

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

**For The Fiscal Year Ended
June 30, 2013**



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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Steve Pendery, Campbell County Judge/Executive

Members of the Campbell County Fiscal Court

The enclosed report prepared by Ray, Foley, Hensley & Company, PLLC, Certified Public Accountants, presents the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2013, which collectively comprise the County's basic financial statements.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen".

Adam H. Edelen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CAMPBELL COUNTY FISCAL COURT

June 30, 2013

Ray, Foley, Hensley & Company, PLLC has completed the audit of the Campbell County Fiscal Court for fiscal year ended June 30, 2013.

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

In accordance with OMB Circular 133, we have also issued an unqualified opinion on the compliance requirements that are applicable to Campbell County Fiscal Court's major federal program: U.S. Department of Housing and Urban Development Housing Choice Voucher Program (CFDA #14.871) for the year ended June 30, 2013.

Financial Condition:

The fiscal court had a total net position of \$39,792,007 at June 30, 2013. The fiscal court had an unrestricted net position of \$15,267,906 in its governmental activities as of June 30, 2013 with a total net position of \$38,823,352. In its business-type activities, total net cash and cash equivalents were \$325,501 with a total net position of \$968,655. The fiscal court had total debt principal as of June 30, 2013 of \$18,955,000 with \$1,250,000 due within the next year.

Deposits:

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

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Independent Auditors' Report

To the People of Kentucky
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Members of the Campbell County Fiscal Court

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Certain portions of the Governmental Funds including:

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

Certain portions of the Proprietary Funds including:

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

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Auditors' Responsibility (Continued)

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

Government-Wide Financial Statements	Percent of Assets	Percent of Revenues
Primary Government-Governmental Activities	3.41%	10.94%
Primary Government-Business-Type Activities	78.67%	90.87%
Fund Financial Statements		
Governmental Funds-Major Funds	12.33%	10.97%
Proprietary Funds-Major Funds	78.67%	90.87%

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the People of Kentucky
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 15 and 62 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 14, 2014, on our consideration of Campbell County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
February 14, 2014

CAMPBELL COUNTY OFFICIALS

For The Year Ended June 30, 2013

Fiscal Court Members:

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

Other Elected Officials:

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

Appointed Personnel:

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

Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2013

The financial management of Campbell County, Kentucky offers readers of Campbell County's financial statements this narrative overview and analysis of the financial activities of Campbell County for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with other information that we may have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights

- Campbell County's net position was \$39,792,007 as of June 30, 2013, of which \$15,329,320 is unrestricted. In the enterprise funds, cash and cash equivalents were \$325,501, with total net position of \$968,655. Total debt principal as of June 30, 2013 was \$18,955,000 with \$1,250,000 due within one year.
- The government's total net position increased by \$2,167,120 from the prior year. The government's total expenses for the current fiscal year decreased by 4%, while total revenues decreased only 1%, primarily due to a decreased in grants and other external funding.
- At the close of the current fiscal year, Campbell County's balance sheet for Governmental Funds reported a fund balance of \$15,532,323. Of this amount, \$13,822,448 is available for spending at the government's discretion (assigned and unassigned fund balance).

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Campbell County's basic financial statements. Campbell County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2013
(Continued)**

Overview of the Financial Statements (Continued)

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

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

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

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

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

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

Government-wide Financial Statements

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

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2013
(Continued)**

Government-wide Financial Statements (Continued)

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

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

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

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

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

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

Government-wide Financial Analysis

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

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2013
(Continued)**

Government-wide Financial Analysis (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets						
Current assets	\$ 16,206,770	\$ 15,009,027	\$ 335,666	\$ 212,201	\$ 16,542,436	\$ 15,221,228
Capital assets	42,112,557	42,288,293	698,540	1,204,484	42,811,097	43,492,777
Other assets	229,684	249,090		10,544	229,684	259,634
Total assets	58,549,011	57,546,410	1,034,206	1,427,229	59,583,217	58,973,639
Liabilities						
Current and other liabilities	1,924,447	2,119,182	65,551	165,851	\$ 1,989,998	2,285,033
Long-term liabilities	17,801,212	19,053,175	-	10,541	17,801,212	19,063,716
Total liabilities	19,725,659	21,172,357	65,551	176,392	19,791,210	21,348,749
Net Position						
Net investment in capital assets	23,387,241	22,282,383	698,540	1,204,484	\$ 24,085,781	23,486,867
Restricted	168,205	-	208,701	219,245	376,906	219,245
Unrestricted	15,267,906	14,091,670	61,414	(172,892)	15,329,320	13,918,778
Total net position	\$ 38,823,352	\$ 36,374,053	\$ 968,655	\$ 1,250,837	\$ 39,792,007	\$ 37,624,890

Changes in Net Assets

Governmental Activities. Campbell County's net position increased \$2,449,298 during fiscal year 2013; key elements of this are as follows:

- Current assets and cash increased \$1,197,742. This was primarily due to a decrease in expenditures and a minimal decrease in revenue during the fiscal year.
- Investment in capital assets, net of related debt increased \$1,104,858. This was due to the fact that infrastructure assets were added while debt on previously acquired assets was paid down.
- Current and long-term liabilities decreased \$1,446,698 as a result of debt service payments made during the fiscal year.
- Revenues were \$34,706,041 as reflected in the Statement of Activities.
- Expenses totaled \$32,938,099 as reflected in the Statement of Activities.

Business-type Activities. Campbell County's net position for these activities decreased \$282,182. This is primarily due to the sale of Lakeside Terrace Apartments and the temporary closure of AJ Jolly Golf Course. See the notes to the financial statements for further explanation.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2013
(Continued)**

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
<i>Program Revenues:</i>						
Charges for Services	\$ 253,632	\$ 368,785	\$ 492,982	\$ 1,253,297	\$ 746,614	\$ 1,622,082
Operating Grants and Contributions	8,581,445	11,946,026	-	-	8,581,445	11,946,026
Capital Grants and Contributions	2,632,960	-	-	-	2,632,960	-
<i>General Revenues:</i>						
Property Taxes	8,451,466	8,096,469	-	-	8,451,466	8,096,469
Occupational Taxes	9,042,052	8,901,881	-	-	9,042,052	8,901,881
Other Taxes	2,864,112	2,940,984	-	-	2,864,112	2,940,984
Excess Fees	1,004,307	773,159	-	-	1,004,307	773,159
Other	1,876,071	2,100,728	932,748	-	2,808,819	2,100,728
Total Revenues	34,706,045	35,128,032	1,425,730	1,253,297	36,131,775	36,381,329
Expenses:						
<i>Governmental Activities:</i>						
General Government	9,867,468	9,523,585	-	-	9,867,468	9,523,585
Protective Services	9,000,540	8,889,893	-	-	9,000,540	8,889,893
Health and Sanitation	1,147,177	1,162,963	-	-	1,147,177	1,162,963
Social Services	4,514,692	4,768,765	-	-	4,514,692	4,768,765
Recreation and Culture	372,706	555,978	-	-	372,706	555,978
Roads	2,774,619	3,052,675	-	-	2,774,619	3,052,675
Bus Service	4,454,607	4,667,311	-	-	4,454,607	4,667,311
Debt Service	762,268	1,093,935	-	-	762,268	1,093,935
Capital Projects	44,022	197,348	-	-	44,022	197,348
<i>Business Type Activities:</i>						
Jail Canteen	-	-	100,617	150,202	100,617	150,202
Lakeside Terrace Apts.	-	-	184,628	307,158	184,628	307,158
A.J. Jolly Park	-	-	741,311	850,421	741,311	850,421
Total Expenses	32,938,099	33,912,453	1,026,556	1,307,781	33,964,655	35,220,234
Transfers	681,356	-	(681,356)	-	-	-
Change in net position	2,449,302	1,215,579	(282,182)	(54,484)	2,167,120	1,161,095
Net Position-Beginning	36,374,050	35,158,471	1,250,837	1,305,321	37,624,887	36,463,792
Net Position-Ending	\$ 38,823,352	\$ 36,374,050	\$ 968,655	\$ 1,250,837	\$ 39,792,007	\$ 37,624,887

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2013
(Continued)**

Financial Analysis of the County's Funds

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

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

As of June 30, 2013, the combined ending fund balance of County governmental funds was \$15,532,323. Approximately 89% (\$13,882,448) of this consists of assigned and unassigned fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$1,709,875) is restricted and committed based on the nature of the revenues received.

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

1. The General Fund is the chief operating fund of Campbell County. At the end of the June 30, 2013 fiscal year, the total fund balance of the General Fund was \$6,151,044, all of which was unassigned. The county received \$7,044,357 in Real Property tax revenues, which accounts for approximately 49% of the general fund revenue. \$4,271,217 was received from personal property, motor vehicle and insurance taxes which is approximately 30% of the county's general fund revenues. Sheriff and Clerk fees accounted for \$1,004,607 or 7% of general fund revenues. Various other taxes, service fees and investment earnings make up the remaining 14% of revenues.
2. The Road and Bridge Fund is the fund related to county road and bridge construction and maintenance. The Road and Bridge Fund had \$146,096 in fund balance at June 30, 2013. The fund balance at the end of the previous year was \$334,139. The fiscal year 2013 expenditures for road projects were \$2.3 million. State funding provided approximately \$1,900,000 in funding for road projects during the fiscal year. Transfers from the general fund provided nearly all of the remaining funding requirement.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2013
(Continued)**

Financial Analysis of the County's Funds (Continued)

3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2013 of \$592,807, all of which was assigned. The Jail Fund received \$4,413,834 from the state and federal governments for services, primarily for housing prisoners. Transfers totaling \$3,356,884 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, 2013 the balance in this fund was \$5,797,580. This represented an increase in the fund balance of \$885,990 from the previous year-end.
5. The Housing Choice Voucher Program ended the 2013 fiscal year with a fund balance of \$653,712. The previous year balance was \$937,220. The decrease in fund balance is due to the decrease in federal funding. The Program derives nearly all of its revenue from The Department of Housing and Urban Development (HUD).
6. The Public Properties Corporation Fund serves as a conduit for the financing of various County projects. Thus bonds and refunding bonds have been issued through this Corporation. The fund balance at the end of June 30, 2013 was \$1,293,177. The June 30, 2012 ending fund balance was \$78,997. This significant increase is due to the sale of Lakeside Terrace Apartments and the closure of the related component unit. Upon closure of the component unit, the assets were transferred to the Public Properties Corporation Fund.
7. The total fund balance for the non-major funds as of June 30, 2013 was \$897,907. This represented an increase over the prior year of \$ 63,620. Total expenditures for the non-major funds for the year were \$1,240,143. Revenue sources for the non-major funds include occupational license and payroll taxes designated for senior citizens and mental health programs in the County. The Senior Citizen program revenues for the year from this source amounted to \$430,570. Mental Health program revenues were \$861,145 for the year. A total of \$77,500 was transferred out of the Mental Health Fund to cover mental health expenditures made by other funds.

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

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

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2013
(Continued)**

Financial Analysis of the County's Funds (Continued)

1. As of February 1, 2013 there were no residents residing in Lakeside Terrace and the apartment building was sold to Northern Kentucky University for \$1,400,000 in June 2013. Upon the sale of the building, all obligations of the Fund were met and the Fund was closed on June 30, 2013. The remaining asset (cash of \$1,147,356) was transferred to the Public Properties Corporation.
2. A.J. Jolly Park net position at June 30, 2013 amounted to \$750,923 with a cash balance of \$115,121. The majority of the Park's assets consisted of capital assets such as land and land improvements for the golf and general recreation facility. Net capital assets for Jolly amounted to \$698,540 at the fiscal year-end. Revenues for the golf course amounted to \$365,077 and were derived from user fees. The golf course was temporarily closed for the majority of the fiscal year. The course reopened in May 2013 after closing in August 2013.
3. The Jail Canteen Fund had a net position of \$217,732 as of June 30, 2013 with a cash balance of \$210,380. Most of the revenue for this fund is derived from sales to County Jail inmates and the expenses are purchases of items for resale as well as the salary of the canteen clerk.

General Fund Budgetary Highlights.

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

Actual operating revenues were \$293,880 less than the budget amended by the Fiscal Court. This increase was primarily due to lower grant funding than anticipated in the budget.

Actual operating expenditures were \$1,704,304 less than the budget amended by the Fiscal Court. This was primarily due to less than anticipated cost in the general government, road and jail funds.

Capital Assets and Debt Administration

Capital Assets. Campbell County's investment in capital assets for its government and business type activities as of June 30, 2013, amounted to \$42,811,097 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and infrastructure assets. The County has elected to report infrastructure assets per GASB 34 provisions.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2013
(Continued)**

Capital Assets and Debt Administration (Continued)

Major capital asset events during the 2013 fiscal year included road and infrastructure improvements, the purchase of several new vehicles, replacement of computer hardware and software and replacement of other aging County equipment.

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

**Table 3
Campbell County's Capital Assets (net)**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Infrastructure assets	\$ 9,009,254	\$ 8,627,664	\$ -	\$ -	\$ 9,009,254	\$ 8,627,664
Land	3,860,187	3,860,187	497,462	497,462	4,357,649	4,357,649
Construction in process & Bldgs & Improvements	27,150,229	27,719,043	93,959	584,565	27,244,188	28,303,608
Other Equipment	1,269,151	1,363,089	107,119	122,457	1,376,270	1,485,546
Vehicles & Equipment	823,736	718,310	-	-	823,736	718,310
Total capital assets, net of accumulated depreciation	\$42,112,557	\$42,288,293	\$ 698,540	\$ 1,204,484	\$42,811,097	\$43,492,777

Long-Term Debt. At the end of the 2013 fiscal year, Campbell County had total bonds payable of \$18,955,000. The amount of this debt due within the next year is \$1,250,000 and \$17,705,000 is due in subsequent years. This debt is for the district court facilities, the County Administration Building, jail and park facilities and equipment and emergency dispatch center equipment. This debt is described in note 7 of the notes to the financial statements.

Other matters

The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2014 fiscal year budget:

- The 2014 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.

**Campbell County Fiscal Court
Management's Discussion and Analysis
June 30, 2013
(Continued)**

Other Matters (Continued)

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

Requests for Information

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

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**CAMPBELL COUNTY
STATEMENT OF NET POSITION**

June 30, 2013

CAMPBELL COUNTY
STATEMENT OF NET POSITION
June 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 11,949,563	\$ 325,501	\$ 12,275,064
Accounts Receivable	4,257,207	10,165	4,267,372
Total Current Assets	<u>16,206,770</u>	<u>335,666</u>	<u>16,542,436</u>
Noncurrent Assets:			
Bond Issuance Costs, Net	105,180		105,180
Discount on Bond, Net	124,504		124,504
Capital Assets - Net of Accumulated Depreciation			
Land	3,860,187	497,462	4,357,649
Construction in Progress	245,042		245,042
Land Improvements	464,783	46,961	511,744
Buildings	26,440,404	46,998	26,487,402
Golf Equipment		105,182	105,182
Clubhouse Furniture and Fixtures		1,937	1,937
Other Equipment	1,269,151		1,269,151
Vehicles and Equipment	823,736		823,736
Infrastructure Assets - Net of Accumulated Depreciation	<u>9,009,254</u>		<u>9,009,254</u>
Total Noncurrent Assets	<u>42,342,241</u>	<u>698,540</u>	<u>43,040,781</u>
Total Assets	<u><u>58,549,011</u></u>	<u><u>1,034,206</u></u>	<u><u>59,583,217</u></u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	203,908	46,031	249,939
Family Self Sufficiency Escrow Payable	16,569		16,569
Accrued Liabilities		19,324	19,324
Accrued Salaries and Payroll Taxes	453,970	196	454,166
Bonds Payable	1,250,000		1,250,000
Total Current Liabilities	<u>1,924,447</u>	<u>65,551</u>	<u>1,989,998</u>
Noncurrent Liabilities:			
Bonds Payable	17,705,000		17,705,000
Premium on Bond, Net	45,208		45,208
Compensated Absences	51,004		51,004
Total Noncurrent Liabilities	<u>17,801,212</u>		<u>17,801,212</u>
Total Liabilities	<u>19,725,659</u>	<u>65,551</u>	<u>19,791,210</u>
NET POSITION			
Net Investment in Capital Assets	23,387,241	698,540	24,085,781
Restricted	168,205	208,701	376,906
Unrestricted	<u>15,267,906</u>	<u>61,414</u>	<u>15,329,320</u>
Total Net Position	<u><u>\$ 38,823,352</u></u>	<u><u>\$ 968,655</u></u>	<u><u>\$ 39,792,007</u></u>

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

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**CAMPBELL COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2013

**CAMPBELL COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2013

Functions/Programs Reporting Entity	Program Revenues Received			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 9,867,467	\$ 52,273	\$ 4,413,834	\$ 664,519
Protection to Persons and Property	9,000,541	199,210		
General Health and Sanitation	1,147,177			
Social Services	4,514,692	2,149	3,859,978	
Recreation and Culture	372,706			
Roads	2,774,619			1,968,441
Bus Service	4,454,607		307,633	
Debt Service	762,268			
Capital Projects	44,022			
Total Governmental Activities	32,938,099	253,632	8,581,445	2,632,960
Business-type Activities:				
Lakeside Terrace Apartments	184,628	53,421		
A.J. Jolly Park	741,311	309,503		
Jail Canteen	100,617	130,058		
Total Business-type Activities	1,026,556	492,982		
Total Primary Government	\$ 33,964,655	\$ 746,614	\$ 8,581,445	\$ 2,632,960

General Revenues:

Taxes:

Real Property Taxes
 Personal Property Taxes
 Motor Vehicle Taxes and Licenses
 Occupational Taxes
 Other Taxes

Excess Fees

License and Permits

Unrestricted Investment Earnings

Gain on Sale of Assets

Miscellaneous Revenues

Total General Revenues

Transfers In/ Out

Change in Net Position

Net Position - Beginning

Net Position - Ending

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

CAMPBELL COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2013
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Totals
\$ (9,150,675)	\$	\$ (9,150,675)
(4,387,497)		(4,387,497)
(1,147,177)		(1,147,177)
(652,565)		(652,565)
(372,706)		(372,706)
(806,178)		(806,178)
(4,146,974)		(4,146,974)
(762,268)		(762,268)
(44,022)		(44,022)
<u>(21,470,062)</u>		<u>(21,470,062)</u>
	(131,207)	(131,207)
	(431,808)	(431,808)
	29,441	29,441
	<u>(533,574)</u>	<u>(533,574)</u>
<u>\$ (21,470,062)</u>	<u>\$ (533,574)</u>	<u>\$ (22,003,636)</u>
7,044,361		7,044,361
590,190		590,190
816,915		816,915
9,042,052		9,042,052
2,864,112		2,864,112
1,004,307		1,004,307
182,821		182,821
16,975	110	17,085
	932,638	932,638
1,676,275		1,676,275
<u>23,238,008</u>	<u>932,748</u>	<u>24,170,756</u>
681,356	(681,356)	
2,449,302	(282,182)	2,167,120
<u>36,374,050</u>	<u>1,250,837</u>	<u>37,624,887</u>
<u>\$ 38,823,352</u>	<u>\$ 968,655</u>	<u>\$ 39,792,007</u>

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

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**CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2013

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

	General Fund	Road Fund	Jail Fund	(TANK) Payroll Tax Fund
ASSETS				
Cash and Cash Equivalents	\$ 5,622,722	\$ 5,609	\$ 378,492	\$ 3,430,078
Accounts Rec - Taxes	592,542			2,059,869
Accounts Rec - Excess Fees	137,061			
Accounts Rec - Intergov Rev.	12,104	208,151	447,435	307,633
Accounts Rec - Charges for Services			15,560	
Accounts Rec - Miscellaneous	63,190		22,888	
Accounts Receivable - Other				
Restricted Cash-Family Self -Sufficiency Escrow				
Total Assets	6,427,619	213,760	864,375	5,797,580
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	54,940	27,386	113,254	
Accounts Payable - HUD				
Family Self-Sufficiency Escrow Payble				
Accrued Salaries and Payroll Taxes	221,635	40,278	158,314	
Total Liabilities	276,575	67,664	271,568	
FUND BALANCES				
Restricted For:				
Roads				
Committed To:				
Bus Service				982,928
Social Services				
Capital Projects				
Assigned To:				
Roads		146,096		
Protection to Persons and Property			592,807	
Bus Service				4,814,652
Social Services				
Capital Projects				
General Health and Sanitation				
Unassigned	6,151,044			
Total Fund Balances	6,151,044	146,096	592,807	5,797,580
Total Liabilities and Fund Balances	\$ 6,427,619	\$ 213,760	\$ 864,375	\$ 5,797,580

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

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013
(Continued)

Housing Choice Voucher Program	Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$ 656,869	\$ 1,293,177	\$ 562,616	\$ 11,949,563
		343,290	2,995,701
			137,061
			975,323
			15,560
			86,078
30,915			30,915
16,569			16,569
<u>704,353</u>	<u>1,293,177</u>	<u>905,906</u>	<u>16,206,770</u>
1,989		3,038	200,607
3,301			3,301
16,569			16,569
28,782		4,961	453,970
<u>50,641</u>		<u>7,999</u>	<u>674,447</u>
		168,205	168,205
			982,928
412,921			412,921
	145,821		145,821
			146,096
			592,807
			4,814,652
240,791		232,727	473,518
	1,147,356		1,147,356
		496,975	496,975
			6,151,044
<u>653,712</u>	<u>1,293,177</u>	<u>897,907</u>	<u>15,532,323</u>
<u>\$ 704,353</u>	<u>\$ 1,293,177</u>	<u>\$ 905,906</u>	<u>\$ 16,206,770</u>

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

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013
(Continued)

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

Total Fund Balances	\$ 15,532,323
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.	83,476,970
Accumulated Depreciation	(41,364,413)
Bond Issuance Costs Reported in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds	105,180
Discount on Bond Reported in Governmental Activities Is Not Financial Resource	
And Therefore Is Not Reported in the Funds	124,504
Premium on Bond Reported in Governmental Activities Is Not Financial Resource	
And Therefore Is Not Reported in the Funds	(45,208)
Long-term Liabilities Are Not Due And Payable In The Current Period And, Therefore, Are Not Reported In The Funds.	
Due within One Year - Bonds, Notes, and Other Principal Payments	(1,250,000)
Due in More than One Year - Bonds, Notes, and Other Principal Payments	(17,705,000)
Compensated Absences	(51,004)
	<hr/>
Net Position Of Governmental Activities	<u><u>\$ 38,823,352</u></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, 2013

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

For The Year Ended June 30, 2013

	General Fund	Road Fund	Jail Fund	(TANK) Payroll Tax Fund
REVENUES				
Taxes	\$ 11,315,578	\$	\$	\$ 7,750,337
In Lieu of Tax Payments				
Excess Fees	1,004,307			
Licenses and Permits	182,821			
Intergovernmental	664,519	1,968,441	4,413,834	307,633
Charges for Services	52,273		199,210	
Miscellaneous	1,204,830	37,273	315,630	6,142
Interest	5,013	136	127	9,306
Total Revenues	<u>14,429,341</u>	<u>2,005,850</u>	<u>4,928,801</u>	<u>8,073,418</u>
EXPENDITURES				
General Government	3,628,579			109,621
Protection to Persons and Property	2,916,445		5,588,143	
General Health and Sanitation	435,960			
Social Services	377,305			
Recreation and Culture	293,265			
Roads		2,375,704		
Bus Service				4,454,607
Debt Service	972,743	164,431	925,094	
Capital Projects	362,572	840,057	198,428	
Administration	2,926,649	473,701	1,661,716	13,200
Total Expenditures	<u>11,913,518</u>	<u>3,853,893</u>	<u>8,373,381</u>	<u>4,577,428</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>2,515,823</u>	<u>(1,848,043)</u>	<u>(3,444,580)</u>	<u>3,495,990</u>
Other Financing Sources (Uses)				
Receipt of Prior Year Receivable				
Transfers From Other Funds	1,445,000	1,660,000	3,356,884	
Transfers To Other Funds	(4,222,884)			(2,610,000)
Total Other Financing Sources (Uses)	<u>(2,777,884)</u>	<u>1,660,000</u>	<u>3,356,884</u>	<u>(2,610,000)</u>
Net Change in Fund Balances	(262,061)	(188,043)	(87,696)	885,990
Fund Balances - Beginning	6,413,105	334,139	680,503	4,911,590
Fund Balances - Ending	<u>\$ 6,151,044</u>	<u>\$ 146,096</u>	<u>\$ 592,807</u>	<u>\$ 5,797,580</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, 2013
(Continued)

Housing Choice Voucher Program	Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$	\$	\$ 1,291,715	\$ 20,357,630
			1,004,307
			182,821
3,779,083		80,895	11,214,405
		2,149	253,632
18,051	4	22,415	1,604,345
423	381	1,589	16,975
<u>3,797,557</u>	<u>385</u>	<u>1,398,763</u>	<u>34,634,115</u>
462,434		18,217	4,218,851
			8,504,588
		696,554	1,132,514
3,590,974		489,904	4,458,183
			293,265
			2,375,704
			4,454,607
			2,062,268
27,657			1,428,714
	5,491	35,468	5,116,225
<u>4,081,065</u>	<u>5,491</u>	<u>1,240,143</u>	<u>34,044,919</u>
<u>(283,508)</u>	<u>(5,106)</u>	<u>158,620</u>	<u>589,196</u>
	71,930		71,930
	1,147,356		7,609,240
		(95,000)	(6,927,884)
	<u>1,219,286</u>	<u>(95,000)</u>	<u>753,286</u>
(283,508)	1,214,180	63,620	1,342,482
937,220	78,997	834,287	14,189,841
<u>\$ 653,712</u>	<u>\$ 1,293,177</u>	<u>\$ 897,907</u>	<u>\$ 15,532,323</u>

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

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

For The Year Ended June 30, 2013

**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, 2013

Net Change in Fund Balances - Total Governmental Funds \$ 1,342,482

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

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

Capital Outlay Expenditures	1,795,673
Depreciation Expense	(1,971,409)

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

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

Change in Compensated Absences	(2,796)
--------------------------------	---------

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

Repayment of Long Term Debt Pincipal	1,300,000
Amortization of Bond Issuance Costs, Bond Premium, and Bond Discount	<u>(14,648)</u>

Change in Net Position of Governmental Activities	<u><u>\$ 2,449,302</u></u>
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The accompanying notes are an integral part of the financial statements.

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CAMPBELL COUNTY
STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2013

CAMPBELL COUNTY
STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2013

Business-Type Activities - Enterprise Funds

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$	\$ 115,121	\$ 210,380	\$ 325,501
Accounts Receivable			10,165	10,165
Total Current Assets		115,121	220,545	335,666
Noncurrent Assets:				
Capital Assets:				
Land		497,462		497,462
Land Improvements		683,675		683,675
Buildings and Depreciable Land Improvement		140,704		140,704
Furniture and Fixtures		106,097		106,097
Equipment		706,938		706,938
Total Capital Assets		2,134,876		2,134,876
Less Accumulated Depreciation		(1,436,336)		(1,436,336)
Net Capital Assets		698,540		698,540
Total Assets		813,661	220,545	1,034,206
Liabilities				
Current Liabilities				
Accounts Payable		33,179	2,617	35,796
Accrued Liabilities		19,324		19,324
Accrued Wages			196	196
Gift Card Payable		10,235		10,235
Total Current Liabilities		62,738	2,813	65,551
Total Liabilities		62,738	2,813	65,551
Net Position				
Net Investment in Capital Assets		698,540		698,540
Restricted				
Recreation Project Grants		208,701		208,701
Unrestricted		(156,318)	217,732	61,414
Total Net Position	\$	\$ 750,923	\$ 217,732	\$ 968,655

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

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

For The Year Ended June 30, 2013

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

For The Year Ended June 30, 2013

Business-Type Activities - Enterprise Funds

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Operating Revenues				
Rent Revenue - Gross Potential	\$ 34,927	\$	\$	\$ 34,927
Tenant Assistance Payments	18,494			18,494
Net Rental Revenue	53,421			53,421
Golf		213,416		213,416
Rentals - Power Carts		110,886		110,886
Rentals - Miscellaneous		1,118		1,118
Commissary Sales - Cigarettes			3,609	3,609
Commissary Profits			126,449	126,449
Concession Commissions		35,323		35,323
Miscellaneous Revenue		4,334		4,334
Total Operating Revenues	53,421	365,077	130,058	495,135
Less:				
Rent Expense - Power Carts		(55,574)		(55,574)
Gross Profit on Operating Revenues	53,421	309,503	130,058	492,982
Operating Expenses				
Protection to Persons and Property			12,059	12,059
Educational and Recreational			28,706	28,706
Payment to Suppliers			59,852	59,852
Golf		439,380		439,380
Clubhouse		270,709		270,709
Depreciation	36,280	31,222		67,502
Utilities	88,321			88,321
Operating and Maintenance Expense	52,586			52,586
Taxes and Insurance	7,441			7,441
Total Operating Expenses	184,628	741,311	100,617	1,026,556
Operating Income (Loss)	(131,207)	(431,808)	29,441	(533,574)

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

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUND
For The Year Ended June 30, 2013
(Continued)

Business-Type Activities - Enterprise Funds

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Nonoperating Revenues (Expenses)				
Transfers Out	\$ (1,147,356)	\$	\$	(1,147,356)
Transfers In		466,000		466,000
Total Financial Revenue	<u>(1,147,356)</u>	<u>466,000</u>		<u>(681,356)</u>
Interest Income		15	95	110
Gain on Sale of Assets	932,638			932,638
Other Income				
Laundry and Vending Revenue				
Total Other Revenue (Expenses)	<u>932,638</u>	<u>15</u>	<u>95</u>	<u>932,748</u>
Total Nonoperating Revenues (Expenses)	<u>932,638</u>	<u>466,015</u>	<u>95</u>	<u>251,392</u>
Change In Net Position	(345,925)	34,207	29,536	(282,182)
Total Net Position - Beginning	345,925	716,716	188,196	1,250,837
Total Net Position - Ending	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
	<u>345,925</u>	<u>750,923</u>	<u>217,732</u>	<u>968,655</u>

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

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

For The Year Ended June 30, 2013

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

For The Year Ended June 30, 2013

Business-Type Activities - Enterprise Funds

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Cash Flows From Operating Activities				
Receipts from Green Fees	\$	\$ 213,416	\$	\$ 213,416
Receipts from Interest on Investments	9			9
Rental for Golf Carts		110,886		110,886
Miscellaneous Rentals		1,118		1,118
Rental Receipts	52,005			52,005
Receipts from Commissions		35,323		35,323
Miscellaneous Income	433	4,334		4,767
Laundry and Vending Revenue	993			993
Receipts from Sale of Cigarettes			3,609	3,609
Profits			131,954	131,954
Payments to Employees	(28,969)	(469,629)	(8,865)	(507,463)
Educational and Recreational			(28,437)	(28,437)
Payments to Suppliers	(203,670)	(301,054)	(73,307)	(578,031)
Net Cash Provided By (Used in) Operating Activities	(179,199)	(405,606)	24,954	(559,851)
Cash Flows From Capital and Related Financing Activities				
Cash received for sale of assets	1,403,907			1,403,907
Cash received from related party loan	68,000			68,000
Payment of related party loan principal	(181,950)			(181,950)
Purchase of Capital Assets		(32,827)		(32,827)
Net Cash Provided By (Used in) Capital and Related Financing Activities	1,289,957	(32,827)		1,257,130
Cash Flows from Non-Capital Financing Activities				
Transfers In/ Out	(1,147,356)	466,000		(681,356)
Net Cash Provided By (Used In) Non-Capital Financing Activities	(1,147,356)	466,000		(681,356)

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

CAMPBELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
For The Year Ended June 30, 2013
(Continued)

Business-Type Activities - Enterprise Funds

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Cash Flows From Investing Activities				
Interest Earned	\$	\$ 15	\$ 95	\$ 110
Net Cash Provided By Investing Activities		15	95	110
Net Increase (Decrease) in Cash and Cash Equivalents	(36,598)	27,582	25,049	16,033
Cash and Cash Equivalents - July 1, 2012	36,598	87,539	185,331	309,468
Cash and Cash Equivalents - June 30, 2013	<u>36,598</u>	<u>115,121</u>	<u>210,380</u>	<u>325,501</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income (Loss)	(131,207)	(431,808)	29,441	(533,574)
Change in Net Position				
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities				
Depreciation Expense	36,280	31,222		67,502
Changes In:				
Accounts Receivable	16		5,505	5,521
Prepays	997			997
Restricted Deposits	3			3
Accounts Payable	(78,884)	9,626	(10,039)	(79,297)
Accrued Liabilities	(6,404)	(16,109)	47	(22,466)
Gift Card Payable		1,463		1,463
Net Cash Provided By (Used In) Operating Activities	<u>\$ (179,199)</u>	<u>\$ (405,606)</u>	<u>\$ 24,954</u>	<u>\$ (559,851)</u>

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

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

June 30, 2013

CAMPBELL COUNTY
STATEMENT OF FIDUCIARY FUND NET POSITION

June 30, 2013

	<u>Agency Funds</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 68,227
Total Assets	<u>68,227</u>
Liabilities	
Amounts Held In Custody For Others	<u>68,227</u>
Total Liabilities	<u>68,227</u>
Net Position	
Total Net Position	<u><u>\$</u></u>

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

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CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2013

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

B. Reporting Entity

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

Blended Component Units

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

Campbell County Fiscal Court Housing Choice Voucher Program:

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

Campbell County Public Properties Corporation:

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

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

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

On September 20, 2012, the Campbell County Fiscal Court passed Resolution R-107-12, which declared their intent to close Lakeside Terrace Apartments as of February 1, 2013. The last tenant moved out in February 2013 and the Lakeside Terrace building was sold to Northern Kentucky University on June 27, 2013. On June 19, 2013, the Campbell County Fiscal Court passed Resolution R-79-13, which officially closed the Lakeside Terrace Fund as of June 30, 2013. All debts were paid, assets were sold, and the residual cash assets of the Project were transferred to the Campbell County Public Properties Corporation.

A.J. Jolly Park:

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

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

C. Campbell County Elected Officials

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

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

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

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

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

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

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

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Governmental Funds

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

The primary government reports the following major governmental funds:

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

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

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental Funds (Continued)

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

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

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

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

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

Special Revenue Funds:

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental Funds (Continued)

Debt Service Fund:

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

Proprietary Funds

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

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

The primary government reports the following major proprietary funds:

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

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

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

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

Proprietary Funds (Continued)

A.J. Jolly Park

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

Jail Canteen Fund

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

Fiduciary Funds

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

The agency funds of Campbell County are the Jail Inmate Account, the Employee Fund Account, the Senior Citizen's Account, and the Performance Bond Account (no balance as of June 30, 2011).

E. Deposits and Investments

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

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

F. Capital Assets

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

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

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

G. Long-term Obligations

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

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

Compensated Absences

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

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

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

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

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

Spendable include the following:

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

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 Judge Executive to carry out the intent of the fiscal court.

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

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

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

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

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

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

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

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

J. Receivables

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

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

K. Interfund Receivables and Payables

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

L. Management's Review of Subsequent Events

The County has evaluated and considered the need to recognize or disclose subsequent events through February 14, 2014, which represents the date these financial statements were available to be issued. Subsequent events past this date, as they pertain to the fiscal year ended June 30, 2013, have not been evaluated by the County.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 2. Deposits and Investments

A. Deposits

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The county does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (A). As of June 30, 2013, all deposits were covered by FDIC Insurance or a properly executed collateral security agreement.

B. Investments

At June 30, 2013, all of the county's investments were classified as cash and cash equivalents. These were collateralized by pledged securities held by the county's agent in the county's name, and therefore were not subject to custodial credit risk.

Note 3. Operating Leases

A. Copiers

The Fiscal Court/Jail entered into lease agreements for copiers to be used by various county departments. The total expense related to this lease was \$17,039 for the fiscal year ended June 30, 2013. The leases are set to expire at different dates. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities Amount</u>
2014	\$ 4,080
2015	2,100
2016	<u>1,440</u>
Total Minimum Lease Payments	<u>\$ 7,620</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 3. Operating Leases (Continued)

B. Golf Carts

The A.J. Jolly Park entered into a lease for golf carts effective March 2012 for a total rental of \$185,328. No payments were required for the months of April through June, as well as July 2012 under this lease. First payment on the lease was to be made in August 2012. This replaces the previous lease for golf carts that was set to expire in fiscal year 2013. Under the terms of the lease, the Park agreed to obtain an "all risk" property insurance policy covering its full replacement value. In addition, the Park is required to obtain public liability insurance naming the lessor as an additional insured.

Minimum future lease payments are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Business-type Activities Amount</u>
2014	\$ 54,054
2015	54,054
2016	<u>30,888</u>
Total	<u>\$ 138,996</u>

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Reporting Entity</u>			<u>Ending Balance</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 3,860,187	\$ 245,042	\$	\$ 3,860,187
Construction In Progress		<u>245,042</u>		<u>245,042</u>
Total Capital Assets Not Being Depreciated	<u>3,860,187</u>	<u>245,042</u>		<u>4,105,229</u>
Capital Assets, Being Depreciated:				
Land Improvements	859,033	27,328		886,361
Buildings	34,610,297			34,610,297
Other Equipment	3,027,854	127,521		3,155,375
Vehicles and Equipment	3,519,544	281,598	(115,782)	3,685,360
Infrastructure	<u>35,920,164</u>	<u>1,114,184</u>		<u>37,034,348</u>
Total Capital Assets Being Depreciated	77,936,892	1,550,631	(115,782)	79,371,741
Less Accumulated Depreciation For:				
Land Improvements	(380,923)	(40,655)		(421,578)
Buildings	(7,369,364)	(800,529)		(8,169,893)
Other Equipment	(1,664,765)	(221,459)		(1,886,224)
Vehicles and Equipment	(2,801,234)	(176,172)	115,782	(2,861,624)
Infrastructure	<u>(27,292,500)</u>	<u>(732,594)</u>		<u>(28,025,094)</u>
Total Accumulated Depreciation	<u>(39,508,786)</u>	<u>(1,971,409)</u>	<u>115,782</u>	<u>(41,364,413)</u>
Total Capital Assets, Being Depreciated, Net	<u>38,428,106</u>	<u>(420,778)</u>		<u>38,007,328</u>
Governmental Activities Capital Assets, Net	<u>\$ 42,288,293</u>	<u>\$ (175,736)</u>	<u>\$</u>	<u>\$ 42,112,557</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 4. Capital Assets (Continued)

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 497,462	\$	\$	\$ 497,462
Land Improvements	208,086		(208,086)	
Total Capital Assets Not Being Depreciated	705,548		(208,086)	497,462
Capital Assets, Being Depreciated:				
Land Improvements	683,675			683,675
Buildings	1,948,862		(1,808,158)	140,704
Portable Building Equipment	149,830		(149,830)	
Equipment for Tenant Use	87,801		(87,801)	
Furnishings	45,714		(45,714)	
Office Furniture and Equipment	8,482		(8,482)	
Maintenance Equipment	5,001		(5,001)	
Clubhouse Furniture and Fixtures	106,097			106,097
Golf Equipment	688,189	32,828	(14,079)	706,938
Total Capital Assets Being Depreciated	3,723,651	32,828	(2,119,065)	1,637,414
Less Accumulated Depreciation For:				
Land Improvements	(635,307)	(1,407)		(636,714)
Buildings	(1,674,968)	(24,380)	1,605,642	(93,706)
Portable Building Equipment	(95,613)	(8,365)	103,978	
Equipment for Tenant Use	(76,627)	(1,055)	77,682	
Furnishings	(41,188)	(897)	42,085	
Office Furniture and Equipment	(8,482)		8,482	
Maintenance Equipment	(3,757)	(176)	3,933	
Clubhouse Furniture and Fixtures	(96,563)	(7,597)		(104,160)
Golf Equipment	(592,210)	(23,625)	14,079	(601,756)
Total Accumulated Depreciation	(3,224,715)	(67,502)	1,855,881	(1,436,336)
Total Capital Assets, Being Depreciated, Net	498,936	(34,674)	(263,184)	201,078
Business-Type Activities Capital Assets, Net	\$ 1,204,484	\$ (34,674)	\$ (471,270)	\$ 698,540

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 4. Capital Assets (Continued)

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

<u>Governmental Activities</u>	
General Government	\$ 514,947
Protection to Persons and Property	517,068
General Health and Sanitation	14,663
Social Services	56,509
Recreation and Culture	79,441
Roads, Including Depreciation of General Infrastructure Assets	<u>788,781</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,971,409</u>
<u>Business-Type Activities</u>	
A.J. Jolly Park	\$ 31,222
Lakeside Terrace Apartments	<u>36,280</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 67,502</u>

Note 5. Joint Ventures

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

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

Note 6. Long-term Debt

A. 2012 General Obligation Refunding Bonds

The Campbell County Fiscal Court issued as of February 24, 2012 \$1,645,000 General Obligation Refunding Bond, Series 2012, to refund Campbell County, Kentucky General Project Refunding Bond, Series 2001 and First Mortgage Refunding and Improvement Revenue Bonds, Series 1997. The bonds mature in varying amounts from \$5,000 to \$200,000 from June 1, 2012 through 2022. Interest is payable semiannually on June 1 and December 1 at a rate of 2.00%. Bonds outstanding on June 30, 2013 were \$1,360,000. The debt service requirements for future fiscal years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2014	\$ 180,000	\$ 25,400
2015	185,000	21,750
2016	185,000	18,050
2017	195,000	14,250
2018	200,000	10,300
2019-2023	<u>415,000</u>	<u>21,250</u>
Totals	<u>\$ 1,360,000</u>	<u>\$ 111,000</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 6. Long-term Debt (Continued)

B. General Obligation Public Project Bonds, Series 2006

As of June 1, 2006, Campbell County, Kentucky issued \$13,150,000 General Obligation Public Project Bonds, Series 2006. These bonds mature in varying amounts (from \$250,000 to \$880,000) on December 1 of each year from 2006 through 2025. Proceeds of the bonds issued will be principally used for construction at the Campbell County Jail. Interest is payable semiannually on June 1 and December 1 at rates ranging from 4.00% to 4.375% and principal payments are due annually on December 1 of each year.

Bonds outstanding on June 30, 2013 were \$9,425,000. The debt service requirements for future fiscal years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2014	\$ 665,000	\$ 379,444
2015	695,000	352,244
2016	720,000	323,944
2017	610,000	297,344
2018	630,000	272,544
2019-2023	3,570,000	939,625
2024-2026	2,535,000	149,666
Totals	<u>\$ 9,425,000</u>	<u>\$ 2,714,812</u>

C. General Obligation Public Project Bonds, Series 2008

On September 3, 2008 Campbell County, Kentucky issued \$9,760,000 General Obligation Public Project Bonds, Series 2008. These bonds mature in varying amounts (from \$115,000 to \$730,000) on January 1 of each year from 2009 through 2028. Proceeds of the bonds issued will be principally used for construction of the Campbell County Administration Building. Interest is payable semiannually on January 1 and July 1 at rates ranging from 3.25% to 4.200% and principal payments are due annually on January 1 of each year.

Bonds outstanding on June 30, 2013 were \$8,170,000. The debt service requirements for future fiscal years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2014	\$ 405,000	\$ 320,550
2015	420,000	307,388
2016	435,000	292,688
2017	450,000	277,463
2018	470,000	253,253
2019-2023	2,665,000	973,470
2024-2027	3,325,000	362,204
Totals	<u>\$ 8,170,000</u>	<u>\$ 2,787,016</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 6. Long-term Debt (Continued)

D. Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Compensated Absences General Obligation	\$ 48,208	\$ 2,796	\$	\$ 51,004	\$
Public Project Bonds General Obligation	8,550,000		380,000	8,170,000	405,000
Public Project Bonds General Obligation	10,065,000		640,000	9,425,000	665,000
Public Refunding Bonds	1,640,000		280,000	1,360,000	180,000
Governmental Activities Long-term Liabilities	<u>\$ 20,303,208</u>	<u>\$ 2,796</u>	<u>\$ 1,300,000</u>	<u>\$ 19,006,004</u>	<u>\$ 1,250,000</u>

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

Debt Service on the Statement of Activities includes \$762,268 in interest on bonds.

Note 8. Commitments and Contingencies

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 9. Employee Retirement System

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

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 19.55 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 37.60 percent.

The County's CERS contribution totaled \$1,994,596 for the year ended June 30, 2013; \$1,950,541 for June 30, 2012; and \$1,770,177 for June 30, 2011.

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

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

CERS also provides post retirement health care coverage as follows:

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

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%

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 9. Employee Retirement System (Continued)

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

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

Note 10. Insurance

For the fiscal year ended June 30, 2013, Campbell County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Estimated Infrastructure Historical Cost

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

Note 12. Concentrations of Business Risk

Housing Choice Voucher Program

The Housing Choice Voucher Program's operations are concentrated in the low-income rental market. In addition, the Program operates in a heavily regulated environment. The operation of the Program is subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with very little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. The majority of revenue is received from annual contributions from HUD. For the year ended June 30, 2013, contributions from HUD made up 99% of the total revenues received.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 13. Interfund Transactions

The following is a list of interfund transactions as of June 30, 2013:

	General Fund	(TANK) Payroll Tax Fund	Mental Health Fund	Senior Citizens' Fund	Lakeside Terrace Apartments	Total Transfers In
General Fund	\$	\$ 1,350,000	\$ 77,500	\$ 17,500	\$	\$ 1,445,000
Road Fund	400,000	1,260,000				1,660,000
Jail Fund	3,356,884					3,356,884
AJ Jolly Park	466,000					466,000
Public Properties Corporation					1,147,356	1,147,356
Total Transfers Out	<u>\$4,222,884</u>	<u>\$ 2,610,000</u>	<u>\$ 77,500</u>	<u>\$ 17,500</u>	<u>\$ 1,147,356</u>	<u>\$ 8,075,240</u>

Note 14. Disaggregation of Accounts Payable

The following is a list of accounts payable by function as of June 30, 2013:

	Totals	General Fund	Road Fund	Jail Fund	Housing Voucher Program	Senior Citizens Tax	Mental Health Tax
General Government	\$ 18,457	\$ 18,457	\$	\$	\$	\$	\$
Roads	27,386		27,386				
Protection To Persons and Property	114,346	8,028		106,318			
General Health and Sanitation	5,134	5,134					
Social Services	9,122	794			1,989	3,038	
Recreation and Culture	15,022	15,022			3,301		
Capital Projects	7,768	1,500		6,268			
Total Administration	<u>6,673</u>	<u>6,005</u>		<u>668</u>			
Total	<u>\$203,908</u>	<u>\$ 54,940</u>	<u>\$ 27,386</u>	<u>\$113,254</u>	<u>\$ 5,290</u>	<u>\$ 3,038</u>	<u>\$</u>

Note 15. Related Party Transactions

Campbell County contracts with Senior Services of Northern Kentucky to provide home delivered meals to senior citizen residents of the county. County Commissioner Kenneth Rehtin is the Director of Agency Services for Senior Services of Northern Kentucky. The county paid the agency \$106,363 for services provided during fiscal year 2013. Campbell County has renewed this relationship for fiscal year 2013, with Commissioner Rehtin abstaining from voting on the resolution.

Note 16. Significant Event Affecting Revenue

The AJ Jolly Park golf course was forced to close from mid-August 2012 until late April 2013. This closure was the result of an inappropriately applied herbicide, which killed the bent grass on the course's greens, making them unplayable. Because of this closure, operating revenues for the year ended June 30, 2013 were \$365,077, a decrease of \$351,063 (49%) below the fiscal year 2012 balance of \$716,140.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2013
(Continued)

Note 17. Subsequent Events

In June 2012, the GASB approved a pair of related Statements that reflect substantial improvements to the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67, Financial Reporting for Pension Plans, addresses financial reporting for state and local government pension plans.

The guidance contained in these Statements will change how governments calculate and report the costs and obligations associated with pensions in important ways. It is designed to improve the decision – usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments. Under the pension standards now in effect, cost-sharing employers have not been required to present actuarial information about pensions. Instead, information has been required to be presented in the pension plan’s own financial statements for all of the participating governments combined.

Through its research, the GASB concluded that the needs of users of information regarding cost-sharing employers do not differ significantly from those interested in single and agent employers. Therefore, the GASB believes it is important to give users of the financial statements of cost-sharing employer’s access to better, more transparent financial information. Consequently, under the new standards the GASB is requiring that cost-sharing governments report a net pension liability, pension expense, and pension-related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan.

Statement No. 67 will take effect for pension plans in fiscal years beginning after June 15, 2013, (that is, for years ended June 30, 2014, or later). The County is currently evaluating the effects of this statement on its financial statements.

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information

For The Year Ended June 30, 2013

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information

For The Year Ended June 30, 2013

	GENERAL FUND			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 11,140,400	11,140,400	\$ 11,328,364	\$ 187,964
Excess Fees	1,025,000	1,025,000	944,456	(80,544)
Licenses and Permits	133,400	133,400	182,821	49,421
Intergovernmental Revenue	807,900	940,900	725,077	(215,823)
Charges for Services	47,300	47,300	52,273	4,973
Miscellaneous	1,736,420	1,736,420	1,498,536	(237,884)
Interest	7,000	7,000	5,013	(1,987)
Total Revenues	<u>14,897,420</u>	<u>15,030,420</u>	<u>14,736,540</u>	<u>(293,880)</u>
EXPENDITURES				
General Government	3,622,250	4,052,665	3,641,812	410,853
Protection to Persons and Property	3,173,220	3,220,720	2,927,444	293,276
General Health and Sanitation	467,160	467,210	436,511	30,699
Social Services	687,560	735,560	444,511	291,049
Recreation and Culture	549,220	855,220	752,142	103,078
Debt Service	972,880	972,880	972,743	137
Capital Projects	481,500	417,860	369,114	48,746
Administration	3,799,210	3,451,885	2,925,419	526,466
Total Expenditures	<u>13,753,000</u>	<u>14,174,000</u>	<u>12,469,696</u>	<u>1,704,304</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,144,420</u>	<u>856,420</u>	<u>2,266,844</u>	<u>1,410,424</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(4,055,000)	(4,055,000)	(3,756,884)	298,116
Transfers From Other Funds	1,445,000	1,445,000	1,445,000	0
Total Other Financing Sources (Uses)	<u>(2,610,000)</u>	<u>(2,610,000)</u>	<u>(2,311,884)</u>	<u>298,116</u>
Net Changes in Fund Balance	(1,465,580)	(1,753,580)	(45,040)	1,708,540
Fund Balance - Beginning	<u>1,465,580</u>	<u>1,753,580</u>	<u>5,667,762</u>	<u>3,914,182</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 5,622,722</u>	<u>\$ 5,622,722</u>

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2013
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,337,450	\$ 1,846,450	\$ 1,950,905	\$ 104,455
Miscellaneous	32,850	32,850	37,273	4,423
Interest	350	350	136	(214)
Total Revenues	<u>1,370,650</u>	<u>1,879,650</u>	<u>1,988,314</u>	<u>108,664</u>
EXPENDITURES				
Roads	2,058,120	2,658,470	2,386,437	272,033
Debt Service	164,530	164,530	164,431	99
Capital Projects	624,000	999,650	840,798	158,852
Administration	510,850	498,850	473,703	25,147
Total Expenditures	<u>3,357,500</u>	<u>4,321,500</u>	<u>3,865,369</u>	<u>456,131</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,986,850)</u>	<u>(2,441,850)</u>	<u>(1,877,055)</u>	<u>564,795</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>1,930,000</u>	<u>2,385,000</u>	<u>1,660,000</u>	<u>(725,000)</u>
Total Other Financing Sources (Uses)	<u>1,930,000</u>	<u>2,385,000</u>	<u>1,660,000</u>	<u>(725,000)</u>
Net Changes in Fund Balance	(56,850)	(56,850)	(217,055)	(160,205)
Fund Balance - Beginning	<u>56,850</u>	<u>56,850</u>	<u>222,664</u>	<u>165,814</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 5,609</u>	<u>\$ 5,609</u>

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2013
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 4,063,900	\$ 4,086,948	\$ 4,322,203	\$ 235,255
Charges for Services	112,100	112,100	198,987	86,887
Miscellaneous	220,200	220,200	315,675	95,475
Interest	200	200	127	(73)
Total Revenues	<u>4,396,400</u>	<u>4,419,448</u>	<u>4,836,992</u>	<u>417,544</u>
EXPENDITURES				
Protection to Persons and Property	5,746,260	5,842,308	5,595,684	246,624
Debt Service	925,100	925,100	925,094	6
Capital Projects	1,835,300	1,431,900	207,860	1,224,040
Administration	1,505,000	1,835,400	1,661,139	174,261
Total Expenditures	<u>10,011,660</u>	<u>10,034,708</u>	<u>8,389,777</u>	<u>1,644,931</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(5,615,260)</u>	<u>(5,615,260)</u>	<u>(3,552,785)</u>	<u>2,062,475</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Debt	1,500,000	1,500,000		(1,500,000)
Transfers From Other Funds	4,055,000	4,055,000	3,356,884	(698,116)
Total Other Financing Sources (Uses)	<u>5,555,000</u>	<u>5,555,000</u>	<u>3,356,884</u>	<u>(2,198,116)</u>
Net Changes in Fund Balance	(60,260)	(60,260)	(195,901)	(135,641)
Fund Balance - Beginning	60,260	60,260	574,393	514,133
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 378,492</u>	<u>\$ 378,492</u>

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2013
(Continued)

(TANK) PAYROLL TAX FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 7,758,900	\$ 7,758,900	\$ 7,791,150	\$ 32,250
Intergovernmental Revenue	265,000	265,000	269,250	4,250
Miscellaneous			6,142	6,142
Interest	2,700	2,700	9,306	6,606
Total Revenues	<u>8,026,600</u>	<u>8,026,600</u>	<u>8,075,848</u>	<u>49,248</u>
EXPENDITURES				
General Government	73,000	109,800	109,621	179
Bus Services	4,581,100	4,581,100	4,454,607	126,493
Administration	212,000	175,200	13,200	162,000
Total Expenditures	<u>4,866,100</u>	<u>4,866,100</u>	<u>4,577,428</u>	<u>288,672</u>
Excess (Deficiency) of Revenues Over				
Expenditures Before Other				
Financing Sources (Uses)	<u>3,160,500</u>	<u>3,160,500</u>	<u>3,498,420</u>	<u>337,920</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(3,280,000)</u>	<u>(3,735,000)</u>	<u>(2,610,000)</u>	<u>1,125,000</u>
Total Other Financing Sources (Uses)	<u>(3,280,000)</u>	<u>(3,735,000)</u>	<u>(2,610,000)</u>	<u>1,125,000</u>
Net Changes in Fund Balance	(119,500)	(574,500)	888,420	1,462,920
Fund Balance - Beginning	<u>119,500</u>	<u>574,500</u>	<u>2,541,658</u>	<u>1,967,158</u>
Fund Balance - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 3,430,078</u>	<u>\$ 3,430,078</u>

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2013
(Continued)

HOUSING CHOICE VOUCHER PROGRAM

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 3,989,900	\$ 3,989,900	\$ 3,779,083	\$ (210,817.00)
Interest	500	500	423	(77)
Miscellaneous	6,000	6,000	18,051	12,051
Total Revenues	<u>3,996,400</u>	<u>3,996,400</u>	<u>3,797,557</u>	<u>(198,843)</u>
EXPENDITURES				
General Government	466,800	466,800	490,091	(23,291)
Social Services	3,636,500	3,636,500	3,590,974	45,526
Total Expenditures	<u>4,103,300</u>	<u>4,103,300</u>	<u>4,081,065</u>	<u>22,235</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(106,900)</u>	<u>(106,900)</u>	<u>(283,508)</u>	<u>(176,608)</u>
Net Changes in Fund Balance	(106,900)	(106,900)	(283,508)	(176,608)
Fund Balance - Beginning	<u>586,621</u>	<u>586,621</u>	<u>937,220</u>	<u>350,599</u>
Fund Balance - Ending	<u>\$ 479,721</u>	<u>\$ 479,721</u>	<u>\$ 653,712</u>	<u>\$ 173,991</u>

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2013

Note 1. Budgetary Information

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

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

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

Note 2. Budgetary Basis vs. GAAP

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

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>TANK Fund</u>
<u>Sources/Inflows of Resources</u>				
Actual Amount (Budgetary Basis)	\$ 14,736,540	\$ 1,988,314	\$ 4,836,992	\$ 8,075,848
Differences - (Budget to GAAP)				
The County budgets for revenues only to the extent they are expected to be received rather than on the modified accrual basis.	<u>(307,199)</u>	<u>17,536</u>	<u>91,809</u>	<u>(2,430)</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 14,429,341</u>	<u>\$ 2,005,850</u>	<u>\$ 4,928,801</u>	<u>\$ 8,073,418</u>

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2013
(Continued)

Note 2. Budgetary vs. GAAP (Continued)

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>TANK Fund</u>
<u>Uses/Outflows of Resources</u>				
Actual Amount (Budgetary Basis)	\$ 12,469,696	\$ 3,865,369	\$ 8,389,777	\$ 4,577,428
Differences - (Budget to GAAP)				
The County budgets for claims only to the extent they are expected to be paid rather than on the modified accrual basis.	<u>(556,178)</u>	<u>(11,476)</u>	<u>(16,396)</u>	
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 11,913,518</u>	<u>\$ 3,853,893</u>	<u>\$ 8,373,381</u>	<u>\$ 4,577,428</u>
	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>TANK Fund</u>
<u>Other Financing Sources (Uses)</u>				
Actual Amount (Budgetary Basis)	\$ (2,311,884)	\$ 1,660,000	\$ 3,356,884	\$ (2,610,000)
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.	<u>(466,000)</u>			
Total Other Financing Sources (Uses) as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ (2,777,884)</u>	<u>\$ 1,660,000</u>	<u>\$ 3,356,884</u>	<u>\$ (2,610,000)</u>

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2013
(Continued)

Note 2. Budgetary vs. GAAP (Continued)

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>TANK Fund</u>
<u>Ending Fund Balances</u>				
Actual Amount (Budgetary Basis)	\$ 5,622,722	\$ 5,609	\$ 378,492	\$ 3,430,078
Differences - (Budget to GAAP)				
The County budgets for transactions only to the extent they are expected to be carried out rather than on the modified accrual basis.	<u>528,322</u>	<u>140,487</u>	<u>214,315</u>	<u>2,367,502</u>
Total Ending Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Blances				
Balances - Governmental Funds	<u>\$ 6,151,044</u>	<u>\$ 146,096</u>	<u>\$ 592,807</u>	<u>\$ 5,797,580</u>

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

June 30, 2013

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

June 30, 2013

	Senior Citizen Tax Fund	Mental Health Tax Fund	Developer Road Escrow Fund	Total Non-Major Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 126,288	\$ 268,123	\$ 168,205	\$ 562,616
Accounts Receivable	114,438	228,852		343,290
Total Assets	<u>240,726</u>	<u>496,975</u>	<u>168,205</u>	<u>905,906</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	3,038			3,038
Accrued Liabilities	4,961			4,961
Total Liabilities	<u>7,999</u>			<u>7,999</u>
FUND BALANCES				
Restricted For:				
Roads			168,205	168,205
Assigned To:				
Social Services	232,727			232,727
General Health and Sanitation		496,975		496,975
Total Fund Balances	<u>232,727</u>	<u>496,975</u>	<u>168,205</u>	<u>897,907</u>
Total Liabilities and Fund Balances	<u>\$ 240,726</u>	<u>\$ 496,975</u>	<u>\$ 168,205</u>	<u>\$ 905,906</u>

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

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

For The Year Ended June 30, 2013

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, 2013

	Senior Citizen Tax Fund	Mental Health Tax Fund	Developer Road Escrow Fund	Total Non-Major Governmental Funds
REVENUES				
Taxes	\$ 430,570	\$ 861,145	\$	\$ 1,291,715
Intergovernmental	80,895			80,895
Charges for Services	2,149			2,149
Miscellaneous	15,995	1,650	4,770	22,415
Interest	503	923	163	1,589
Total Revenues	<u>530,112</u>	<u>863,718</u>	<u>4,933</u>	<u>1,398,763</u>
EXPENDITURES				
General Government	6,217	12,000		18,217
General Health and Sanitation		696,554		696,554
Social Services	489,904			489,904
Administration	35,468			35,468
Total Expenditures	<u>531,589</u>	<u>708,554</u>		<u>1,240,143</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,477)</u>	<u>155,164</u>	<u>4,933</u>	<u>158,620</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(17,500)</u>	<u>(77,500)</u>		<u>(95,000)</u>
Total Other Financing Sources (Uses)	<u>(17,500)</u>	<u>(77,500)</u>		<u>(95,000)</u>
Net Change in Fund Balances	(18,977)	77,664	4,933	63,620
Fund Balances - Beginning	251,704	419,311	163,272	834,287
Fund Balances - Ending	<u>\$ 232,727</u>	<u>\$ 496,975</u>	<u>\$ 168,205</u>	<u>\$ 897,907</u>

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

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CAMPBELL COUNTY
COMBINING STATEMENT OF FIDUCIARY FUND NET POSITION
Other Supplementary Information
June 30, 2013

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

June 30, 2013

	Jail Inmate Account	Employee Fund Account	Senior Citizen Account	Total Agency Funds
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 50,401	\$ 15,645	\$ 2,181	\$ 68,227
Total Assets	<u>50,401</u>	<u>15,645</u>	<u>2,181</u>	<u>68,227</u>
Liabilities				
Amounts Held In Custody For Others	50,401	15,645	2,181	68,227
Total Liabilities	<u>\$ 50,401</u>	<u>\$ 15,645</u>	<u>\$ 2,181</u>	<u>\$ 68,227</u>
Net Position				
Total Net Position	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

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

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

For The Year Ended June 30, 2013

CAMPBELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2013

Federal Grantor		Pass-Through	
Program Title	Federal	Grantor's	
<u>Grant Name</u>	<u>CFDA#</u>	<u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Award			
Section 8 Housing Choice Voucher Program	14.871		\$ 3,774,806 *
Passed Through the Kentucky Department for Local Government			
Community Development Block Grant/State's Program	14.228		<u>1,500</u>
Total U.S. Department of Housing and Urban Development			<u>3,776,306</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through State Cabinet for Health and Family Services			
Department for Aging and Independent Living			
Passed Through Northern Kentucky Area Development District			
Title III B	93.044		<u>75,126</u>
<u>U.S. Department of Transportation</u>			
Passed Through State Department for Local Government			
Recreational Trails Program	20.219		32,000
Passed Through State Transportation Cabinet			
Occupant Protection Incentive Grant	20.602		1,000
State and Community Highway Safety	20.600		<u>40,152</u>
Total U.S. Department of Transportation			<u>73,152</u>
<u>U.S. Department of Homeland Security</u>			
Direct Award			
Emergency Management Performance Grant	97.042		41,169
Passed Through the Kentucky Office of Homeland Security			
Homeland Security Grant	97.067		<u>57,364</u>
Total U.S. Department of Homeland Security			<u>98,533</u>
Total Cash Expenditures of Federal Awards			<u>\$ 4,023,117</u>

* - Programs tested as major programs.

CAMPBELL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2013

Note 1 - Basis of Presentation

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

Note 2 - Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2013.

Note 3 - Pass Through Program

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

<u>Program</u>	<u>CFDA Number</u>	<u>Subrecipient</u>	<u>Pass-Through Grant Amount</u>
Homeland Security Grant	97.067	Campbell County Consolidated Dispatch	\$ <u>57,364</u>
Total Pass Through			\$ <u><u>57,364</u></u>

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

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

Independent Auditors' Report

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

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 Campbell County, Kentucky, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Campbell County, Kentucky's basic financial statements, and have issued our report thereon dated February 14, 2014. Other auditors audited the financial statements of the Campbell County Fiscal Court Housing Department Housing Choice Voucher Program, the Campbell County Public Properties Corporation, the Lakeside Terrace Apartments HUD Project No. 083-44-12-236, and the A.J. Jolly Park, as described in our report on Campbell County, Kentucky's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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

Compliance And Other Matters

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

Purpose of this Report

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

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
February 14, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Report On Compliance For Each Major Program
And On Internal Control Over Compliance Required By OMB Circular A-133

Independent Auditor's Report

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

Compliance

We have audited Campbell County, Kentucky's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Campbell County, Kentucky's major federal programs for the year ended June 30, 2013. Campbell County, Kentucky's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Campbell County, Kentucky's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Campbell County, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Campbell County, Kentucky's compliance.

Opinion

In our opinion, Campbell County, Kentucky, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report On Compliance For Each Major Program
And On Internal Control Over Compliance Required By OMB Circular A-133
(Continued)

Internal Control over Compliance

Management of Campbell County, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Campbell County, Kentucky's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Campbell County, Kentucky's internal control over compliance.

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

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

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

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
February 14, 2014

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

For The Year Ended June 30, 2013

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

Fiscal Year Ended June 30, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky.
2. No significant deficiencies relating to the internal control of the audit of the financial statements are reported in the Independent Auditors' Report.
3. No instances of noncompliance material to the financial statements of Campbell County are disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal awards programs are reported in the Independent Auditors' Report.
5. The auditors' report on compliance for the audit of the major federal awards programs for Campbell County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Campbell County reported in Part C of this schedule.
7. The program tested as a major program was: Housing Choice Voucher Program (CFDA #14.871).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Campbell County was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None.

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

None.

D. PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

None.

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

CAMPBELL COUNTY FISCAL COURT

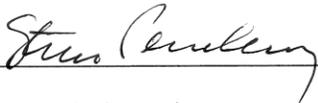
**For The Fiscal Year Ended
June 30, 2013**

Appendix A

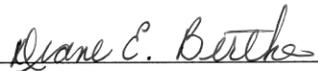
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CAMPBELL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2013

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

