,519,422	2,227,038	47,812	32,472	2,567,234	2,259,510
Long-term liabilities	52,716,823	54,975,898	742,825	616,340	53,459,648	55,592,238
Total liabilities	55,236,245	57,202,936	790,637	648,812	56,026,882	57,851,748
Deferred Inflows of Resources						
Deferred Amount Related to Pension Plan	2,178,874	2,319,200	44,475	50,232	2,223,349	2,369,432
Deferred Amount Related to Post-Employment Benefits Other than Pension	1,748,917	536,176	35,874	11,613	1,784,791	547,789
Total Deferred Inflows of Resources	3,927,791	2,855,376	80,349	61,845	4,008,140	
Net Position						
Net investment in capital assets, net of related debt	28,213,287	27,041,961	750,665	679,396	28,963,952	27,721,357
Restricted	1,203,144	1,118,719	208,701	208,701	1,411,845	1,327,420
Unrestricted	(3,354,081)	(3,454,577)	691,728	275,688	(2,662,353)	(3,178,889)
Total net position	\$ 26,062,350	\$ 24,706,103	\$ 1,651,094	\$ 1,163,785	\$ 27,713,444	\$ 25,869,888

**Campbell County
Management's Discussion and Analysis
June 30, 2019
(Continued)**

Government-Wide Financial Analysis (Continued)

Changes in Net Position

Governmental Activities. The Fiscal Court's net position increased \$1,535,649 net of a prior period restatement during fiscal year 2019; key elements of this are as follows:

- Investment in capital assets, net of related debt increased \$1,171,326. This was primarily due to payments made on the related debt, netted with capital asset additions.
- Deferred Amount on Pension Plan Contributions decreased \$140,326.
- Deferred Amount Related to Post-Employment Benefits increased \$1,212,741. This is related to an increase in net post-employment benefits liability as required by the adoption of GASB 75.
- Revenues were \$43,541,075 as reflected in the Statement of Activities.
- Expenditures totaled \$41,895,426 as reflected in the Statement of Activities.

Business-type Activities. The Fiscal Court's net position for these activities increased \$265,737. This is primarily due to an increase in profits on commissary sales and golf course revenue.

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, 2019, the combined ending fund balance of the governmental funds was \$27,006,767. Approximately 39% (\$10,496,821) 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 (\$16,509,946) is reserved to indicate that it is not available for new spending because it is restricted, committed or assigned.

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

1. The General Fund is the chief operating fund of the Fiscal Court. At the end of the June 30, 2019 fiscal year, the total fund balance of the General Fund was \$12,156,355, \$10,496,821 of which was unreserved. The Fiscal Court received \$9,272,612 in Real Property tax revenues, which accounts for approximately 48% of the general fund revenue. \$4,175,408 was received from personal property, motor vehicle and insurance taxes which is approximately 22% of the Fiscal Court's general fund revenues. Sheriff and Clerk fees accounted for \$1,442,562 or 7% of general fund revenues. Various other taxes, service fees and investment earnings make up the remaining 23% of revenues.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$1,219,041 in fund balance at June 30, 2019. The fund balance at the end of the previous year was \$497,876. The fiscal year 2019 expenditures for road projects were \$3.9 million. State funding provided approximately \$1.5 million in funding for road projects during the fiscal year. Transfers from the Payroll Tax fund provided nearly all of the remaining funding requirement.

**Campbell County
Management's Discussion and Analysis
June 30, 2019
(Continued)**

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

3. The Jail Fund is used to account for the operation of the County's detention center. The Jail Fund had a fund balance at June 30, 2019 of \$811,004, all of which was unreserved. The Jail Fund received approximately \$5.7 million from the state and federal governments for services, primarily for housing prisoners. Transfers totaling \$4,959,682 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, 2019, the balance in this fund was \$11,228,058.
5. The Housing Choice Voucher Program ended the 2019 fiscal year with a fund balance of \$205,717. The previous year balance was \$123,784. The Program derives nearly all of its revenue from the Department of Housing and Urban Development (HUD).
6. The total fund balance for the non-major funds as of June 30, 2019 was \$1,386,592. Total expenditures for the non-major funds for the year were \$1,704,191. 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 (Public Parks Corporation), A.J. Jolly Golf Course, and the Jail Commissary.

1. A.J. Jolly Park net position at June 30, 2019 amounted to \$508,050. 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 \$508,050 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, 2019 was \$(170,750). Revenues for the golf course amounted to \$914,345 and were derived primarily from user fees.
3. The Jail Commissary Fund had net assets of \$1,313,794 as of June 30, 2019 with a cash balance of \$1,154,195. 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 excess fees from the Sheriff and Clerk's Offices, deed transfer taxes and insurance license fees revenues 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.

**Campbell County
Management's Discussion and Analysis
June 30, 2019
(Continued)**

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, 2019, amounted to \$47,367,672 (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 2019 fiscal year included road and infrastructure improvements.

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	
	2019	2018	2019	2018	2019	2018
Infrastructure assets	\$ 10,260,314	\$ 9,989,068	\$	\$	\$ 10,260,314	\$ 9,989,068
Land	4,231,925	4,231,925	497,462	497,462	4,729,387	4,729,387
Construction in process & Bldgs & Improvements	28,768,821	29,528,937	151,254	46,232	28,920,075	29,575,169
Other Equipment	1,588,263	1,860,412	260,984	319,943	1,849,247	2,180,355
Vehicles & Equipment	1,558,983	1,318,917	49,666	24,460	1,608,649	1,343,377
Total capital assets, net of accumulated depreciation	\$ 46,408,306	\$ 46,929,259	\$ 959,366	\$ 888,097	\$ 47,367,672	\$ 47,817,356

Long-Term Debt. At the end of the 2019 fiscal year, the Fiscal Court had total bonds payable of \$18,005,000. The amount of this debt due within the next year is \$1,715,000 and \$16,290,000 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 were expected to have a significant effect on the Fiscal Court's financial position or results of operations and were considered in developing the 2020 fiscal year budget:

- The 2020 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% of the overall county spending. One of the primary challenges is recruiting and retaining employees. A pay restructuring program was built into the 2020 fiscal year budget.
- The most significant factor that will impact the 2020 fiscal year budget is pension costs. The estimated increase in pension costs for 2020 is \$350,000, for the county overall.

**Campbell County
Management's Discussion and Analysis
June 30, 2019
(Continued)**

Requests for Information

This financial report is designed to provide a general overview of 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 M. Schenkel, Finance Director/Treasurer, Campbell County Fiscal Court, 1098 Monmouth St. Newport, KY 41071.

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**CAMPBELL COUNTY
STATEMENT OF NET POSITION**

For The Year Ended June 30, 2019

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CAMPBELL COUNTY
STATEMENT OF NET POSITION
For The Year Ended June 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 21,144,739	\$ 1,242,474	\$ 22,387,213
Restricted Cash and Cash Equivalents	523,365		523,365
Accounts Receivable	6,120,805	107,597	6,228,402
Total Current Assets	<u>27,788,909</u>	<u>1,350,071</u>	<u>29,138,980</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	4,231,925	497,462	4,729,387
Land Improvements	752,052	34,927	786,979
Buildings	28,016,769	116,327	28,133,096
Golf Equipment		9,570	9,570
Other Equipment	1,588,263	251,414	1,839,677
Vehicles and Equipment	1,558,983	49,666	1,608,649
Infrastructure Assets - Net of Accumulated Depreciation	10,260,314		10,260,314
Total Noncurrent Assets	<u>46,408,306</u>	<u>959,366</u>	<u>47,367,672</u>
Total Assets	<u>74,197,215</u>	<u>2,309,437</u>	<u>76,506,652</u>
Deferred Outflows of Resources			
Deferred Amount Related to Pension Plan	7,608,617	156,070	7,764,687
Deferred Amount Related to Post-Employment Benefits other than Pension	2,757,997	56,573	2,814,570
Loss on Refunding Debt	662,557		662,557
Total Deferred Outflows of Resources	<u>11,029,171</u>	<u>212,643</u>	<u>11,241,814</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	457,383	34,009	491,392
Accrued Liabilities	6,183		6,183
Accrued Salaries and Payroll Taxes	318,576	13,803	332,379
Bonds Payable	1,737,280		1,737,280
Total Current Liabilities	<u>2,519,422</u>	<u>47,812</u>	<u>2,567,234</u>
Noncurrent Liabilities:			
Bonds Payable	16,457,739		16,457,739
Net Pension Liability	28,017,697	574,707	28,592,404
Net Post-Employment Benefits other than Pension Liability	8,195,944	168,118	8,364,062
Compensated Absences	45,443		45,443
Total Noncurrent Liabilities	<u>52,716,823</u>	<u>742,825</u>	<u>53,459,648</u>
Total Liabilities	<u>55,236,245</u>	<u>790,637</u>	<u>56,026,882</u>

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

CAMPBELL COUNTY
STATEMENT OF NET POSITION
For The Year Ended June 30, 2019
(Continued)

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Deferred Inflows of Resources			
Deferred Amount Related to Pension Plan	\$ 2,178,874	\$ 44,475	\$ 2,223,349
Deferred Amount Related to Post-Employment Benefits other than Pension	1,748,917	35,874	1,784,791
Total Deferred Inflows of Resources	<u>3,927,791</u>	<u>80,349</u>	<u>4,008,140</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	28,213,287	750,665	28,963,952
Restricted For:			
Roads	186,423		186,423
Social Services	205,717		205,717
Protection to Person and Property	811,004		811,004
Recreation Project Grants		208,701	208,701
Unrestricted	<u>(3,354,081)</u>	<u>691,728</u>	<u>(2,662,353)</u>
Total Net Position	<u>\$ 26,062,350</u>	<u>\$ 1,651,094</u>	<u>\$ 27,713,444</u>

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

**CAMPBELL COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2019**

CAMPBELL COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2019

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	\$ 14,442,438	\$ 685,300	\$ 1,067,357	\$
Protection to Persons and Property	11,942,111	5,338,794	1,696,065	
General Health and Sanitation	1,750,940	230,858	46,038	
Social Services	5,231,432	453,096	4,279,617	
Recreation and Culture	551,318	63,193		
Roads	2,821,558		287,293	1,224,069
Bus Services	4,588,918		329,913	
Debt Service	508,964			
Capital Projects	57,747			
Total Governmental Activities	41,895,426	6,771,241	7,706,283	1,224,069
Business-type Activities:				
A.J. Jolly Park	6,255			
A.J. Jolly Golf Course	981,328	914,345		
Jail Commissary	839,816	1,068,581		
Total Business-type Activities	1,827,399	1,982,926		
Total Primary Government	\$ 43,722,825	\$ 8,754,167	\$ 7,706,283	\$ 1,224,069

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

Gain on Sale of Assets

Miscellaneous Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning (Restated)

Net Position - Ending

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

CAMPBELL COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2019
(Continued)

Net (Expenses) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (12,689,781)	\$	\$ (12,689,781)
(4,907,252)		(4,907,252)
(1,474,044)		(1,474,044)
(498,719)		(498,719)
(488,125)		(488,125)
(1,310,196)		(1,310,196)
(4,259,005)		(4,259,005)
(508,964)		(508,964)
(57,747)		(57,747)
<u>(26,193,833)</u>		<u>(26,193,833)</u>
	(6,255)	(6,255)
	(66,983)	(66,983)
	<u>228,765</u>	<u>228,765</u>
	<u>155,527</u>	<u>155,527</u>
<u>(26,193,833)</u>	<u>155,527</u>	<u>(26,038,306)</u>
9,272,612		9,272,612
850,666		850,666
950,814		950,814
10,863,125		10,863,125
1,676,639		1,676,639
76,072		76,072
2,373,928		2,373,928
1,442,562		1,442,562
46,303	210	46,513
8,183		8,183
278,578		278,578
(110,000)	110,000	
<u>27,729,482</u>	<u>110,210</u>	<u>27,839,692</u>
1,535,649	265,737	1,801,386
<u>24,526,701</u>	<u>1,385,357</u>	<u>25,912,058</u>
<u>\$ 26,062,350</u>	<u>\$ 1,651,094</u>	<u>\$ 27,713,444</u>

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

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**CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS**

For The Year Ended June 30, 2019

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2019

	General Fund	Road Fund	Jail Fund	Housing Choice Voucher Program
ASSETS				
Cash and Cash Equivalents	\$ 10,545,217	\$ 665,681	\$ 182,666	\$ 217,828
Accounts Receivable - Taxes	1,074,569			
Accounts Receivable - Excess Fees	133,346			
Accounts Receivable - Intergovernmental	32,418	617,497	879,559	
Accounts Receivable - Charges for Services	30		56,499	
Accounts Receivable - Miscellaneous	129,723		57,644	
Restricted Cash - Police Forfeiture	34,680			
Restricted Cash - Court Filing Fees	488,685			
Total Assets	<u>12,438,668</u>	<u>1,283,178</u>	<u>1,176,368</u>	<u>217,828</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	141,944	39,745	220,486	
Accrued Salaries and Payroll Taxes	140,369	24,392	144,878	5,928
Other Liabilities				6,183
Total Liabilities	<u>282,313</u>	<u>64,137</u>	<u>365,364</u>	<u>12,111</u>
FUND BALANCES				
Restricted For:				
Social Services				205,717
Protection to Persons and Property Roads	523,365			
Committed To:				
Social Services				
Bus Service				
General Health and Sanitation				
Assigned To:				
Roads		1,219,041		
Protection to Persons and Property			811,004	
Social Services	1,136,169			
Bus Service				
Unassigned	10,496,821			
Total Fund Balances	<u>12,156,355</u>	<u>1,219,041</u>	<u>811,004</u>	<u>205,717</u>
Total Liabilities and Fund Balances	<u>\$ 12,438,668</u>	<u>\$ 1,283,178</u>	<u>\$ 1,176,368</u>	<u>\$ 217,828</u>

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

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2019
(Continued)

	(TANK) Payroll Tax Fund	Non- Major Funds	Total Governmental Funds
\$	8,497,176	\$ 1,036,171	\$ 21,144,739
	2,401,479	400,246	3,876,294
			133,346
	329,913	7,882	1,867,269
			56,529
			187,367
			34,680
			488,685
	<u>11,228,568</u>	<u>1,444,299</u>	<u>27,788,909</u>
	510	54,698	457,383
		3,009	318,576
			6,183
	<u>510</u>	<u>57,707</u>	<u>782,142</u>
			205,717
			523,365
		186,423	186,423
		396,107	396,107
	1,062,660		1,062,660
		804,062	804,062
			1,219,041
			811,004
			1,136,169
	10,165,398		10,165,398
			10,496,821
	<u>11,228,058</u>	<u>1,386,592</u>	<u>27,006,767</u>
\$	<u>11,228,568</u>	<u>\$ 1,444,299</u>	<u>\$ 27,788,909</u>

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

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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, 2019

CAMPBELL COUNTY
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
For The Year Ended June 30, 2019

Total Fund Balances	\$ 27,006,767
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	100,056,592
Accumulated Depreciation	(53,648,286)
Governmental Funds Do Not Record Deferred Outflows of Resources For Pensions And OPEB But Those Are Reported on the Statement of Net Position as Deferred Outflows of Resources.	
	11,029,171
Governmental Funds Do Not Record Deferred Inflows of Resources For Pensions And OPEB But Those Are Reported on the Statement of Net Position as Deferred Inflows of Resources.	
	(3,927,791)
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	(1,737,280)
Due in more than one year-bonds, notes and other principal payments	(16,457,739)
Compensated absences	(45,443)
Net Pension Liability	(28,017,697)
Net Post-Employment Benefits other than Pension Liability	<u>(8,195,944)</u>
Net Position Of Governmental Activities	<u>\$ 26,062,350</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, 2019

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2019

	General Fund	Road Fund	Jail Fund	Housing Choice Voucher Program
REVENUES				
Taxes	\$ 15,200,731	\$	\$	\$
Excess Fees	1,442,562			
Licenses and Permits	453,929	34		
Intergovernmental	615,447	1,521,050	5,703,969	4,279,617
Charges for Services	265,249		395,552	442,178
Miscellaneous	1,421,444	25,720	429,269	8,331
Interest	7,882	149	120	759
Total Revenues	<u>19,407,244</u>	<u>1,546,953</u>	<u>6,528,910</u>	<u>4,730,885</u>
EXPENDITURES				
General Government	4,222,956			
Protection to Persons and Property	3,235,815		7,783,078	
General Health and Sanitation	561,760		30,887	
Social Services	64,613		69,387	4,557,199
Recreation and Culture	466,394			
Roads		1,891,312		
Bus Services				
Debt Service	804,275	71,406	1,241,820	
Capital Projects	812,234	1,289,561		
Administration	3,785,929	623,509	2,336,293	91,753
Total Expenditures	<u>13,953,976</u>	<u>3,875,788</u>	<u>11,461,465</u>	<u>4,648,952</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>5,453,268</u>	<u>(2,328,835)</u>	<u>(4,932,555)</u>	<u>81,933</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	8,183			
Transfers From Other Funds	2,106,900	3,050,000	4,959,682	
Transfers To Other Funds	(6,048,900)		(24,682)	
Total Other Financing Sources (Uses)	<u>(3,933,817)</u>	<u>3,050,000</u>	<u>4,935,000</u>	
Net Change in Fund Balances	1,519,451	721,165	2,445	81,933
Fund Balances - Beginning (Restated)	<u>10,636,904</u>	<u>497,876</u>	<u>808,559</u>	<u>123,784</u>
Prior Period Adjustment				
Fund Balances - Ending	<u>\$ 12,156,355</u>	<u>\$ 1,219,041</u>	<u>\$ 811,004</u>	<u>\$ 205,717</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, 2019
(Continued)

(TANK) Payroll Tax Fund	Non- Major Funds	Total Governmental Funds
\$ 9,310,411	\$ 1,552,714	\$ 26,063,856
		1,442,562
		453,963
329,913	70,161	12,520,157
	6,298	1,109,277
	12,010	1,896,774
32,672	4,716	46,298
<u>9,672,996</u>	<u>1,645,899</u>	<u>43,532,887</u>
234,334	39,081	4,496,371
		11,018,893
	1,137,161	1,729,808
	481,399	5,172,598
		466,394
	3,427	1,894,739
4,588,918		4,588,918
		2,117,501
		2,101,795
9,043	43,123	6,889,650
<u>4,832,295</u>	<u>1,704,191</u>	<u>40,476,667</u>
<u>4,840,701</u>	<u>(58,292)</u>	<u>3,056,220</u>
		8,183
1,000,000	25,000	11,141,582
(5,050,000)	(128,000)	(11,251,582)
<u>(4,050,000)</u>	<u>(103,000)</u>	<u>(101,817)</u>
790,701	(161,292)	2,954,403
10,437,357	1,547,884	24,052,364
<u>\$ 11,228,058</u>	<u>\$ 1,386,592</u>	<u>\$ 27,006,767</u>

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

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

For The Year Ended June 30, 2019

CAMPBELL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ 2,954,403

Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	2,044,048
Depreciation Expense	(2,532,505)
Assets disposed of, net book value	(32,496)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Repayment of long term debt principal	1,670,000
Amortization of loss on refunding debt	(83,743)
Amortization of bond premiums and bond discount	22,280
Increase in Compensated Absences Liability	(9,097)

The Difference Between Actuarial Pension and OPEB Contributions to CERS and Actual Contributions Made Are Recorded as Adjustments to Statement of Activities.

Increase in Net Pension Obligation (GASB 68)	(778,430)
Decrease in Net OPEB Obligation (GASB 75)	1,309,323
Decrease in Deferred Outflow	(2,218,362)
Increase in Deferred Inflow	(1,072,415)
Decrease in Fixed Assets	(303,611)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase in Accounts Receivable + Rounding	566,254
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Change in Net Position of Governmental Activities	\$ 1,535,649
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The accompanying notes are an integral part of the financial statements.

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CAMPBELL COUNTY
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS

For The Year Ended June 30, 2019

CAMPBELL COUNTY
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
For The Year Ended June 30, 2019

	Business-Type Activities - Enterprise Fund			
	A.J. Jolly Park	A.J. Jolly Golf Course Fund	Jail Commissary Fund	Totals
Assets				
Current Assets:				
Cash and Cash Equivalents	\$	\$ 88,279	\$ 1,154,195	\$ 1,242,474
Accounts Receivable			107,597	107,597
Total Current Assets		88,279	1,261,792	1,350,071
Noncurrent Assets:				
Capital Assets:				
Land	497,462			497,462
Vehicles			62,357	62,357
Land Improvements	683,675	45,200		728,875
Buildings	140,704	115,797		256,501
Clubhouse Furniture and Fixtures		106,097		106,097
Golf Equipment		707,763		707,763
Other Equipment		123,174	199,627	322,801
Less Accumulated Depreciation	(813,791)	(861,303)	(47,396)	(1,722,490)
Total Noncurrent Assets	508,050	236,728	214,588	959,366
Total Assets	508,050	325,007	1,476,380	2,309,437
Deferred Outflows of Resources				
Deferred Amount Related to Pension Plan		118,613	37,457	156,070
Deferred Amount Related to Post-Employment Benefits other than Pension		42,995	13,578	56,573
Total Deferred Outflows of Resources		161,608	51,035	212,643
Liabilities				
Current Liabilities:				
Accounts Payable		20,139	13,870	34,009
Accrued Wages		11,614	2,189	13,803
Total Current Liabilities		31,753	16,059	47,812
Noncurrent Liabilities:				
Net Pension Liability		436,777	137,930	574,707
Net Post-Employment Benefits other than Pension Liability		127,770	40,348	168,118
Total Noncurrent Liabilities		564,547	178,278	742,825
Total Liabilities		596,300	194,337	790,637

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

CAMPBELL COUNTY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
For The Year Ended June 30, 2019
(Continued)

	Business-Type Activities - Enterprise Fund			Totals
	A.J. Jolly Park	A.J. Jolly Golf Course Fund	Jail Commissary Fund	
Deferred Inflows of Resources				
Deferred Amount Related to Pension Plan	\$	\$ 33,801	\$ 10,674	\$ 44,475
Deferred Amount Related to Post-Employment Benefits other than Pension		27,264	8,610	35,874
Total Deferred Inflows of Resources		61,065	19,284	80,349
Net Position				
Invested in Capital Assets, Net of Related Debt - Unrestricted	299,349	236,728	214,588	750,665
Invested in Capital Assets, Net of Related Debt - Restricted Unrestricted	208,701	(407,478)	1,099,206	208,701 691,728
Total Net Position	\$ 508,050	\$ (170,750)	\$ 1,313,794	\$ 1,651,094

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

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

For The Year Ended June 30, 2019

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
For The Year Ended June 30, 2019

	Business-Type Activities - Enterprise Fund			Totals
	A.J. Jolly Park	A.J. Jolly Golf Course Fund	Jail Commissary Fund	
Operating Revenues				
Golf	\$	\$ 532,714	\$	\$ 532,714
Rentals-Power Carts		180,990		180,990
Rentals-Miscellaneous		294		294
Commissary Sales-Cigarettes/Soaps			467,109	467,109
Commissary Profits			567,377	567,377
Concession Commissions		108,907		108,907
Miscellaneous Revenue		91,440	34,095	125,535
Total Operating Revenues		<u>914,345</u>	<u>1,068,581</u>	<u>1,982,926</u>
Operating Expenses				
Protection to Persons and Property			88,824	88,824
Educational and Recreational			146,353	146,353
Payment to Suppliers			604,639	604,639
Golf	2,270	497,203		499,473
Clubhouse	3,985	484,125		488,110
Total Operating Expenses	<u>6,255</u>	<u>981,328</u>	<u>839,816</u>	<u>1,827,399</u>
Operating Income (Loss)	<u>(6,255)</u>	<u>(66,983)</u>	<u>228,765</u>	<u>155,527</u>
Nonoperating Revenues (Expenses)				
Interest Income		34	176	210
Transfers From Other Funds		110,000	24,682	134,682
Transfers To Other Funds			(24,682)	(24,682)
Total Nonoperating Revenues (Expenses)		<u>110,034</u>	<u>176</u>	<u>110,210</u>
Change In Net Assets	(6,255)	43,051	228,941	265,737
Total Net Position - Beginning (Restated)	<u>514,305</u>	<u>(213,801)</u>	<u>1,084,853</u>	<u>1,385,357</u>
Total Net Position - Ending	<u>\$ 508,050</u>	<u>\$ (170,750)</u>	<u>\$ 1,313,794</u>	<u>\$ 1,651,094</u>

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

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

For The Year Ended June 30, 2019

CAMPBELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Year Ended June 30, 2019

	Business-Type Activities - Enterprise Fund			
	A.J. Jolly Park	A.J. Jolly Golf Course Fund	Jail Commissary Fund	Totals
Cash Flows From Operating Activities				
Cash Receipts From Green Fees	\$	\$ 532,714	\$	\$ 532,714
Cash Receipts From Golf Cart Rentals		180,990		180,990
Cash Receipts From Miscellaneous Rentals		294		294
Cash Receipts From Concession Sales		108,907		108,907
Cash Receipts From Miscellaneous Income		91,440	24,682	116,122
Cash Receipts From Sale of Cigarettes/Soaps			408,663	408,663
Cash Receipts From Commissary Profits			1,037,154	1,037,154
Cash Payments to Employees		(438,926)	(82,598)	(521,524)
Cash Payments to Educational and Recreational			(117,097)	(117,097)
Cash Payments to Suppliers		(493,952)	(1,071,604)	(1,565,556)
Net Cash Provided (Used) By Operating Activities		(18,533)	199,200	180,667
Cash Flows From Noncapital Financing Activities				
Transfers In/Out		110,000		110,000
Net Cash Provided By Noncapital Financing Activities		110,000		110,000
Cash Flows From Capital and Related Financing Activities				
Purchase of Capital Assets		(115,797)		(115,797)
Net Cash Used By Capital and Related Financing Activities		(115,797)		(115,797)
Cash Flows From Investing Activities				
Interest Earned		34	176	210
Net Cash Provided By Investing Activities		34	176	210
Net Decrease in Cash and Cash Equivalents		(24,296)	199,376	175,080
Cash and Cash Equivalents - July 1, 2018 (Restated)		112,575	954,819	1,067,394
Cash and Cash Equivalents - June 30, 2019	\$ 0	\$ 88,279	\$ 1,154,195	\$ 1,242,474
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (6,255)	\$ (66,983)	\$ 228,765	\$ 155,527
Adjustments to Reconcile Operating				
Depreciation Expense	6,255	40,844	28,889	75,988
Accounts Receivable (PY-CY)			(66,190)	(66,190)
Accounts Payable (CY-PY)		7,606	7,736	15,342
Net Cash Provided (Used) By Operating Activities	\$ 0	\$ (18,533)	\$ 199,200	\$ 180,667

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

CAMPBELL COUNTY
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

For The Year Ended June 30, 2019

CAMPBELL COUNTY
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
June 30, 2019

	Agency Funds
	Total
	Agency
	Funds
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 51,185
Total Assets	51,185
Liabilities	
Amounts Held In Custody For Others	51,185
Total Liabilities	51,185
Net Position	
Total Net Position	\$ 0

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

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TO THE FINANCIAL STATEMENT**

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**CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2019

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of the Campbell County Fiscal Court have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units by the Governmental Accounting Standards Board (GASB).

B. Reporting Entity

The financial statements of the Campbell County 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 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in financial management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The 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 county's primary government using the blended 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. Government-wide and Fund Financial Statements

Government-wide 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 primarily rely on sales, fees, and charges for support. Fiduciary funds are also excluded from the government-wide financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

Government-wide Financial Statements (Continued)

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when a liability is incurred. All assets and liabilities of the primary government are included. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financials.

Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenues once provider-imposed eligibility requirements have been met.

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

The Statement of Net Position presents the reporting entity's non-fiduciary assets and deferred outflows and liabilities and deferred inflows, the difference being reported as net position. Net position is reported in three categories: 1) net investment in capital assets - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to other acquisition, construction, or improvement of those assets; 2) restricted net position - consisting of restricted assets reduced by liabilities and deferred inflows of resources related to those 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 - net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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. Revenues not classified as program revenues are presented as general revenues. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Fund Financial Statements

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Financial Statements (Continued)

Governmental Funds:

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

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

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 the jail expenses of the county. 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.

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).

(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.

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Financial Statements (Continued)

Special Revenue Funds:

The road fund, jail fund, (TANK) payroll tax fund, housing choice voucher program fund, mental health fund, senior citizens fund, LGEA fund, developer road escrow fund, and the health services fund are presented as special revenue funds. Special revenue funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Fiduciary Funds:

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

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e. collectible within the current year or within 60 days of year-end and available to pay obligations of the current period). The revenues susceptible to accrual are property taxes, franchise taxes, special assessments, licenses, charges for services, interest income, and intergovernmental revenues. All other governmental revenues are recognized when received. Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, considered unearned until expenditures are made.

Nonexchange transactions, in which the county receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Property taxes levied to finance fiscal year 2019 are recorded when there is an enforceable legal claim and when the revenue is measurable and available. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Expenditure Recognition

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fund Financial Statements (Continued)

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 a proprietary funds' principal ongoing operations. The principal operating revenues of the county's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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. The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates, or to enhance safety and security within the jail. The jailer is required to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

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

D. 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 disbursements 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. Disbursements may not exceed budgeted appropriations at the activity level.

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information (Continued)

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.

E. 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 the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of the Campbell County Fiscal Court.

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

F. Deposits and Investments

The government's fund balance is 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. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county 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. Long-term Obligations

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

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations (Continued)

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 thirty 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 twelve 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.

H. Capital Assets and Depreciation

Capital assets, which include land, construction in progress, land improvements, buildings, building improvements, landfill, equipment, books, vehicles, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Fund financial statements for governmental funds expense capital assets 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.

	<u>Capitalization Threshold</u>	<u>Useful Life (Years)</u>
Land Improvements	\$ 20,000	10-20
Buildings	\$ 20,000	25-40
Other Equipment	\$ 20,000	5-10
Vehicles and Equipment	\$ 20,000	5-10
Infrastructure	\$ 20,000	20-40

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Fund Equity

In the Governmental fund financial statements, the difference between the assets and deferred outflows and liabilities and deferred inflows of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable fund balances are those that cannot be spent on future obligations and must be maintained intact legally or contractually.

Restricted fund balances arise when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Spendable include the following:

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

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

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

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

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

“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.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. 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.

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 Government 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, collectable 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.

L. Interfund Transactions

Campbell County Fiscal Court has the following type of interfund transaction:

Interfund Transfers - Transfers presented in the fund financial statements represent the flow of assets (such as goods or cash) without equivalent flow of assets in return or requirement of repayment. The composition of the interfund transfers is presented in Note 5. Note that at the entity-wide level, the majority of interfund transfers have been eliminated. This is to avoid revenues and expenses from being reported more than once. Interfund transfers between governmental activities and business-type activities have not been eliminated.

M. Adoption of Accounting Principle - GASB Statement No. 75

The Campbell County Fiscal Court adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to employees of state and local government employers. The Campbell County Fiscal Court participates in a cost-sharing defined benefit plan, which is required to report a net OPEB liability, OPEB expense, and OPEB-related deferred inflows and outflows of resources based on the employer's proportionate share of the collective amount for all employers in the plan.

N. Deferred Outflows/Inflows

GASB Statement No. 63 provides financial reporting guidance relative to deferred outflows of resources, a consumption of net assets by the entity that is applicable to a future reporting period, and a deferred inflow of resources, acquisition of net assets by the county that is applicable to a future reporting period. GASB Statement No. 68, GASB Statement No. 71, and GASB Statement No. 75 provide financial reporting guidance relative to deferred inflows/outflows as a result of pension OPEB related transactions.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240, 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 not met with the jail inmate account, as the Campbell County Detention Center did not have a written agreement with the bank.

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. On June 30, 2019, the fiscal court's bank balance was exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$256,609

Note 3. Interfund Transfers

The table below shows the interfund operating transfers for fiscal year 2019.

	Total Transfers Out	Total Transfers In
General Fund	\$ 6,048,900	\$ 2,106,900
Road Fund		3,050,000
Jail Fund	24,682	4,959,682
(Tank) Payroll Tax Fund	5,050,000	1,000,000
Non-Major	128,000	25,000
Jail Commissary Fund	24,682	24,682
A.J. Jolly Golf Course Fund		110,000
	<u>\$ 11,276,264</u>	<u>\$ 11,276,264</u>
Total Transfers Out	<u>\$ 11,276,264</u>	<u>\$ 11,276,264</u>

Reason for transfers:

To move resources from and to the general fund and other funds, for budgetary purposes, to the funds that will expend them.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

Primary Government: Governmental Activities	(Restated) Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital Assets Not Being Depreciated:				
Land	\$ 4,231,925	\$	\$	\$ 4,231,925
Total Capital Assets Not Being Depreciated	4,231,925			4,231,925
Depreciable Capital Assets				
Land Improvements	1,111,616	303,611		1,415,227
Buildings	41,594,839			41,594,839
Other Equipment	5,216,076	168,739		5,384,815
Vehicles and Equipment	4,644,453	569,251	(134,265)	5,079,439
Infrastructure	41,347,900	1,002,447		42,350,347
Total Depreciable Capital Assets	93,914,884	2,044,048	(134,265)	95,824,667
Total Capital Assets at Historical Cost	98,146,809	2,044,048	(134,265)	100,056,592
Less Accumulated Depreciation For:				
Land Improvements	(611,493)	(51,682)		(663,175)
Buildings	(12,566,025)	(1,012,045)		(13,578,070)
Other Equipment	(3,355,664)	(440,888)		(3,796,552)
Vehicles and Equipment	(3,325,536)	(296,689)	101,769	(3,520,456)
Infrastructure	(31,358,832)	(731,201)		(32,090,033)
Total Accumulated Depreciation	(51,217,550)	(2,532,505)	101,769	(53,648,286)
Total Capital Assets, Being Depreciated, Net	42,697,334	(488,457)	(32,496)	42,176,381
Governmental Activities Capital Assets, Net	\$ 46,929,259	\$ (488,457)	\$ (32,496)	\$ 46,408,306

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 4. Capital Assets (Continued)

<u>Business-Type Activities:</u>	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019
Capital Assets Not Being Depreciated:				
Land	\$ 497,462	\$	\$	\$ 497,462
Total Capital Assets Not Being Depreciated	497,462			497,462
Depreciable Capital Assets				
Land Improvements	728,875			728,875
Buildings	140,704	115,797		256,501
Vehicles	62,357			62,357
Golf Equipment	707,763			707,763
Clubhouse Furniutre and Fixtures	106,097			106,097
Other Equipment	322,801			322,801
Totals at Historical Cost	2,068,597	115,797		2,184,394
Total Capital Assets at Historical Cost	2,566,059	115,797		2,681,856
Less Accumulated Depreciation For:				
Land Improvements	(687,158)	(6,790)		(693,948)
Buildings	(136,189)	(3,985)		(140,174)
Vehicles	(6,437)	(6,254)		(12,691)
Golf Equipment	(656,772)	(41,421)		(698,193)
Clubhouse Furniture and Fixtures	(105,950)	(147)		(106,097)
Other Equipment	(53,996)	(17,391)		(71,387)
Total Accumulated Depreciation	(1,646,502)	(75,988)		(1,722,490)
Depreciable Capital Assets, Net	422,095	39,809		461,904
Business-Type Activities Capital Assets, Net	\$ 919,557	\$ 39,809	\$ 0	\$ 959,366

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 4. Capital Assets (Continued)

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

	Year Ended June 30, 2019
<u>Governmental Activities:</u>	
General Government	\$ 559,171
Protection to Persons and Property	881,625
General Health and Sanitation	21,132
Social Services	58,834
Recreation and Culture	84,924
Roads, Including Depreciation of General Infrastructure Assets	<u>926,819</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,532,505</u></u>
<u>Business-Type Activities</u>	
Jail Commissary	\$ 28,889
A.J. Jolly Golf Course	40,844
A.J. Jolly Park	<u>6,255</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 75,988</u></u>

Note 5. Long-term Debt

A. Other Debt

1. 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 2023. Interest is payable semi-annually on June 1 and December 1 at a rate of 2.00%. Bonds outstanding at June 30, 2019, were \$340,000.

In case of default, bondholders may proceed to protect and enforce their rights by declaring all bonds due and payable, and if all default shall be made good, then, with the written consent of the owners of not less than fifty percent (50%) in principal amount of the outstanding bonds, by annulling such declaration and its consequents. In the event of default, each defaulted bond shall continue to bear interest after maturity at the interest rate applicable to such respective bonds until the necessary funds are made available for the payment thereof.

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

A. Other Debt (Continued)

1. General Obligation Refunding Bonds, Series 2012 (Continued)

Years Ending June 30	Governmental Activities	
	Scheduled Interest	Scheduled Principal
2020	\$ 5,950	\$ 85,000
2021	4,250	85,000
2022	2,600	80,000
2023	900	90,000
Totals	<u>\$ 13,700</u>	<u>\$ 340,000</u>

2. General Obligation Public Projects Bond, Series 2014A

On July 29, 2014, the fiscal court issued \$2,500,000 General Obligation Public Projects Bonds, Series 2014A. 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% to 3.5% and principal payments are due annually on December 1 of each year. Bonds outstanding on June 30, 2019, were \$1,985,000.

In case of default, bondholders may proceed to protect and enforce their rights by declaring all bonds due and payable, and if all default shall be made good, then, with the written consent of the owners of not less than fifty percent (50%) in principal amount of the outstanding bonds, by annulling such declaration and its consequents. In the event of default, each defaulted bond shall continue to bear interest after maturity at the interest rate applicable to such respective bonds until the necessary funds are made available for the payment thereof.

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

Years Ending June 30	Governmental Activities	
	Scheduled Interest	Scheduled Principal
2020	\$ 58,725	\$ 105,000
2021	56,575	110,000
2022	53,825	110,000
2023	50,450	115,000
2024	46,925	120,000
2025-2029	177,700	655,000
2030-2034	67,263	770,000
Totals	<u>\$ 511,463</u>	<u>\$ 1,985,000</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

A. Other Debt (Continued)

3. General Obligation Refunding Bonds, Series 2014B

On July 29, 2014, the fiscal court issued \$7,165,000 in General Obligation Public Projects Bonds, Series 2014B, with an average interest rate of 2.41%, 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%. 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 decreased debt service payments over the following ten years by approximately \$550,000 resulting in net present value savings of \$484,057, or 7.2% 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% to 3.0% and principal payments are due annually on December 1 of each year. Bonds outstanding on June 30, 2019, were \$5,485,000.

In case of default, bondholders may proceed to protect and enforce their rights by declaring all bonds due and payable, and if all default shall be made good, then, with the written consent of the owners of not less than fifty percent (50%) in principal amount of the outstanding bonds, by annulling such declaration and its consequents. In the event of default, each defaulted bond shall continue to bear interest after maturity at the interest rate applicable to such respective bonds until the necessary funds are made available for the payment thereof.

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

Years Ending June 30	Governmental Activities	
	Scheduled Interest	Scheduled Principal
2020	\$ 122,850	\$ 735,000
2021	108,000	750,000
2022	92,900	760,000
2023	76,525	780,000
2024	57,750	800,000
2025-2026	49,075	1,660,000
Totals	<u>\$ 507,100</u>	<u>\$ 5,485,000</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

A. Other Debt (Continued)

4. 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 2035. 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% to 3.5% and principal payments are due annually on November 1 of each year. Bonds outstanding on June 30, 2019, were \$4,530,000.

In case of default, bondholders may proceed to protect and enforce their rights by declaring all bonds due and payable, and if all default shall be made good, then, with the written consent of the owners of not less than fifty percent (50%) in principal amount of the outstanding bonds, by annulling such declaration and its consequents. In the event of default, each defaulted bond shall continue to bear interest after maturity at the interest rate applicable to such respective bonds until the necessary funds are made available for the payment thereof.

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

Years Ending June 30	Governmental Activities	
	Scheduled Interest	Scheduled Principal
2020	\$ 115,100	\$ 220,000
2021	110,650	225,000
2022	106,100	230,000
2023	101,450	235,000
2024	96,700	240,000
2025-2029	402,356	1,275,000
2030-2034	221,231	1,455,000
2035-2036	22,525	650,000
Totals	<u>\$ 1,176,112</u>	<u>\$ 4,530,000</u>

5. 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%, to advance refund \$5,990,000 of the County's General Obligation Bonds, Series 2008 with an average interest rate of 4.13%. 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 was refunded is considered to be defeased and the liability for that portion of those bonds has been removed from the financial statements. This refunding decreased debt service payments over the following ten years by approximately \$578,000 resulting in net present value savings of \$515,391 or 8.6% of refunded principal.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

A. Other Debt (Continued)

5. General Obligation Refunding Bonds, Series 2016 (Continued)

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% to 2.25% and principal payments are due annually on January 1 of each year. Bonds outstanding on June 30, 2019, were \$5,665,000.

In case of default, bondholders may proceed to protect and enforce their rights by declaring all bonds due and payable, and if all default shall be made good, then, with the written consent of the owners of not less than fifty percent (50%) in principal amount of the outstanding bonds, by annulling such declaration and its consequents. In the event of default, each defaulted bond shall continue to bear interest after maturity at the interest rate applicable to such respective bonds until the necessary funds are made available for the payment thereof.

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

Years Ending June 30	Governmental Activities	
	Scheduled Interest	Scheduled Principal
2020	\$ 58,363	\$ 570,000
2021	105,325	585,000
2022	93,625	600,000
2023	81,625	615,000
2024	69,325	625,000
2025-2028	147,313	2,670,000
Totals	<u>\$ 555,576</u>	<u>\$ 5,665,000</u>

6. Direct Borrowings and Direct Placements

The Campbell County Fiscal Court does not have an outstanding balance from direct borrowings and direct placements related to governmental activities. The fiscal court has not pledged assets as collateral for any debt.

7. Aggregate Debt Schedules

The Amounts of required principal and interest payments on long-term obligations at June 30, 2019, were as follows:

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

7. Aggregate Debt Schedules (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Bonds	
	Principal	Interest
2020	\$ 1,715,000	\$ 360,988
2021	1,755,000	384,800
2022	1,780,000	349,050
2023	1,835,000	310,950
2024	1,785,000	270,700
2025-2029	6,260,000	776,444
2030-2036	2,875,000	311,019
	<u>18,005,000</u>	<u>2,763,951</u>

8. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 19,675,000	\$	\$ 1,670,000	\$ 18,005,000	\$ 1,715,000
Unamortized Premium	289,438		32,480	256,958	
Unamortized Discount	(77,139)		(10,200)	(66,939)	
Compensated Absences	36,346	9,097		45,443	
Governmental Activities Long-term Liabilities	<u>\$ 19,923,645</u>	<u>\$ 9,097</u>	<u>\$ 1,692,280</u>	<u>\$ 18,240,462</u>	<u>\$ 1,715,000</u>

9. Continuing Disclosure Requirements

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"), both the County and the Hospital have agreed in a Continuing Disclosure Agreements to provide or cause to be provided through a designated agent, in a timely manner not in excess of 10 business days after the occurrence of such event, to the Electronic Municipal Market Access system ("EMMA") at <http://www.emma.msrb.org>, notice of the occurrence of any of the following events with respect to their Bonds:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 5. Long-term Debt (Continued)

9. Continuing Disclosure Requirements (Continued)

- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds;
- (g) modifications to rights of the Bondholders, if material;
- (h) Bond calls, if material and tender offers;
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the Bonds, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the Hospital;
- (m) consummation of a merger, consolidation, or acquisition involving the Hospital or the sale of all or substantially all of the assets of the Hospital, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and/or
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Debt Description	Financial Statement due after June 30 fiscal year end	Financial Disclosure or Event Notice
General Obligation Refunding and Improvement Bonds:		
Senior Citizen Center, Recreational and Detention Facility Project, Series 2012	January 26	Posted on September 24, 2019.
General Obligation Public Projects Bond:		
Detention Facility Project, Series 2014A	January 26	Posted on September 24, 2019.
General Obligation Refunding Bonds:		
Detention Facility and Custody Center Project, Series 2014B	January 26	Posted on September 24, 2019.
General Obligation Bonds:		
Detention Facility Project, Series 2015	January 26	Posted on September 24, 2019.
General Obligation Refunding Bonds:		
Administrative Facility Project, Series 2016	January 26	Posted on September 24, 2019.

Note 6. Interest on Long-term Debt

Debt service on the Statement of Activities includes \$447,500 in interest on bonds.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 7. Employee Retirement System

A. Plan Description

The Campbell County Fiscal Court has elected to participate, pursuant to KRS 78.530, 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, health, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Cost-of-living adjustments are provided at the discretion of the State Legislature. This impacts all retirees regardless of tier. The Board of Trustees determines employer contribution rates necessary for the actuarial soundness of the retirement system. The employer contribution is subject to approval by the Kentucky General Assembly through the adoption of the Biennial Executive Branch Budget.

The county's contribution rate for nonhazardous employees for fiscal year 2019 was 21.48 percent. The county's contribution rate for hazardous employees for fiscal year 2019 was 35.34 percent. The county's contribution for FY 2017 was \$2,147,823, FY 2018 was \$2,232,220, and FY 2019 was \$2,597,911.

During the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members paid from the retirement fund have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children.

Nonhazardous

Benefits fully vest on reaching five years of service for nonhazardous employees. The table below shows additional relevant information concerning nonhazardous employee retirement benefits.

	Tier 1	Tier 2	Tier 3
	Participation Prior to 9/1/2008 Defined Benefit	Participation 9/1/2008 through 12/31/2013 Defined Benefit	Participation on or after 1/1/2014 Cash Balance Plan
Covered Employees:	Substantially all regular full-time members employed in non-hazardous duty positions of any participating employer.		
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation:	Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump-sum compensation payments (before and at retirement).	5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No final compensation.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 7. Employee Retirement System (Continued)

A. Plan Description (Continued)

Nonhazardous (Continued)

Benefit Factor:	1.97% or 2% for those retiring with service for all months between 1/1998 and 1/1999.	10 years or less = 1.10%. Greater than 10 years, but no more than 20 years = 1.30%. Greater than 20 years, but no more than 26 years = 1.50%. Greater than 26 years, but no more than 30 years = 1.75%. Additional years above 30 = 2.00% (2.00% benefit factor only applies to service earned in excess of 30 years.)	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Unreduced Retirement Benefit:	Any age with 27 years of service. Age 65 with 48 months of service. Money Purchase for age 65 with less than 48 months based on contributions and interest.	Rule of 87: Member must be at least age 57 and age plus earned service must equal 87 years at retirement to retire under this provision. Age 65 with 5 years of earned service. No Money Purchase calculations.	
Reduced Retirement Benefit/Penalty on Reduced Benefit:	Any age with 25 years of service. Age 55 with 5 years of service. Penalty - 6.5% per year for the first 5 years and 4.5% per year for the next five years away from 27 years or age 65.	Age 60 with 10 years of service. Excludes purchased service (exception: refunds, omitted, free military) Penalty - 6.5% per year for the first 5 years and 4.5% per year for the next five years away from the rule of 87 or age 65, if age 60 with 10 years of service.	No reduced retirement benefit.
Employee Contributions:	5% total member contribution.	6% total member contribution; 5% to defined benefit pension and 1% Health Insurance Contribution.	6% total member contribution; 5% to defined benefit pension and 1% Health Insurance Contribution.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 7. Employee Retirement System (Continued)

A. Plan Description (Continued)

Nonhazardous (Continued)

Before 09/01/2008				
Age	Years of Service	Allowance Reduction		
65	4	None		
Any	27	None		
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.		
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.		
On Or After 9/01/2008 but before 01/01/2014				
Age	Years of Service	Allowance Reduction		
65	5	None		
57	Rule of 87	None		
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service)		
On or After 1/01/2014				
Age	Years of Service	Allowance Reduction		
65	5	None		
57	Rule of 87	None		
Benefit Formula				
Final Compensation	x	Benefit Factor	x	Years of Service
Average of the five highest if participation began before 9/1/2008	2.20%	Member begins participating prior to 8/1/2004		Includes earned service purchased service, prior service, and sick leave (if the member's employer participates in an approved sick leave program)
Average of the five highest if participation began on or after 9/1/2008	2.20%	Member begins participating on or after 8/1/2004 and before 9/1/2008		
Average of the last complete five if participation began on or after 09/01/2008	Increasing percent based on service at retirement* plus 2.00% for each after year of service over 30 if	Member begins participating on 9/1/2008		

* **Service (and Benefit Factor) : 10 years or less (1.10%); 10-20 years (1.30%); 20-26 years (1.5%); 26-30 years (1.75%)**

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 7. Employee Retirement System (Continued)

A. Plan Description (Continued)

Hazardous

Benefits fully vest on reaching five years of service for hazardous employees. The table below shows additional relevant information concerning nonhazardous employee retirement benefits.

	Tier 1	Tier 2	Tier 3
	Participation Prior to 9/1/2008 Defined Benefit	Participation 9/1/2008 through 12/31/2013 Defined Benefit	Participation on or after 1/1/2014 Cash Balance Plan
Covered Employees:	Substantially all regular full-time members employed in hazardous duty positions of any participating employer.		
Benefit Formula:	Final Compensation X Benefit Factor X Years of Service		Cash Balance Plan
Final Compensation:	Average of the highest 3 fiscal years (must contain at least 24 months). Includes lump-sum compensation payments (before and at retirement).	Average of the 3 highest fiscal years; each year must contain 12 months. Lump-sum compensation payments (before and at retirement) are not to be included in creditable compensation.	No final compensation
Benefit Factor:	2.50%	10 years or less = 1.30%. Greater than 10 years, but no more than 20 years = 1.50%. Greater than 20 years, but no more than 25 years = 2.25%. Greater than 25 years = 2.50%.	No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and methods adopted by the board based on member's accumulated account balance.
Unreduced Retirement Benefit:	Any age with 20 years of service. Age 55 with 60 months of service. Money Purchase for age 55 with less than 60 months based on contributions and	Any age with 25 years of service. Age 60 with 5 years of service. No Money Purchase calculations.	
Reduced Retirement Benefit/Penalty on Reduced Benefit:	Age 50 with 15 years of service. Penalty - 6.5% per year for the first 5 years and 4.5% per year for the next 5 years for each year away from 20 years or age 55.	Age 50 with 15 years of service. Excludes purchased service (exception: refunds, omitted, free military) Penalty - about 6.5% for each year away from 25 yrs. or age 60.	No reduced retirement benefit.
Employee Contributions:	8% total member contribution	9% total member contribution; 8% to defined benefit pension and 1% Health Insurance Contribution	9% total member contribution; 8% to defined benefit pension and 1% Health Insurance Contribution

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 7. Employee Retirement System (Continued)

A. Plan Description (Continued)

Hazardous (Continued)

Before 09/01/2008				
Age	Years of Service	Allowance Reduction		
55	5	None		
Any	20	None		
50	15	6.5% per year for first five years, and 4.5% for next five years before age 55 or 20 years of service.		
On Or After 9/01/2008 but before 01/01/2014				
Age	Years of Service	Allowance Reduction		
60	5	None		
Any	25	None		
50	15	6.5% per year for first five years, and 4.5% for next five years before age 60 or 25 years of service		
On or After 1/01/2014				
Age	Years of Service	Allowance Reduction		
65	5	None		
57	25	None		
Benefit Formula				
Final Compensation	x	Benefit Factor	x	Years of Service
Average of the three highest if participation began before 9/1/2008	2.50% if	Member begins participating on or after 9/1/2008		Includes earned service purchased service, prior service, and sick leave (if the member's employer participates in an approved sick leave program)
Average of the three highest complete years if participation began on or after 9/1/2008	Increasing percent based on service at retirement* if	Member begins participating on or after 09/01/2008 but before 01/01/2014		Includes earned service purchased service, prior service, and sick leave (if the member's employer participates in an approved sick leave program)

* **Service** (and **Benefit Factor**) : **10 years or less** (1.30%); **10-20 years** (1.50%); **20-25 years** (2.25%); **25+ years** (2.50%)

B. Net Pension Liability

As of June 30, 2019, the fiscal court reported a liability of \$28,592,404 (\$19,818,339 nonhazardous and \$8,774,065 hazardous) for its proportionate share of the collective net pension liability. The total and net pension liability for CERS was actuarially measured as of June 30, 2018. As of June 30, 2019, the fiscal court's proportionate share percentage was .69 percent. This percentage is based on the long-term share of contributions by the fiscal court in relation to all other participating employers in CERS. KRS 78.510 through KRS 78.880 establishes and governs the plan. CERS information is available in the publicly issued financial report issued by the Kentucky Retirement System. This report can be obtained at www.kyret.ky.gov.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 7. Employee Retirement System (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions

The total pension liability determined for KRS in the June 30, 2018 proportionate share report was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 through June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	27 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increases	4.00%
Investment rate of return	7.50% for CERS Non-hazardous, CERS Hazardous

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 health retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back for 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 long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in the KRS report dated December 3, 2015.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class.

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The capital market assumptions developed by the investment consultant are intended for use over a ten year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 7. Employee Retirement System (Continued)

B. Net Pension Liability (Continued)

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long- term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
Interntaional Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMB	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100%	

The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

June 30, 2017 is the actuarial valuation date upon which the total pension liability is based. An expected total pension liability is determined as of June 30, 2018 using standard roll forward procedures. The discount rate is defined as the single rate of return that, when applied to all projected payments, results in an actuarial value of projected benefit payments. The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each system. A municipal bond rate was not used.

Discount Rate

The following table presents the net pension liability of the fiscal court, calculated using the discount rate of 6.25 percent, as well as what the fiscal court's net position liability would be if it were calculated using a discount rate that is one percentage point lower (5.25 percent) or one percentage point higher (7.25 percent):

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 7. Employee Retirement System (Continued)

B. Net Pension Liability (Continued)

Discount Rate (Continued)

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
The Fiscal Court's Share of the Net Pension Liability:			
Nonhazardous	\$ 24,949,236	\$19,818,339	\$ 15,519,549
Hazardous	10,993,329	8,774,065	6,939,428

Deferred Inflows/Outflows of Resources

For the year ended June 30, 2019, the fiscal court recognized pension expense of \$5,136,639 and deferred outflows and deferred inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments:		
Hazardous	\$ 698,268	
Non-Hazardous	646,419	290,099
Difference between expected and actual experience		
Hazardous	325,213	424,181
Non-Hazardous	921,567	1,159,200
Changes of assumptions		
Hazardous	933,969	
Non-Hazardous	1,936,828	
Changes in proportion and difference between employer contributions and proportionate share of contributions		
Hazardous	130,874	130,718
Non-Hazardous	233,007	208,477
Contributions after measurement date		
Hazardous	265,870	
Non-Hazardous	1,672,672	10,674
	<u>\$ 7,764,687</u>	<u>\$ 2,223,349</u>

The \$1,938,542 of the total deferred outflows of resources resulted from pension contributions made subsequent to the measurement date and will be recognized as a reduction of the new pension liability for the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows related to pensions will be recognized in pension expense as follows:

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 7. Employee Retirement System (Continued)

B. Net Pension Liability (Continued)

Deferred Inflows/Outflows of Resources (Continued)

Years Ended <u>June 30,</u>	Pension Expense <u>Amount</u>
2020	\$ 1,271,182
2021	(319,158)
2022	<u>(145,990)</u>
Total	<u>\$ 806,034</u>

Membership

Number of Members Non-Hazardous CERS

Active Plan Members	82,198
Retired & Beneficiaries Receiving Benefits	59,013
Inactive Plan Members	<u>85,031</u>
Total Members	<u>226,242</u>

Number of Members Hazardous CERS

Active Plan Members	9,495
Retired & Beneficiaries Receiving Benefits	8,998
Inactive Plan Members	<u>3,198</u>
Total Members	<u>21,691</u>

Pension Plan Fiduciary Net Position

The fiscal court's fiduciary net position, net pension liability, deferred inflows and outflows of resources related to pensions, and pension expense have been determined on the same basis used by CERS. CERS' combining financial statements are prepared using the accrual basis of accounting. 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. Administrative and investment expenses are recognized when incurred.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 7. Employee Retirement System (Continued)

B. Net Pension Liability (Continued)

Pension Plan Fiduciary Net Position (Continued)

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the dividend date. Gain (loss) on investments includes CERS gains and losses on investments bought and sold as well as held during the fiscal year.

KRS issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Post-Employment Health Care Benefits

A. Description

The Campbell County Fiscal Court participates in the County Employees' Retirement System (CERS), which is operated by the Kentucky Retirement Systems (KRS). The CERS insurance funds are cost-sharing, multiple-employer defined benefit Other Post-Employment Benefits (OPEB) plans for members that cover all regular full-time members employed in hazardous and nonhazardous duty positions with the fiscal court. The plan provides for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances. All eligible retired fiscal court employees receive health care benefits after retirement.

Employer contribution rates are established annually by the KRS Board of Trustees. KRS issues separate stand-alone financial statements for the statewide multiple employer cost-sharing plan that provides other postemployment benefits for local government employees participating in CERS.

Under the provisions of Kentucky Revised Statute, Section 61.701, the board of trustees of KRS administers the KRS Insurance Fund. The KRS Insurance Fund was established as a single insurance fund to provide group hospital and medical benefits to retirees drawing a benefit from the three pension funds administered by KRS: Kentucky employees Retirement System (KERS); CERS; and the State Police Retirement System (SPRS). The assets of the KRS Insurance Fund are commingled for investment purposes.

B. OPEB Proportionate Share Liability

As of June 30, 2019, the fiscal court reported a liability of \$8,364,062 for its proportionate share of the collective net OPEB liability. The total and net OPEB liability for CERS was actuarially measured as of June 30, 2018. As of June 30, 2019, the fiscal court's proportionate share percentage was .69 percent. This percentage is based on the long-term share of contributions by the fiscal court in relation to all other participating employers in CERS. KRS 78.510 through KRS 78.880 establishes and governs the plan. CERS information is available in the publicly issued financial report issued by Kentucky Retirement System. This report can be obtained at www.kyret.ky.gov.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 8. Post-Employment Health Care Benefits (Continued)

C. Benefits Provided

For members participating prior to July 1, 2003, KRS pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement.

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

Members participating on or after July 1, 2003, and before September 1, 2008, are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008, are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement. The monthly health insurance contribution will be \$10 for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5 percent annually from July 1, 2009.

Death Benefit - If a retired member is receiving a monthly benefit based on at least 48 months of service credit, KRS will pay a \$5,000 death benefit payment to the beneficiary designated by the member specifically for this benefit. Members with multiple accounts are entitled to only one death benefit.

D. Contributions

For the fiscal year ended June 30, 2019, plan members who began participating prior to September 1, 2008, were required to contribute 0 percent of their annual creditable compensation. Those members who began participating on, or after, September 1, 2008, and before January 1, 2014, were required to contribute 1 percent of their annual creditable compensation. Those members who began participating on, or after, January 1, 2014, were required to contribute 1 percent of their annual creditable compensation but their contribution is not credited to their account and is not refundable. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board of Trustees may amend contribution rates as of the first day of July of the second year of the biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The county's contractually required contribution rate for the year ended June 30, 2019, was .19 percent of annual creditable compensation for non-hazardous employees and .14 percent of annual creditable compensation for hazardous employees. Contributions to the pension plan from the county were \$1,928,243 (\$1,672,672 for nonhazardous and \$255,571 for hazardous).

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 8. Post-Employment Health Care Benefits (Continued)

E. OPEB Liabilities, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources

At June 30, 2019, the county reported a liability of \$8,364,062 for its proportionate share of its net OPEB liability (\$5,777,324 for nonhazardous and \$2,586,738 for hazardous). The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The county's proportionate share of the net OPEB liability was based on a projection of the county's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2019, the county's proportionate share was .32 percent for nonhazardous and .36 percent for hazardous which was a decrease of .01 percent for nonhazardous and a decrease of .01 percent for hazardous from its proportionate share measured as of June 30, 2017.

For the year ended June 30, 2019, the county recognized OPEB expense of \$1,137,262 (\$423,611 for hazardous and \$713,651 for nonhazardous). At June 30, 2019, the county reported its proportionate share of the CERS deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments:		
Hazardous		\$ 245,916
Non-Hazardous		447,944
Difference between expected and actual experience		
Hazardous		289,076
Non-Hazardous		623,270
Changes of assumptions		
Hazardous	793,799	7,076
Non-Hazardous	1,153,817	13,348
Changes in proportion and difference between employer contributions and proportionate share of contributions		
Hazardous		37,124
Non-Hazardous		121,037
Contributions after measurement date		
Hazardous	255,571	
Non-Hazardous	611,383	
	<u>\$2,814,570</u>	<u>\$ 1,784,791</u>

Of the total amount reported as deferred outflows of resources related to OPEB, \$188,960 resulting from county contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the collective net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the county's OPEB expense as follows:

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 8. Post-Employment Health Care Benefits (Continued)

E. OPEB Liabilities, OPEB Expense, and Deferred Outflows and Deferred Inflows of Resources (Continued)

Years Ended	OPEB Expense
<u>June 30,</u>	<u>Amount</u>
2020	\$ 141,950
2021	(821)
2022	(2,536)
2023	(192,863)
Thereafter	<u>(44,174)</u>
Total	<u>\$ (98,444)</u>

F. Actuarial Valuation

The total pension liability determined for KRS in the June 30, 2018 proportionate share report was determined using the following actuarial assumptions, applied to all prior periods included in the measurement:

Inflation	2.30 percent
Salary Increases	3.05 percent to 15.55% (varies by service)
Investment rate of return	6.25 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 for one year for females). For disables 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.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a ten year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 8. Post-Employment Health Care Benefits (Continued)

F. Actuarial Valuation (Continued)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
US Equity	17.50%	
US Large Cap	5.00%	4.50%
US Mid Cap	6.00%	4.50%
US Small Cap	6.50%	5.50%
Non US Equity	17.50%	
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	4.00%	3.00%
Credit Fixed	24.00%	
Global IG Credit	2.00%	3.75%
High Yield	7.00%	5.50%
EMB	5.00%	6.00%
Illiquid Private	10.00%	8.50%
Private Equity	10.00%	6.50%
Real Estate	5.00%	9.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	7.00%
Cash	2.00%	1.50%
Total	100%	

The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period.

June 30, 2017 is the actuarial valuation date upon which the total OPEB liability is based. An expected total OPEB liability is determined as of June 30, 2018, using standard roll forward procedures. The discount rate is defined as the single rate of return that, when applied to all projected payments, results in an actuarial value of projected benefit payments. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. A municipal bond rate was not used.

Actuarial Assumptions used to Determine the Total OPEB Liability and the Net OPEB Liability

Inflation	2.30 percent
Salary Increases	3.05 percent to 15.55% (varies by service)
Investment rate of return	6.25 percent

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 8. Post-Employment Health Care Benefits (Continued)

Actuarial Assumptions used to Determine the Actuarially Determined Contribution

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 through June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent of pay
Remaining Amortization Period	27 years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increases	4.00%
Investment rate of return	7.50% for CERS Non-hazardous, CERS Hazardous

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

The following table presents the net OPEB liability of the fiscal court, calculated using the discount rate of 5.85 nonhazardous and 5.97 hazardous, as well as what the fiscal court's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.85% nonhazardous and 4.97% hazardous) or one percentage point higher (6.85% nonhazardous and 6.97% hazardous):

1% Decrease (4.85% Nonhazardous) (4.97% Hazardous)	Current Discount (5.85% Nonhazardous) (5.97% Hazardous)	1% Increase (6.85% Nonhazardous) (6.97% Hazardous)
\$ 11,099,510	\$ 8,364,062	\$ 6,085,710

H. Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the net OPEB liability of the fiscal court, calculated using the current healthcare trend rate, as well as what the fiscal court's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher:

1% Decrease	Current Discount Rate	1% Increase
\$ 6,062,968	\$ 8,364,062	\$ 11,125,750

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 8. Post-Employment Health Care Benefits (Continued)

I. Sensitivity of the County's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates (Continued)

The initial healthcare trend rate for the pre-65 category starts at 7.00 percent and gradually decreases to an ultimate trend rate of 4.05 percent over a period of 13 years.

The initial healthcare trend rate for the post-65 category starts at 7.00 percent and gradually decreases to an ultimate trend rate of 4.05 percent over a period of two years.

Membership

Number of Members Non-Hazardous CERS

Active Plan Members	81,891
Retired & Beneficiaries Receiving Benefits	33,481
Inactive Plan Members	<u>8,230</u>
Total Members	<u>123,602</u>

Number of Members Hazardous CERS

Active Plan Members	9,486
Retired & Beneficiaries Receiving Benefits	6,341
Inactive Plan Members	<u>450</u>
Total Members	<u>16,277</u>

OPEB Plan Fiduciary Net Position

The fiscal court's fiduciary net position, net OPEB liability, deferred inflows and outflows of resources related to OPEB, and OPEB expense have been determined on the same basis used by CERS. CERS' combining financial statements are prepared using the accrual basis of accounting. 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. Premium payments are recognized when due and payable in accordance with terms of the plan. Administrative and investment expenses are recognized when incurred.

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the dividend date. Gain (loss) on investments includes CERS gains and losses on investments bought and sold as well as held during the fiscal year.

Detailed information about the OPEB plan is available in the separately issued CERS financial report.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 9. Deferred Compensation

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

These deferred compensation plans 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 the Kentucky Public Employees' Deferred Compensation Authority at 501 High Street, 2nd floor, Frankfort, KY 40601, or by telephone at (502) 573-7925.

Note 10. Insurance

For the fiscal year ended June 30, 2019, the Campbell County 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.

Note 11. Joint Ventures

A legal entity or other organization that results from contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based on these criteria, the following is considered a joint venture of the fiscal court: Campbell County Consolidated Dispatch Board. 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 12. Concentration of Business Risk

Housing Choice Voucher Program

The operations of the Housing Choice Voucher Program (the 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, 2019, contributions from HUD made up 99.9% of the total revenues received.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 13. Disaggregation of Accounts of Accounts Payable and Accounts Receivable

Accounts payable for the Campbell County Fiscal Court are amounts owed by the county as of June 30, 2019. Those liabilities that must be paid within one year are considered current. Amounts due after one year are deemed noncurrent accounts payable. Accounts receivable are amounts owed to the county. Similar to accounts payable, any amounts to be received within one year are classified as current. All other receivables are noncurrent. For Governmental Activities and Business-Type Activities, the line indicating "Accounts Payable" and "Net Receivables" are described below.

<u>Current Account Payables</u>	Governmental Activities	Business- Type Activities	Total
General Government	\$ 89,876	\$	\$ 89,876
Roads	39,745		39,745
Protection to Persons and Property	232,139	4,358	236,497
Clubhouse		17,297	17,297
Golf		2,842	2,842
Purchase for Resale		9,512	9,512
General Health and Sanitation	54,191		54,191
Social Services	16,910		16,910
Recreation and Culture	10,829		10,829
Administration	13,693		13,693
	<u>\$ 457,383</u>	<u>\$ 34,009</u>	<u>\$ 491,392</u>

<u>Current Receivables</u>	Governmental Activities	Business- Type Activities	Total
Taxes - Current	\$ 3,876,294	\$	\$ 3,876,294
Excess Fees	133,346		133,346
Charges for Service	56,529		56,529
Intergovernmental	1,867,269		1,867,269
Commissary Profits		11,203	11,203
Commissary Sales		86,981	86,981
Miscellaneous	187,367	9,413	196,780
	<u>\$ 6,120,805</u>	<u>\$ 107,597</u>	<u>\$ 6,228,402</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 14. 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 \$5,439 for the year ended June 30, 2019. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities</u>
2020	\$ 5,224
2021	3,276
2022	<u>1,179</u>
Total Minimum Lease Payments	<u>\$ 9,679</u>

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 \$55,776 for the year ended June 30, 2019.

Minimum future lease payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Business-Typ Activities</u>
2020	\$ 55,776
2021	55,776
2022	<u>31,872</u>
Total Minimum Lease Payments	<u>\$ 143,424</u>

Note 15. 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.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 16. Conduit Debt

From time to time the county has issued bonds, notes, etc. to provide financial assistance to various entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Campbell County Fiscal Court's name as issuer, the fiscal court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the fiscal court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement. As of June 30, 2019, conduit debt has been issued but the amount currently outstanding is not reasonably determinable.

Note 17. 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, 2019, 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% 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 6 TIFs active. Payments are 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% 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 10 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 10 years. The authority for this program is established in KRS 154.32.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 17. Tax Abatements (Continued)

- JDP provides up to a 40% 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, 2019 are as follows:

<u>Abatement Name</u>	<u>Tax Abated</u>	<u>Abatement Amount</u>
Tax Increment Financing	Property Taxes & Occupational Taxes	\$ 66,466
Kentucky Business Investment Program & Jobs Development Program	Payroll Taxes on New Jobs	\$ 119,054

Note 18. Restatement of Beginning Balances

The following adjustments were necessary to correct the current year fund beginning balances, cash and cash equivalents beginning balances, and amount held in custody for other beginning balance. The beginning balances were inaccurate due to prior year errors.

<i>Governmental Activities</i>	Statement of Revenue, Expenditures, and Changes in Net Assets			
	<u>Statement of Activities</u>	<u>(TANK) Payroll Tax Fund</u>		
Prior Year Ending Balance	\$ 24,706,103	\$	10,437,858	
Restated Beginning Balance	24,526,701		10,437,357	
Difference	\$ 179,402	\$	501	

<i>Business-Type Activities</i>	Statement of Revenue, Expenditures, and Changes in Net Assets			Statement of Cash Flows	Capital Asset Schedule
	<u>A.J. Jolly Golf Course</u>	<u>Jail Commissary</u>	<u>Jail Commissary Fund</u>	<u>Vehicles</u>	
Prior Year Ending Balance	\$ (158,755)	\$ 808,235	\$ 563,501	\$ 30,897	
Restated Beginning Balance	(213,801)	1,084,666	954,819	62,357	
Difference	\$ 55,046	\$ (276,431)	\$ (391,318)	\$ (31,460)	

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019
(Continued)

Note 18. Restatement of Beginning Balances (Continued)

<i>Fiduciary Funds</i>	Statement of Fiduciary Net Assets	
	<u>Cash and Cash Equivalents</u>	<u>Amounts Held In Custody For Others</u>
Prior Year Ending Balance	\$ 445,434	\$ 445,434
Restated Beginning Balance	<u>38,414</u>	<u>38,414</u>
Difference	\$ 407,020	\$ 407,020

Note 19. Commitments and Contingencies

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

Note 20. Flexible Spending Account

The county contracts with a third-party administrator to administer the flexible spending account. The fiscal court maintains the bank account for these funds, and pays any claims submitted through the third-party administrator. The administrator tracks employee contributions to the plan based on the enrollment forms and claims paid to determine availability of funds per employee. Employee claims for medical payments are limited to the annual election. Dependent Care claims are limited to what the employee has contributed to date. At the end of the plan year and after all run-off claims are processed, any funds remaining are considered forfeited.

Note 21. Health Savings Account

The county contracts with a third-party administrator to administer a health savings account. These funds are deducted from employee paychecks and sent directly to the third-party administrator. Claims are limited to only funds that are in an employee's account. At the end of the year, all money in the savings account rolls over and is maintained by the third-party administrator.

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

For The Year Ended June 30, 2019

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CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis

For The Year Ended June 30, 2019

	GENERAL FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 14,472,861	\$ 14,472,861	\$ 14,929,731	\$ 456,870
Excess Fees	1,020,000	1,020,000	1,480,193	460,193
Licenses and Permits	299,000	299,000	453,929	154,929
Intergovernmental Revenue	521,261	521,261	631,530	110,269
Charges for Services	209,700	209,700	265,279	55,579
Miscellaneous	1,338,000	1,338,000	1,457,975	119,975
Interest	2,000	2,000	7,887	5,887
Total Revenues	<u>17,862,822</u>	<u>17,862,822</u>	<u>19,226,524</u>	<u>1,363,702</u>
EXPENDITURES				
General Government	4,398,435	4,525,325	4,165,978	359,347
Protection to Persons and Property	3,331,500	3,497,590	3,233,735	263,855
General Health and Sanitation	578,675	635,735	554,556	81,179
Social Services	70,300	71,700	64,400	7,300
Recreation and Culture	506,725	542,685	460,366	82,319
Debt Service	809,876	809,876	804,275	5,601
Capital Projects	932,200	1,060,000	839,477	220,523
Administration	4,593,300	3,972,200	3,775,059	197,141
Total Expenditures	<u>15,221,011</u>	<u>15,115,111</u>	<u>13,897,846</u>	<u>1,217,265</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>2,641,811</u>	<u>2,747,711</u>	<u>5,328,678</u>	<u>2,580,967</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,345,007	1,345,007	2,106,900	761,893
Transfers To Other Funds	<u>(6,680,647)</u>	<u>(6,680,647)</u>	<u>(6,048,900)</u>	<u>631,747</u>
Total Other Financing Sources (Uses)	<u>(5,335,640)</u>	<u>(5,335,640)</u>	<u>(3,942,000)</u>	<u>1,393,640</u>
Net Changes in Fund Balance	(2,693,829)	(2,587,929)	1,386,678	(1,201,251)
Fund Balance - Beginning	<u>2,693,829</u>	<u>2,693,829</u>	<u>9,681,904</u>	<u>12,375,733</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 105,900</u>	<u>\$ 11,068,582</u>	<u>\$ 11,174,482</u>

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2019
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$	\$	\$ 34	\$ 34
Intergovernmental Revenue	1,413,076	1,413,076	1,232,340	(180,736)
Miscellaneous	22,328	22,328	25,720	3,392
Interest	50	50	149	99
Total Revenues	<u>1,435,454</u>	<u>1,435,454</u>	<u>1,258,243</u>	<u>(177,211)</u>
EXPENDITURES				
Roads	2,200,500	2,227,700	1,876,774	350,926
Capital Projects	1,780,000	1,783,000	1,289,561	493,439
Debt Service	71,406	71,406	71,406	
Administration	680,900	650,700	622,275	28,425
Total Expenditures	<u>4,732,806</u>	<u>4,732,806</u>	<u>3,860,016</u>	<u>872,790</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(3,297,352)</u>	<u>(3,297,352)</u>	<u>(2,601,773)</u>	<u>695,579</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>3,297,352</u>	<u>3,297,352</u>	<u>3,050,000</u>	<u>(247,352)</u>
Total Other Financing Sources (Uses)	<u>3,297,352</u>	<u>3,297,352</u>	<u>3,050,000</u>	<u>(247,352)</u>
Net Changes in Fund Balance			448,227	448,227
Fund Balance - Beginning			<u>217,454</u>	<u>217,454</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 665,681</u>	<u>\$ 665,681</u>

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2019
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 5,382,974	\$ 5,382,974	\$ 5,683,688	\$ 300,714
Charges for Services	374,400	374,400	412,310	37,910
Miscellaneous	508,400	508,400	422,786	(85,614)
Interest	25	25	119	94
Total Revenues	<u>6,265,799</u>	<u>6,265,799</u>	<u>6,518,903</u>	<u>253,104</u>
EXPENDITURES				
Protection to Persons and Property	8,262,400	8,574,230	7,670,674	903,556
General Health & Sanitation		37,500	30,144	7,356
Debt Service	1,241,820	1,241,820	1,241,820	
Social Services	142,500	144,600	67,827	76,773
Administration	3,203,300	2,876,870	2,324,567	552,303
Total Expenditures	<u>12,850,020</u>	<u>12,875,020</u>	<u>11,335,032</u>	<u>1,539,988</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(6,584,221)</u>	<u>(6,609,221)</u>	<u>(4,816,129)</u>	<u>1,793,092</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	6,584,221	6,584,221	4,959,682	(1,624,539)
Transfers To Other Funds			(24,682)	(24,682)
Total Other Financing Sources (Uses)	<u>6,584,221</u>	<u>6,584,221</u>	<u>4,935,000</u>	<u>(1,649,221)</u>
Net Changes in Fund Balance		(25,000)	118,871	93,871
Fund Balance - Beginning			<u>63,795</u>	<u>63,795</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (25,000)</u>	<u>\$ 182,666</u>	<u>\$ 157,666</u>

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2019
(Continued)

	(TANK) PAYROLL TAX FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 9,198,000	\$ 9,198,000	\$ 9,242,844	\$ 44,844
Intergovernmental	289,000	289,000	322,095	33,095
Interest	15,000	15,000	32,675	17,675
Total Revenues	<u>9,502,000</u>	<u>9,502,000</u>	<u>9,597,614</u>	<u>95,614</u>
EXPENDITURES				
General Government	149,000	239,000	234,334	4,666
Bus Services	4,625,641	4,610,641	4,588,918	21,723
Administration	85,000	10,000	9,034	966
Total Expenditures	<u>4,859,641</u>	<u>4,859,641</u>	<u>4,832,286</u>	<u>27,355</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>4,642,359</u>	<u>4,642,359</u>	<u>4,765,328</u>	<u>122,969</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			1,000,000	1,000,000
Transfers To Other Funds	<u>(4,642,359)</u>	<u>(4,642,359)</u>	<u>(5,050,000)</u>	<u>(407,641)</u>
Total Other Financing Sources (Uses)	<u>(4,642,359)</u>	<u>(4,642,359)</u>	<u>(4,050,000)</u>	<u>592,359</u>
Net Changes in Fund Balances			715,328	715,328
Fund Balances - Beginning			<u>7,781,848</u>	<u>7,781,848</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,497,176</u>	<u>\$ 8,497,176</u>

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2019
(Continued)

HOUSING CHOICE VOUCHER PROGRAM

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 4,166,342	\$ 4,166,342	\$ 4,279,617	\$ 113,275
Charges for Services	428,305	428,305	442,178	13,873
Miscellaneous	2,724	2,724	8,331	5,607
Interest	150	150	759	609
Total Revenues	<u>4,597,521</u>	<u>4,597,521</u>	<u>4,730,885</u>	<u>133,364</u>
EXPENDITURES				
Social Services	4,464,427	4,556,487	4,552,087	4,400
Administration	133,094	93,034	91,850	1,184
Total Expenditures	<u>4,597,521</u>	<u>4,649,521</u>	<u>4,643,937</u>	<u>5,584</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		<u>(52,000)</u>	<u>86,948</u>	<u>138,948</u>
Net Changes in Fund Balances		(52,000)	86,948	138,948
Fund Balances - Beginning (Restated)			<u>130,880</u>	<u>130,880</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ (52,000)</u>	<u>\$ 217,828</u>	<u>\$ 269,828</u>

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

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. Budgetary Basis vs. GAAP

Accounting principles applied for purposes of developing data on budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. A schedule reconciling the fund balance on a budgetary basis at June 30, 2019, to the fund balance on an accrual basis follows:

	<u>General</u> <u>Fund</u>	<u>Road</u> <u>Fund</u>	<u>Jail</u> <u>Fund</u>	<u>TANK</u> <u>Fund</u>	<u>Housing</u> <u>Choice Voucher</u> <u>Program</u>
<u>Sources/Inflows of Resources</u>					
Actual Amount (Budgetary Basis)	\$ 19,226,524	\$ 1,258,243	\$ 6,518,903	\$ 9,597,614	\$ 4,730,885
Differences - (Budget to GAAP)					
The County budgets for revenues only to the extent they are expected to be received rather than on the modified accrual basis.	180,720	288,710	10,007	75,382	
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 19,407,244</u>	<u>\$ 1,546,953</u>	<u>\$ 6,528,910</u>	<u>\$ 9,672,996</u>	<u>\$ 4,730,885</u>
<u>Uses/Outflows of Resources</u>					
Actual Amount (Budgetary Basis)	\$ 13,897,846	\$ 3,860,016	\$ 11,335,032	\$ 4,832,286	\$ 4,643,937
Differences - (Budget to GAAP)					
The County budgets for claims only to the extent they are expected to be paid rather than on the modified accrual basis.	56,130	15,772	126,433	9	5,015
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 13,953,976</u>	<u>\$ 3,875,788</u>	<u>\$ 11,461,465</u>	<u>\$ 4,832,295</u>	<u>\$ 4,648,952</u>

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019
(Continued)

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>TANK Fund</u>	<u>Housing Choice Voucher Program</u>
<u>Other Financing Sources(Uses)</u>					
Actual Amount (Budgetary Basis)	\$ (3,942,000)	\$ 3,050,000	\$ 4,935,000	\$ (4,050,000)	\$
Differences - (Budget to GAAP)					
The County budgets for transfers only to the extent they are expected to be transferred rather than on the modified accrual basis.	8,183				
Total Other Financing Sources(Uses) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ (3,933,817)</u>	<u>\$ 3,050,000</u>	<u>\$ 4,935,000</u>	<u>\$ (4,050,000)</u>	<u>\$ 0</u>
<u>Ending Fund Balances</u>					
Actual Amount (Budgetary Basis)	\$ 11,068,582	\$ 665,681	\$ 182,666	\$ 8,497,176	\$ 217,828
Differences - (Budget to GAAP)					
The County budgets for transactions only to the extent they are expected to be carried out rather than on the modified accrual basis.	1,087,773	553,360	628,338	2,730,882	(12,111)
Total Ending Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 12,156,355</u>	<u>\$ 1,219,041</u>	<u>\$ 811,004</u>	<u>\$ 11,228,058</u>	<u>\$ 205,717</u>

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**CAMPBELL COUNTY
CERS PENSION AND OPEB SCHEDULES
Required Supplementary Information**

June 30, 2019

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CAMPBELL COUNTY
CERS PENSION - SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - NONHAZARDOUS AND HAZARDOUS
Required Supplementary Information

June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The Fiscal Court's proportionate percentage of the net pension liability		0.70%	0.68%	0.62%	0.64%
Hazardous	0.36%				
Non-Hazardous	0.33%				
The Fiscal Court's proportionate share of the net pension liability		\$ 27,649,731	\$ 22,045,195	\$ 17,908,532	\$ 13,773,000
Hazardous	\$ 8,774,065				
Non-Hazardous	\$ 19,818,339				
The Fiscal Court's covered-employee payroll		\$ 10,223,718	\$ 6,979,571	\$ 6,119,066	\$ 6,251,073
Hazardous	\$ 1,774,944				
Non-Hazardous	\$ 8,863,072				
The Fiscal Court's proportionate share of the net pension liability as a percentage of its covered-employee payroll		270%	316%	293%	220%
Hazardous	494%				
Non-Hazardous	224%				
Plan fiduciary net position as a percentage of the total pension liability		52.40%	53.95%	59.35%	65.96%
Hazardous	53.54%				
Non-Hazardous	49.26%				

Note 1: This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the county is presenting information for those years for which information is available.

Note 2: The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

Note 3: Changes in Assumptions and Benefit Terms from 2017 to 2018:

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:

- No changes in actuarial assumptions since June 30, 2017
- House Bill 185 - updated benefit provisions for active members who die in the line of duty.
 - Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay.
 - If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children.
 - The Total Pension liability as of June 30, 2018 is determined using these updated benefit provisions.

CAMPBELL COUNTY
CERS PENSION - SCHEDULE OF CONTRIBUTIONS
Required Supplementary Information

June 30, 2019

Nonhazardous & Hazardous	2019	2018	2017	2016	2015
Statutorily Required Contributions		\$ 1,649,718	\$ 1,602,496	\$ 1,372,824	\$ 1,187,200
Hazardous	\$ 265,870				
Non-Hazardous	\$ 1,672,672				
Contributions in Relation to the					
Contractually Required Contribution		1,649,718	1,602,496	1,372,824	1,187,200
Hazardous	265,870				
Non-Hazardous	1,672,672				
Covered Payroll		10,223,718	6,979,571	6,119,066	6,251,073
Hazardous	1,774,944				
Non-Hazardous	8,863,072				
Contributions as a Percentage of					
Covered Payroll		16%	23%	22%	19%
Hazardous	15%				
Non-Hazardous	19%				

Note 1: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the county is presenting information for those years for which information is available.

Note 2: The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

Note 3: Changes in Assumptions and Benefit Terms from 2017 to 2018:

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:

- No changes in actuarial assumptions since June 30, 2017 (other than the blended discount rate used to calculate the Total OPEB liability).
- House Bill 185 - updated benefit provisions for active members who die in the line of duty.
 - The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty.
 - The total Pension liability as of June 30, 2018 is determined using these updated benefit provisions.

CAMPBELL COUNTY
CERS OPEB - SCHEDULE OF THE PROPORTIONATE SHARE OF THE
NET OPEB LIABILITY
Required Supplementary Information

June 30, 2019

	2019	2018
County's Proportionate Share of the Net OPEB Liability		
Nonhazardous	\$ 5,777,324	\$ 6,664,726
Hazardous	2,586,738	3,046,417
County's Proportion of the Net OPEB Liability		
Nonhazardous	0.325395%	0.331522%
Hazardous	0.362817%	0.368516%
Covered Payroll		
Nonhazardous	8,863,072	8,030,409
Hazardous	1,774,944	2,193,309
County's Share of the Net OPEB Liability as a Percentage of its Covered Payroll		
Nonhazardous	65%	83%
Hazardous	146%	139%
Total Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		
Nonhazardous	57.62%	52.40%
Hazardous	67.24%	59.00%

Note 1: This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the county is presenting information for those years for which information is available.

Note 2: The amounts presented for each fiscal year were determined as of the year end that occurred one year prior.

CAMPBELL COUNTY
CERS OPEB - SCHEDULE OF CONTRIBUTIONS
Required Supplementary Information

June 30, 2019

<u>Nonhazardous</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 1,672,672	\$ 1,540,232
Contributions in Relation to the Contractually Required Contribution	1,672,672	1,540,232
Covered Payroll	8,863,072	8,030,409
Contributions as a Percentage of Covered Payroll	19%	19%
<u>Hazardous</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 255,571	\$ 691,989
Contributions in Relation to the Contractually Required Contribution	255,571	691,989
Covered Payroll	1,774,944	2,193,309
Contributions as a Percentage of Covered Payroll	14%	32%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the county is presenting information for those years for which information is available.

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PENSION PLAN

June 30, 2019

A. Campbell County Fiscal Court - CERS

Changes of benefit terms: There were no changes in benefit terms for 2015 through 2018.

Changes of assumptions:

2015-

The assumed investment rate of return was decreased from 7.75% to 7.50%.

The assumed rate of inflation was reduced from 3.50% to 3.25%.

The assumed rate of wage inflation was reduced from 1.00% to .075%.

Payroll growth assumption was reduced from 4.50% to 4.00%.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with scale BB to 2013 (multiplied by 50% for males and 30% for females). For health retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The assumed rates of Retirement, Withdrawal and Disability were updated to more accurately reflect experience.

2016-2017 - No changes.

2018-

The assumed investment return was changed from 7.50% to 6.25%.

The price inflation assumption was changes from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.

The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changes from 4.00% to 2.00%.

2019 - No changes.

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

June 30, 2019

A. Campbell County Fiscal Court - CERS

Changes of benefit terms: There were no changes in benefit terms for 2018.

Changes of assumptions:

2018 -

The assumed investment return was changed from 7.50% to 6.25%.

The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service.

The payroll growth assumption (applicable for the amortization of unfunded actuarial liabilities) was changed from 4.00% to 2.00%.

For the Non-Hazardous Plan, the single discount rate was changed from 6.89% to 5.84%.

For the Hazardous Plan, the single discount rate changed from 7.37% to 5.96%.

2019 - No changes.

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

June 30, 2019

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

June 30, 2019

	Mental Health Fund	Senior Citizens Fund	LGEA Fund	Developers Escrow Fund	Health Service Fund	CDBG Grant Fund	Total Non-Major Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 578,628	\$ 271,120	\$	\$ 186,423	\$	\$	\$ 1,036,171
Accounts Receivable-Taxes	266,831	133,415					400,246
Accounts Receivable-Intergovernmental		7,882					7,882
Total Assets	<u>845,459</u>	<u>412,417</u>		<u>186,423</u>			<u>1,444,299</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts Payable	38,388	16,310					54,698
Accrued Salaries and Payroll Taxes					3,009		3,009
Total Liabilities	<u>38,388</u>	<u>16,310</u>			<u>3,009</u>		<u>57,707</u>
FUND BALANCES							
Restricted For:							
Roads				186,423			186,423
Committed To:							
General Health and Sanitation	807,070				(3,009)		804,061
Social Services		396,108					396,108
Total Fund Balances	<u>807,070</u>	<u>396,108</u>		<u>186,423</u>	<u>(3,009)</u>		<u>1,386,592</u>
Total Liabilities and Fund Balances	<u>\$ 845,458</u>	<u>\$ 412,418</u>	<u>\$ 0</u>	<u>\$ 186,423</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,444,299</u>

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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, 2019

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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, 2019

	Mental Health Fund	Senior Citizens Fund	LGEA Fund	Developers Escrow Fund	Health Service Fund	CDBG Grant Fund	Total Non-Major Governmental Funds
REVENUES							
Taxes	\$ 1,035,143	\$ 517,571	\$	\$	\$		\$ 1,552,714
Charges for services		6,298					6,298
Intergovernmental		66,734	3,427				70,161
Miscellaneous		12,010					12,010
Interest	3,108	1,561		47			4,716
Total Revenues	<u>1,038,251</u>	<u>604,174</u>	<u>3,427</u>	<u>47</u>			<u>1,645,899</u>
EXPENDITURES							
General Government	26,054	13,027					39,081
General Health and Sanitation	1,134,704				2,457		1,137,161
Social Services		481,399					481,399
Recreation and Culture							
Roads			3,427				3,427
Administration		42,571			552		43,123
Total Expenditures	<u>1,160,758</u>	<u>536,997</u>	<u>3,427</u>		<u>3,009</u>		<u>1,704,191</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(122,507)</u>	<u>67,177</u>		<u>47</u>	<u>(3,009)</u>		<u>(58,292)</u>
OTHER FINANCING SOURCES (USES)							
Transfers From Other Funds		25,000					25,000
Transfers To Other Funds		(128,000)					(128,000)
Total Other Financing Sources (Uses)		<u>(103,000)</u>					<u>(103,000)</u>
Net Change in Fund Balances	(122,507)	(35,823)		47	(3,009)		(161,292)
Fund Balances - Beginning	929,577	431,931		186,376			1,547,884
Fund Balances - Ending	<u>\$ 807,070</u>	<u>\$ 396,108</u>	<u>\$ 0</u>	<u>\$ 186,423</u>	<u>\$ (3,009)</u>	<u>\$ 0</u>	<u>\$ 1,386,592</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

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

Independent Auditor's Report

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 as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Campbell County Fiscal Court's financial statements, and have issued our report thereon dated March 2, 2021.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 2019-001 and 2019-002 to be material weaknesses.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Campbell County Fiscal Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2019-001 and 2019-002.

Views of Responsible Official and Planned Corrective Action

Campbell County's views and planned corrective action for the findings identified in our audit are included in the accompanying Schedule of Findings and Responses. The county's responses were not subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we express no opinion on them.

Purpose of this Report

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

Respectfully submitted,



Mike Harmon
Auditor of Public Accounts

March 2, 2021

**CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

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**CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND RESPONSES**

For The Year Ended June 30, 2019

FINANCIAL STATEMENT FINDINGS:

2019-001 The Processes Over The Campbell County Detention Center's Commissary Fund Resulted In Material Misstatements

The Campbell County Fiscal Court controls the Campbell County Detention Center's commissary funds even though there is no statutory authority to permit this. The fiscal court requires the jailer to remit the commissary proceeds to the treasurer monthly, after direct payments to the commissary vendor have been made. The fiscal court also requires the jailer to make requests of the treasurer for disbursements from these funds, even though it is the jailer's responsibility to maintain the commissary funds. Further, the jailer did not submit an annual commissary report to the county treasurer as required. The treasurer's financial reporting of the commissary activity only included the commissary funds the county managed. It was determined that the jailer retained some funds that were not remitted to the treasurer and used these funds for various purchases. Therefore, the treasurer's financial report did not include \$407,020 cash retained by the jailer at the beginning of the fiscal year nor the current year activities that ran through the jailer's commissary bank account. As a result, the financial report did not include \$468,474 in commissary receipts, \$468,474 in commissary disbursements, or the remaining cash retained from the prior year of \$407,020.

The fiscal court wanted control over the detention center's commissary funds. The jailer did not prepare a commissary report, therefore the treasurer was not aware of the funds retained by the jailer nor the activities from his account. However, there may have been confusion over the jailer's responsibility for filing a commissary report due to the county's maintenance of the account, which should have been the jailer's responsibility. The fiscal court maintained an account that the jailer is required to maintain. This led to confusion and misreporting of the activities.

KRS 441.135(1) states, "[t]he jailer may maintain a canteen for the benefit of prisoners lodged in the jail and may assign such jail employees and prisoners to operate the canteen as are necessary for efficient operation." Further, KRS 441.135(2) expressly states, in part, "[t]he jailer shall keep books of accounts of all receipts and disbursements from the canteen and shall annually report to the county treasurer on the canteen account."

We recommend the Campbell County Fiscal Court adhere to KRS 441.135 by having the jailer maintain the commissary fund and all required books of accounts for this fund. We further recommend the jailer submit an annual commissary report to the county treasurer and that all activities of the fund be reported on the financial statement.

Views of Responsible Official and Planned Corrective Action:

*County Judge/Executive's Response: When the jail changed commissary systems several years ago, the systems implementation staff trained the jail staff to send **Gross Profits** per system reports to the Fiscal Court to deposit in the Jail Commissary account at [bank name redacted]. The Fiscal Court pays for certain invoices from the [bank name redacted] Jail Commissary account. Therefore, the jail should have been sending **Gross Sales** for those items to the Fiscal Court instead of **Gross Profits**. This caused a balance to build up in the [bank name redacted] commissary account that the jail maintains and misstate the amount of profits recording the financial statements.*

Since this issue was discovered, [name redacted] Office Manager, has done a full accounting of the amount that should be transferred to the Fiscal Court since the implementation of the new commissary system. A check should be issued to the Fiscal Court from [bank name redacted] jail's commissary account to the [bank name redacted] fiscal court's commissary account by Friday, March 5, 2021.

**CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND RESPONSES (Continued)
For The Year Ended June 30, 2019
(Continued)**

FINANCIAL STATEMENT FINDINGS: (Continued)

2019-001 The Processes Over The Campbell County Detention Center's Commissary Fund Resulted In Material Misstatements (Continued)

Views of Responsible Official and Planned Corrective Action: (Continued)

County Judge/Executive's Response: (Continued) Also, the Office Manager has revised her process so the correct amounts are transferred to the Fiscal Court. This should keep the [bank name redacted] commissary account balance below \$100,000 and therefore, well below the FDIC insurance limit of \$250,000. The Fiscal Court will also review the monthly bank reconciliation of the [bank name redacted] jail commissary account.

Auditor's Reply: As stated above, we recommend the Campbell County Fiscal Court adhere to KRS 441.135 by having the jailer maintain the commissary fund and all required books of accounts for this fund. We further recommend the jailer submit an annual commissary report to the county treasurer and that all activities of the fund be reported on the financial statement.

2019-002 The Campbell County Jailer Did Not Enter Into A Written Collateral Security Agreement With The Financial Institution To Protect Deposits

The jailer did not require the depository institution to prepare and enter into an agreement to protect deposits. As of June 30, 2019, the jailer had bank deposits of \$506,609 and FDIC insurance of \$250,000, leaving \$256,609 unsecured.

The amount in the account has recently accumulated over the \$250,000 FDIC amount, necessitating the jailer to obtain additional coverage. Due to the jailer not having a collateral security agreement in place to protect deposits, \$256,609 of funds were left unsecured and exposed to the potential risk of loss.

According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. According to federal law, 12 U.S.C.A. § 1823(e), this pledge of collateral, in order to be recognized as valid by the FDIC, should be (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.

We recommend the Campbell County Jailer enter into a written agreement with the depository institution to secure the jailer's interest in the collateral pledged or provided by the depository institution.

Views of Responsible Official and Planned Corrective Action:

County Judge/Executive's Response: See answer to Finding 2019-001 for cause and corrective action to be taken.

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

CAMPBELL COUNTY FISCAL COURT

For The Year Ended June 30, 2019

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

For The Fiscal Year Ended June 30, 2019

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