

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

**For The Fiscal Year Ended
June 30, 2007**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Steve Pendery, Campbell County Judge/Executive

Members of the Campbell County Fiscal Court

The enclosed report prepared by VonLehman & Company, Inc., Certified Public Accountants, presents 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, 2007, which collectively comprise the County's basic financial statements.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CAMPBELL COUNTY FISCAL COURT

JUNE 30, 2007

VonLehman & Company, Inc. has completed the audit of the Campbell County Fiscal Court for fiscal year ended June 30, 2007.

We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Campbell County, Kentucky. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Campbell County's major federal program, U.S. Department of Housing and Urban Development Housing Choice Voucher Program, for the year ended June 30, 2007.

Financial Condition:

The fiscal court had total net assets of \$37,690,315 at June 30, 2007. The fiscal court had unrestricted net assets of \$12,603,995 in its governmental activities as of June 30, 2007 with total net assets of \$36,341,064. In its business-type activities, total net cash and cash equivalents were \$247,632 with total net assets of \$1,349,251. The fiscal court had total debt principal as of June 30, 2007 of \$17,592,347 with \$1,534,535 due within the next year.

Report Comments:

- 2007-1 The Fiscal Court Should Set Up All Capital Assets In Their Capital Asset Software Prior To The Audit
- 2007-2 A Prior Period Adjustment Is Shown Related To The Housing Choice Voucher Program

Deposits:

The fiscal court deposits were insured and collateralized by bank securities or bonds. There is a sweep investment portion of the County's Payroll Tax Checking Account that is not collateralized by the bank as they consider this to be an investment.

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
CAMPBELL COUNTY OFFICIALS.....	3
STATEMENT OF NET ASSETS	15
STATEMENT OF ACTIVITIES.....	18
BALANCE SHEET - GOVERNMENTAL FUNDS	22
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	26
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	31
STATEMENT OF NET ASSETS - PROPRIETARY FUND	35
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND	39
STATEMENT OF CASH FLOWS - PROPRIETARY FUND	43
STATEMENT OF FIDUCIARY FUND NET ASSETS	47
NOTES TO FINANCIAL STATEMENTS	48
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS	73
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	77
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS	80
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	84
COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS	89
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	93
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	94
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	97
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	101
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	105
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Campbell County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, 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, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2007, 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.

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

- 2007-1 The Fiscal Court Should Set Up All Capital Assets In Their Capital Asset Software Prior To The Audit

- 2007-2 A Prior Period Adjustment Is Shown Related To The Housing Choice Voucher Program

VonLehman & Company Inc.

December 28, 2007
Fort Mitchell, Kentucky

CAMPBELL COUNTY OFFICIALS

For The Year Ended June 30, 2007

Fiscal Court Members:

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

Other Elected Officials:

Justin Verst	County Attorney
Greg Buckler	Jailer
Jack Snodgrass	County Clerk
Thomas Calme	Circuit Court Clerk
John Dunn	Sheriff
Daniel Braun	Property Valuation Administrator
Mark Schweitzer	Coroner

Appointed Personnel:

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

CAMPBELL COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

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, 2007. We encourage readers to consider the information presented here in conjunction with other information that we may have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights

- Campbell County had total net assets of \$37,690,315 as of June 30, 2007. The fiscal court had unrestricted net assets of \$12,603,995 in its governmental activities as of June 30, 2007. In its business-type activities, cash and cash equivalents were \$247,632 with total net assets of \$1,349,251. Total debt principal as of June 30, 2007 was \$17,592,347 with \$1,534,535 due within one year.
- The government's total net assets increased by \$1,219,361 from the prior year.
- At the close of the current fiscal year, Campbell County's balance sheet for Governmental Funds reported a fund balance of \$15,726,062. Of this amount, \$14,192,582 is available for spending at the government's discretion (unreserved fund balance).
- Campbell County's total indebtedness at the close of fiscal year on June 30, 2007 was \$17,592,347, of which \$16,057,812 is long-term debt (due after 1 year) and \$1,534,535 is short-term debt (to be paid within 1 year).

Overview of the Financial Statements

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

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

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

The *Statement of Net 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.

**Campbell County
Management's Discussion and Analysis
June 30, 2007**

Government-wide Financial Statements (Continued)

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 three business type activities: A.J. Jolly Park, Lakeside Terrace Apartments, and the Jail Canteen Fund.

The government-wide financial statements include not only Campbell County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the county. Campbell County has 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.

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 three broad categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

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

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

Campbell County maintains 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, Payroll Tax, the Housing Choice Voucher Program, the Public Properties Corporation, and the General Obligation Bond/Construction funds, all of which are considered major funds by the County. The Local Government Economic Assistance, Developer Road Escrow, Capital Projects, Senior Citizen Tax, and the Mental Health Tax funds are considered non-major funds and are represented in a combined form.

**Campbell County
Management's Discussion and Analysis
June 30, 2007**

Governmental Funds (Continued)

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

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

Fiduciary Funds. Campbell County's fiduciary funds are agency funds which account for monies held by the county for custodial purposes only. The county's agency funds are the Jail Inmate Account and the Employee Fund Account.

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

Government-wide Financial Analysis.

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

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current assets	\$ 17,289,850	\$ 23,236,889	\$ 264,687	\$ 164,671	\$ 17,554,537	\$ 23,401,560
Capital assets	36,998,842	30,793,400	1,472,779	1,526,179	38,471,621	32,319,579
Other assets	668,066	990,466	208,358	194,969	876,424	1,185,435
Total assets	<u>54,956,758</u>	<u>55,020,755</u>	<u>1,945,824</u>	<u>1,885,819</u>	<u>56,902,582</u>	<u>56,906,574</u>
Liabilities						
Current and other liabilities	2,658,048	2,289,708	285,884	345,886	2,943,932	2,635,594
Long-term liabilities	15,957,646	17,381,323	310,689	418,703	16,268,335	17,800,026
Total liabilities	<u>18,615,694</u>	<u>19,671,031</u>	<u>596,573</u>	<u>764,589</u>	<u>19,212,267</u>	<u>20,435,620</u>
Net Assets						
Invested in capital assets, net of related debt	23,737,069	16,932,472	1,075,741	1,029,440	24,812,810	17,961,912
Restricted	-	-	246,845	173,994	246,845	173,994
Unrestricted	<u>12,603,995</u>	<u>18,417,252</u>	<u>26,665</u>	<u>(82,204)</u>	<u>12,630,660</u>	<u>18,335,048</u>
Total Net Assets	<u>\$ 36,341,064</u>	<u>\$ 35,349,724</u>	<u>\$ 1,349,251</u>	<u>\$ 1,121,230</u>	<u>\$ 37,690,315</u>	<u>\$ 36,470,954</u>

**Campbell County
Management's Discussion and Analysis
June 30, 2007**

Changes in Net Assets

Governmental Activities. Campbell County's net assets increased by \$991,340 in fiscal year 2007. Key elements of this are as follows:

- Total assets decreased by \$63,997. This was primarily due to significant amounts spent in the current year on the jail addition.
- Current and long-term liabilities decreased by \$1,055,377 as a result of continued payments on bonds and financing obligations.
- Revenues were \$28,489,487, as reflected in the Statement of Activities.
- Expenses totaled \$27,498,147 as reflected in the Statement of Activities.

Business-type Activities. Campbell County's net assets for these activities increased by \$228,021.

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

	<u>2007</u> <u>Governmental</u> <u>Activities</u>	<u>2006</u> <u>Governmental</u> <u>Activities</u>	<u>2007</u> <u>Business-Type</u> <u>Activities</u>	<u>2006</u> <u>Business-Type</u> <u>Activities</u>	<u>2007</u> <u>Total</u>	<u>2006</u> <u>Total</u>
Revenues:						
Program Revenues:						
Charges for Services	\$1,839,033	\$1,954,365	\$1,188,148	\$1,149,411	\$3,027,181	\$3,103,776
Operating Grants and Contributions	6,352,823	6,700,536			6,352,823	6,700,536
Capital Grants and Contributions	280,670	1,093,853			280,670	1,093,853
General Revenues:						
Property Taxes	5,714,368	5,244,853			5,714,368	5,244,853
Occupational Taxes	8,412,905	7,872,812			8,412,905	7,872,812
Other Taxes	2,727,156	2,511,429			2,727,156	2,511,429
Excess Fees	1,239,254	722,955			1,239,254	722,955
Other	<u>1,923,278</u>	<u>1,284,110</u>	<u>181,605</u>	<u>(33,371)</u>	<u>2,104,883</u>	<u>1,250,739</u>
Total Revenues	<u>28,489,487</u>	<u>27,384,913</u>	<u>1,369,753</u>	<u>1,116,040</u>	<u>29,859,240</u>	<u>28,500,953</u>
Expenses:						
Governmental Activities						
General Government	11,792,474	12,347,792			11,792,474	12,347,792
Protective Services	6,554,837	6,032,680			6,554,837	6,032,680
Health and Sanitation	1,146,820	388,445			1,146,820	388,445
Social Services	3,734,123	3,101,862			3,734,123	3,101,862
Recreation and Culture	523,710	453,727			523,710	453,727
Roads	2,286,682	2,014,894			2,286,682	2,014,894
Bus Service	461,433	437,270			461,433	437,270
Debt Service	998,068	597,040			998,068	597,040
Capital Projects	-	84,668			-	84,668
Business Type Activities						
Jail Canteen			70,693	71,263	70,693	71,263
Lakeside Terrace Apts.			351,005	322,919	351,005	322,919
A.J. Jolly Park			<u>720,034</u>	<u>760,406</u>	<u>720,034</u>	<u>760,406</u>
Total Expenses	<u>27,498,147</u>	<u>25,458,378</u>	<u>1,141,732</u>	<u>1,154,588</u>	<u>28,639,879</u>	<u>26,612,966</u>
Change in net assets	991,340	1,926,535	228,021	(38,548)	1,219,361	1,887,987
Net Assets- Beginning	35,383,134	33,461,667	1,121,230	1,154,710	36,504,364	34,616,377
Restatement of Net Assets	<u>(33,410)</u>	<u>(5,068)</u>	<u>-</u>	<u>5,068</u>	<u>(33,410)</u>	<u>-</u>
Net Assets-Ending	<u>\$36,341,064</u>	<u>\$35,383,134</u>	<u>\$1,349,251</u>	<u>\$1,121,230</u>	<u>\$37,690,315</u>	<u>\$36,504,364</u>

**Campbell County
Management's Discussion and Analysis
June 30, 2007**

Financial Analysis of the County's Funds

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

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

As of the end of the June 30, 2007 fiscal year, the combined ending fund balance of county governmental funds was \$15,726,062. Approximately 90% (\$14,192,582) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$1,533,480) is reserved to indicate that it is not available for new spending because it is committed.

The county has seven major governmental funds. These are: 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) Payroll Tax Fund; 5) General Obligation Bond/Construction Fund; 6) Housing Choice Voucher Fund and 7) Public Properties Corporation. There are five non-major funds. They are the Developers Road Escrow Fund, Local Government Economic Assistance Fund, the Capital Projects Fund, Senior Citizen Tax Fund, and Mental Health Tax Fund.

1. The General Fund is the chief operating fund of Campbell County. At the end of the June 30, 2007 fiscal year, unreserved fund balance and total fund balance of the General Fund was \$6,848,271. During fiscal year 2007 there was a decrease of \$13,128 from the prior year-end general fund balance. The county received \$4,590,861 in Real Property tax revenues. This accounts for approximately 37% of the general fund revenue. \$3,850,663 was received from personal property, motor vehicle and insurance taxes which account for approximately 31% of the county's general fund revenues. Sheriff and Clerk fees accounted for \$1,239,254 or 10% of general fund revenues. Various other taxes, service fees and investment earnings make up the remaining 22% of revenues.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$168,646 in fund balance at June 30, 2007. The fund balance at the end of the previous year was \$504,451. The higher FY 2006 fund balance was due mainly to the timing of road expenditures. The fiscal year 2007 expenditures for road projects were approximately \$1.9 million. Intergovernmental revenues for the funding of road projects provided a total of \$1,079,214. Transfers from the general fund provided the majority of the remaining funding requirement.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2007 of \$286,283. That is a decrease in fund balance of \$89,107 from the previous fiscal year-end. The Jail Fund received \$1,727,645 from the state and federal governments for services, primarily for housing prisoners. Transfers from other funds were used to cover a total of \$5,090,341 in jail expenditures.

**Campbell County
Management's Discussion and Analysis
June 30, 2007**

Financial Analysis of the County's Funds (Continued)

4. The Payroll Tax Fund is used in part to provide funds for the operation of the regional transit system. As of 6/30/2007 the balance in this fund was \$5,938,406. This represented an increase in the fund balance of \$1,231,223 from the previous year-end.
5. The General Obligation Bond/Construction Fund is used to account for the bond issued last fiscal year and for the related jail construction. On June 1, 2006, the County of Campbell, Kentucky General Obligation Public Project Bonds, Series 2006 were issued in the amount of \$13,150,000. The proceeds from this issue were for the addition to the county jail. At 6/30/2007 the balance in this fund was \$751,249.
6. The Housing Choice Voucher Program ended the 2007 fiscal year with a fund balance of \$193,044. The previous year's balance was \$352,237. The Program derives nearly all of its revenue from The Department of Housing and Urban Development (HUD).
7. 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 6/30/07 was \$497,180. The 6/30/06 ending fund balance was \$483,478.
8. The total fund balance for the non-major funds as of June 30, 2007 was \$1,042,983. This represented a decrease over the prior year of \$98,033. Total expenditures for the non-major funds for the year were \$1,692,447. Capital project expenditures accounted for \$432,885 of this total. Other 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 \$403,016. Mental Health program revenues were \$800,913 for the year. The Mental Health Fund also received \$87,916 in Safe Haven funds from the Federal Government. A total of \$211,000 was transferred out of the Mental Health Fund to cover mental health expenditures made by other funds. Another fund included in this category is the Capital Projects fund. All of the revenue in this fund (besides a small amount of interest income) comes from transfers out of the General Fund. During fiscal year 2007 these transfers totaled \$365,436.

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 Jail Canteen Fund, the Lakeside Terrace Apartments, and A.J. Jolly Park.

1. The Jail Canteen Fund had net assets of \$8,730 as of June 30, 2007 with a cash balance of \$10,253. 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.
2. Lakeside Terrace Apartments had net assets of \$479,622 as of June 30, 2007 with a cash balance of \$80,279. Most of the revenue for this fund is derived from tenant payments. During fiscal year 2007 these tenant payments for rent amounted to \$291,168. Federal payments into this fund for tenant assistance amounted to \$72,898.

**Campbell County
Management's Discussion and Analysis
June 30, 2007**

Financial Analysis of the County's Funds (Continued)

3. A.J. Jolly Park net assets at 6/30/2007 amounted to \$860,899 with a cash balance of \$157,100. 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 the park amounted to \$746,720 at the fiscal year-end. Revenues for the golf course amounted to \$697,778 and were derived from user fees.

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 Fund to adjust for the receipt of various unanticipated revenues and related expenses.

Actual operating revenues were \$822,274 more than the amount budgeted by the Fiscal Court. This increase was primarily due to higher tax revenues and more excess fees received.

Actual operating expenditures were \$1,329,605 less than budgeted by the Fiscal Court. However, the budgeted amount includes approximately \$830,000 in reserve for contingency. Therefore, if this is not included, expenditures were only \$499,605 less than budgeted. This was primarily due to less than anticipated protection to persons and property and administration expenditures.

Capital Assets and Debt Administration

Capital Assets. Campbell County's investment in capital assets for its governmental and business type activities as of June 30, 2007, amounted to \$38,471,621 (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.

Major capital asset events during the 2007 fiscal year included further amounts towards the construction of an addition to the jail, purchase of additional land on Monmouth Street, purchase of the Alexandria Courthouse building and renovations to that building, the purchase of several police cruisers, and significant amounts spent on the resurfacing of various roads.

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

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Infrastructure Assets	\$14,332,892	\$14,728,312	\$ -	\$ -	\$14,332,892	\$14,728,312
Land	3,040,589	2,857,598	437,561	446,451	3,478,150	3,304,049
Bldgs. & Improvmts.	17,899,411	11,390,889	845,911	888,182	18,745,322	12,279,071
Other Equip.	897,564	1,007,803	189,307	191,546	1,086,871	1,199,349
Vehicles & Equip.	<u>828,386</u>	<u>808,798</u>	<u>-</u>	<u>-</u>	<u>828,386</u>	<u>808,798</u>
	<u>\$36,998,842</u>	<u>\$30,793,400</u>	<u>\$1,472,779</u>	<u>\$1,526,179</u>	<u>\$38,471,621</u>	<u>\$32,319,579</u>

**Campbell County
Management's Discussion and Analysis
June 30, 2007**

Capital Assets and Debt Administration

Long-Term Debt. At the end of the 2007 fiscal year, Campbell County had total long-term debt outstanding of \$17,592,347. The amount of this debt due within the next year is \$1,534,535 and 16,057,812 is due in subsequent years. This debt is for the district and circuit court facilities, jail and park facilities and equipment and emergency dispatch center equipment. This debt is described in note 8 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 2008 fiscal year budget:

- The 2008 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.
- The increasing cost of housing prisoners in the Campbell County Detention Center continues to be a drain on the overall budget. The county has recently completed a major jail renovation/construction phase which significantly increased the capacity of the jail. The expanded capacity has improved operating efficiency and will lend to an improvement in revenues from jail operations. Campbell County, along with most of the other counties in Kentucky, continues to seek legislative help in dealing with the financial burden of housing inmates.
- In the upcoming fiscal year, the county plans to release bid documents for the construction of a new administrative office building to be located in Newport, Kentucky. In addition to providing new offices for the Fiscal Court, this facility will house offices for the local Health Department, the County Clerk, the County Sheriff and the Property Valuation Administrator. Completion of this project is anticipated for the summer of 2009.

Requests for Information

This financial report is designed to provide a general overview of Campbell County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to James D. Seibert, Fiscal Director, Campbell County Fiscal Court, 24 West 4th St., Newport, KY 41071.

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**CAMPBELL COUNTY
STATEMENT OF NET ASSETS**

June 30, 2007

CAMPBELL COUNTY
STATEMENT OF NET ASSETS

June 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 12,870,756	\$ 187,732	\$ 13,058,488
Cash - Restricted	-	59,900	59,900
Accounts Receivable	4,103,156	2,433	4,105,589
Prepaid Expenses	-	14,622	14,622
Notes/Capital Lease Receivable Due Within One Year	315,938	-	315,938
Total Current Assets	17,289,850	264,687	17,554,537
Noncurrent Assets:			
Notes/Capital Lease Receivable Due After One Year	381,820	-	381,820
Bond Issuance Costs, Net	101,580	-	101,580
Discount on Bond, Net	184,666	-	184,666
Tenant Deposits Held in Trust	-	21,413	21,413
Escrow Deposits	-	17,156	17,156
Residual Receipts	-	152,489	152,489
Replacement Reserve	-	17,300	17,300
Capital Assets - Net of Accumulated Depreciation			-
Land	3,040,589	437,561	3,478,150
Land Improvements	308,321	444,766	753,087
Construction in Progress	7,638,555	3,600	7,642,155
Buildings	9,952,535	401,145	10,353,680
Portable Building Equipment	-	58,123	58,123
Equipment for Tenant Use	-	12,400	12,400
Furnishings	-	9,590	9,590
Office Furniture and Equipment	-	2,680	2,680
Maintenance Equipment	-	1,399	1,399
Golf Equipment	-	93,058	93,058
Clubhouse Furniture and Fixtures	-	8,457	8,457
Other Equipment	889,080	-	889,080
Furniture and Fixtures	8,484	-	8,484
Vehicles and Equipment	828,386	-	828,386
Infrastructure Assets - Net of Accumulated Depreciation	14,332,892	-	14,332,892
Total Noncurrent Assets	37,666,908	1,681,137	39,348,045
Total Assets	\$ 54,956,758	\$ 1,945,824	\$ 56,902,582

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

CAMPBELL COUNTY
STATEMENT OF NET ASSETS
June 30, 2007
(Continued)

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 1,037,723	\$ 49,305	\$ 1,087,028
Accrued Salaries and Payroll Taxes	181,075	33,157	214,232
Compensated Absences	12,477	-	12,477
Accounts Payable - Project Improvement	-	71,930	71,930
Sales Tax Payable	-	2,215	2,215
Accrued Interest	-	21,515	21,515
Financing Obligations:			
Due Within One Year	361,773	107,762	469,535
Bonds Payable:			
Due Within One Year	1,065,000	-	1,065,000
Total Current Liabilities	2,658,048	285,884	2,943,932
Noncurrent Liabilities:			
Tenant Security Deposits	-	21,413	21,413
Flexibe Subsidy Loan Payable	-	151,464	151,464
Financing Obligations:			
Due in More than One Year	-	137,812	137,812
Bonds Payable:			
Due in More than One Year	15,920,000	-	15,920,000
Compensated Absences	37,646	-	37,646
Total Noncurrent Liabilities	15,957,646	310,689	16,268,335
Total Liabilities	18,615,694	596,573	19,212,267
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	23,737,069	1,075,741	24,812,810
Restricted	-	246,845	246,845
Unrestricted	12,603,995	26,665	12,630,660
Total Net Assets	\$ 36,341,064	\$ 1,349,251	\$ 37,690,315

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

**CAMPBELL COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2007

**CAMPBELL COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2007

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	\$ 11,792,474	\$ 246,319	\$ 448,175	\$ -
Protection to Persons and Property	6,554,837	1,538,980	716,968	-
General Health and Sanitation	1,146,820	37,439	-	-
Social Services	3,734,123	-	4,406,603	-
Recreation and Culture	523,710	16,295	62,254	-
Roads	2,286,682	-	360,223	280,670
Bus Service	461,433	-	358,600	-
Debt Service	998,068	-	-	-
Total Governmental Activities	<u>27,498,147</u>	<u>1,839,033</u>	<u>6,352,823</u>	<u>280,670</u>
Business-type Activities:				
Lakeside Terrace Apartments	351,005	422,318	-	-
A.J. Jolly Park	720,034	697,427	-	-
Jail Canteen	70,693	68,403	-	-
Total Business-type Activities	<u>1,141,732</u>	<u>1,188,148</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 28,639,879</u></u>	<u><u>\$ 3,027,181</u></u>	<u><u>\$ 6,352,823</u></u>	<u><u>\$ 280,670</u></u>

General Revenues:

Taxes:
Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes and Licenses
Occupational Taxes
Other Taxes
Excess Fees
Unrestricted Investment Earnings
Miscellaneous Revenues
Gain on Sale of Capital Assets
Transfers
 Total General Revenues
Change in Net Assets
Net Assets - Beginning (Restated)
 Net Assets - Ending

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

CAMPBELL COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2007
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Totals
\$ (11,097,980)	\$ -	\$ (11,097,980)
(4,298,889)	-	(4,298,889)
(1,109,381)	-	(1,109,381)
672,480	-	672,480
(445,161)	-	(445,161)
(1,645,789)	-	(1,645,789)
(102,833)	-	(102,833)
(998,068)	-	(998,068)
<u>(19,025,621)</u>	<u>-</u>	<u>(19,025,621)</u>
-	71,313	71,313
-	(22,607)	(22,607)
<u>-</u>	<u>(2,290)</u>	<u>(2,290)</u>
<u>-</u>	<u>46,416</u>	<u>46,416</u>
<u>\$ (19,025,621)</u>	<u>\$ 46,416</u>	<u>\$ (18,979,205)</u>
4,590,861	-	4,590,861
430,686	-	430,686
692,821	-	692,821
8,412,905	-	8,412,905
2,727,156	-	2,727,156
1,239,254	-	1,239,254
890,955	4,378	895,333
995,973	162,773	1,158,746
-	50,804	50,804
36,350	(36,350)	-
<u>20,016,961</u>	<u>181,605</u>	<u>20,198,566</u>
991,340	228,021	1,219,361
35,349,724	1,121,230	36,470,954
<u>\$ 36,341,064</u>	<u>\$ 1,349,251</u>	<u>\$ 37,690,315</u>

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

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**CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2007

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2007

	General Fund	Road Fund	Jail Fund	(TANK) Payroll Tax Fund	General Obligation Bond/Construction Fund
ASSETS					
Cash and Cash Equivalents	\$ 6,611,243	\$ 209,035	\$ 61,093	\$ 3,639,741	\$ 835,592
Accounts Rec - Taxes	109,938	-	-	1,940,065	-
Accounts Rec - Excess Fees	175,127	-	-	-	-
Accounts Rec - Licenses & Permits	200	-	-	-	-
Accounts Rec - Intergov Rev.	87,255	532,860	388,863	358,600	-
Accounts Rec- Charges for Services	-	-	507	-	-
Accounts Rec - Miscellaneous	144,614	1,073	16,485	-	-
Total Assets	7,128,377	742,968	466,948	5,938,406	835,592
LIABILITIES AND FUND BALANCES					
LIABILITES					
Accounts Payable	169,154	557,670	115,703	-	84,343
Accrued Salaries and Payroll Taxes	94,377	16,652	64,962	-	-
Deferred Revenue - Delinquent Taxes	16,575	-	-	-	-
Compensated Absences	-	-	-	-	-
Total Liabilities	280,106	574,322	180,665	-	84,343
FUND BALANCES					
Reserved for:					
Encumbrances	-	29,740	-	-	503,685
TANK Contribution	-	-	-	1,000,055	-
Unreserved:					
General Fund	6,848,271	-	-	-	-
Special Revenue Funds	-	138,906	286,283	4,938,351	-
Debt Service Funds	-	-	-	-	247,564
Total Fund Balances	6,848,271	168,646	286,283	5,938,406	751,249
Total Liabilities and Fund Balances	\$ 7,128,377	\$ 742,968	\$ 466,948	\$ 5,938,406	\$ 835,592

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

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2007
(Continued)

Housing Choice Voucher Program	Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$ 240,476	\$ 497,180	\$ 776,396	\$ 12,870,756
-	-	323,510	2,373,513
-	-	-	175,127
-	-	-	200
-	-	24,059	1,391,637
-	-	-	507
-	-	-	162,172
<u>240,476</u>	<u>497,180</u>	<u>1,123,965</u>	<u>16,973,912</u>
31,983	-	78,870	1,037,723
2,972	-	2,112	181,075
-	-	-	16,575
<u>12,477</u>	<u>-</u>	<u>-</u>	<u>12,477</u>
<u>47,432</u>	<u>-</u>	<u>80,982</u>	<u>1,247,850</u>
-	-	-	533,425
-	-	-	1,000,055
-	-	-	6,848,271
193,044	-	1,042,983	6,599,567
-	497,180	-	744,744
<u>193,044</u>	<u>497,180</u>	<u>1,042,983</u>	<u>15,726,062</u>
<u>\$ 240,476</u>	<u>\$ 497,180</u>	<u>\$ 1,123,965</u>	<u>\$ 16,973,912</u>

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

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2007
(Continued)

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

Total Fund Balances	\$ 15,726,062
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Certain receivables reported in governmental activities are not financial resources and therefore are not reported in the funds	
Notes Receivable: One Year	315,938
Notes Receivable: More than One Year	381,820
Certain revenues are earned but not available, and therefore, are deferred in the funds	
Deferred Revenue - Delinquent Taxes	16,575
Capital Assets Used in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds.	64,823,852
Accumulated Depreciation	(27,825,010)
Bond Issuance Costs Reported in Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported in the Funds	101,580
Discount on Bond Reported in Governmental Activities Is Not Financial Resource	
And Therefore Is Not Reported in the Funds	184,666
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	(1,426,773)
Due in More than One Year - Bonds, Notes, and Other Principal Payments	(15,920,000)
Compensated Absences	(37,646)
	<hr/>
Net Assets Of Governmental Activities	<u>\$ 36,341,064</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, 2007

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

For The Year Ended June 30, 2007

	General Fund	Road Fund	Jail Fund	(TANK) Payroll Tax Fund
REVENUES				
Taxes	\$ 8,448,349	\$ -	\$ -	\$ 7,208,965
Excess Fees	1,239,255	-	-	-
Licenses and Permits	236,398	-	-	-
Intergovernmental	759,362	1,079,214	1,727,645	358,600
Charges for Services	33,132	-	189,248	-
Miscellaneous	1,292,996	23,795	170,437	-
Interest	390,072	23,929	7,472	163,920
Total Revenues	<u>12,399,564</u>	<u>1,126,938</u>	<u>2,094,802</u>	<u>7,731,485</u>
EXPENDITURES				
General Government	3,619,065	-	-	3,783,538
Protection to Persons and Property	2,388,582	-	3,734,053	-
General Health and Sanitation	361,299	-	-	-
Social Services	134,365	-	-	-
Recreation and Culture	392,439	-	-	-
Roads	-	1,867,427	-	-
Bus Service	-	-	-	461,433
Debt Service	405,552	91,865	282,965	-
Capital Projects	594,796	37,239	-	-
Administration	2,540,591	366,212	1,073,323	5,291
Total Expenditures	<u>10,436,689</u>	<u>2,362,743</u>	<u>5,090,341</u>	<u>4,250,262</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,962,875</u>	<u>(1,235,805)</u>	<u>(2,995,539)</u>	<u>3,481,223</u>
Other Financing Sources (Uses)				
Transfers in From Proprietary Funds - Principal & Interest	-	-	-	-
Transfers From Other Funds	1,270,865	900,000	2,906,432	-
Transfers To Other Funds	<u>(3,246,868)</u>	<u>-</u>	<u>-</u>	<u>(2,250,000)</u>
Total Other Financing Sources (Uses)	<u>(1,976,003)</u>	<u>900,000</u>	<u>2,906,432</u>	<u>(2,250,000)</u>
Net Change in Fund Balances	(13,128)	(335,805)	(89,107)	1,231,223
Fund Balances - Beginning, as restated	6,861,399	504,451	375,390	4,707,183
Fund Balances - Ending	<u>\$ 6,848,271</u>	<u>\$ 168,646</u>	<u>\$ 286,283</u>	<u>\$ 5,938,406</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, 2007
(Continued)

General Obligation Bond/Construction Fund	Housing Choice Voucher Program	Public Properties Corporation Fund	Non- Major Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 1,203,929	\$ 16,861,243
-	-	-	-	1,239,255
-	-	-	-	236,398
-	3,293,346	174,537	177,679	7,570,383
-	-	-	1,048	223,428
4,858	-	4,200	28,744	1,525,030
215,871	16,610	23,167	49,915	890,956
<u>220,729</u>	<u>3,309,956</u>	<u>201,904</u>	<u>1,461,315</u>	<u>28,546,693</u>
-	370,888	-	5,809	7,779,300
-	-	-	250	6,122,885
-	-	-	740,718	1,102,017
-	3,098,261	-	452,857	3,685,483
-	-	-	-	392,439
-	-	-	18,847	1,886,274
-	-	-	-	461,433
608,890	-	501,365	13,590	1,904,227
6,169,494	-	-	432,885	7,234,414
68	-	9,659	27,491	4,022,635
<u>6,778,452</u>	<u>3,469,149</u>	<u>511,024</u>	<u>1,692,447</u>	<u>34,591,107</u>
<u>(6,557,723)</u>	<u>(159,193)</u>	<u>(309,120)</u>	<u>(231,132)</u>	<u>(6,044,414)</u>
-	-	36,350	-	36,350
-	-	286,472	365,436	5,729,205
-	-	-	(232,337)	(5,729,205)
-	-	322,822	133,099	36,350
(6,557,723)	(159,193)	13,702	(98,033)	(6,008,064)
7,308,972	352,237	483,478	1,141,016	21,734,126
<u>\$ 751,249</u>	<u>\$ 193,044</u>	<u>\$ 497,180</u>	<u>\$ 1,042,983</u>	<u>\$ 15,726,062</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, 2007

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, 2007

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds \$ (6,008,064)

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:

Buildings, equipment, and other depreciable assets	7,453,899
Infrastructure	909,531
Depreciation expense	(2,157,988)

Capital Contribution to Dispatch	(207,996)
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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.	(86,732)
--	----------

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.

Compensated absence payments	(3,096)
------------------------------	---------

Some deferred revenue reported in the governmental funds in prior years is recognized as revenue in the current year. This revenue was previously recognized as revenue on the statement of activities and has therefore been eliminated.	(6,825)
---	---------

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 principal	1,114,155
Amortization of bond issuance costs and bond discount	(15,544)
	1,114,155

Change in Net Assets of Governmental Activities	\$ 991,340
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CAMPBELL COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND

June 30, 2007

CAMPBELL COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND

June 30, 2007

Business-Type Activities - Enterprise Funds

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 80,279	\$ 97,200	\$ 10,253	\$ 187,732
Cash - Restricted	-	59,900	-	59,900
Accounts Receivable	-	-	2,433	2,433
Prepaid Expenses	6,796	7,826	-	14,622
Total Current Assets	87,075	164,926	12,686	264,687
Noncurrent Assets:				
Tenant Deposits Held in Trust	21,413	-	-	21,413
Escrow Deposits	17,156	-	-	17,156
Residual Receipts	152,489	-	-	152,489
Replacement Reserve	17,300	-	-	17,300
Total Restricted Deposits	208,358	-	-	208,358
Capital Assets:				
Land	268,340	437,561	-	705,901
Construction in Progress	3,600	-	-	3,600
Land Improvements	-	688,820	-	688,820
Buildings	1,707,346	123,240	-	1,830,586
Building Equipment - Portable	92,255	-	-	92,255
Equipment for Tenant Use	78,121	-	-	78,121
Furnishings	42,867	-	-	42,867
Office Furniture and Equipment	8,482	-	-	8,482
Clubhouse Furniture and Fixtures	-	94,708	-	94,708
Maintenance Equipment	3,897	-	-	3,897
Golf Equipment	-	554,708	-	554,708
Total Capital Assets	2,204,908	1,899,037	-	4,103,945
Less Accumulated Depreciation	(1,478,849)	(1,152,317)	-	(2,631,166)
Net Capital Assets	726,059	746,720	-	1,472,779
Total Noncurrent Assets	934,417	746,720	-	1,681,137
Total Assets	\$ 1,021,492	\$ 911,646	\$ 12,686	\$ 1,945,824

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

CAMPBELL COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND
June 30, 2007
(Continued)

Business-Type Activities - Enterprise Funds

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Liabilities				
Current Liabilities				
Accounts Payable	\$ 22,723	\$ 22,907	\$ 3,675	\$ 49,305
Accounts Payable - Project Improvement	71,930	-	-	71,930
Current Portion of Mortgage Payable	107,762	-	-	107,762
Sales Tax Payable	-	2,215	-	2,215
Accrued Salaries and Payroll Taxes	7,251	25,625	281	33,157
Accrued Interest	21,515	-	-	21,515
Total Current Liabilities	<u>231,181</u>	<u>50,747</u>	<u>3,956</u>	<u>285,884</u>
Noncurrent Liabilities				
Tenant Security Deposits	21,413	-	-	21,413
Mortgage Payable, Less Current Portion	137,812	-	-	137,812
Flexible Subsidy Loan Payable	151,464	-	-	151,464
Total Noncurrent Liabilities	<u>310,689</u>	<u>-</u>	<u>-</u>	<u>310,689</u>
Total Liabilities	<u>541,870</u>	<u>50,747</u>	<u>3,956</u>	<u>596,573</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	329,021	746,720	-	1,075,741
Restricted	186,945	59,900	-	246,845
Unrestricted	<u>(36,344)</u>	<u>54,279</u>	<u>8,730</u>	<u>26,665</u>
Total Net Assets	<u>\$ 479,622</u>	<u>\$ 860,899</u>	<u>\$ 8,730</u>	<u>\$ 1,349,251</u>

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

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

For The Year Ended June 30, 2007

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

For The Year Ended June 30, 2007

Business-Type Activities - Enterprise Funds

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Operating Revenues				
Rent Revenue - Gross Potential	\$ 291,168	\$ -	\$ -	\$ 291,168
Tenant Assistance Payments	72,898	-	-	72,898
Total Potential Rent Revenue	364,066	-	-	364,066
Vacancies - Apartments	(3,520)	-	-	(3,520)
Net Rental Revenue	360,546	-	-	360,546
Golf	-	465,811	-	465,811
Rentals - Power Carts	-	216,006	-	216,006
Rentals - Miscellaneous	-	672	-	672
Concession Commissions	-	11,996	-	11,996
Miscellaneous Revenue	-	3,293	68,403	71,696
Total Operating Revenues	360,546	697,778	68,403	1,126,727
Less:				
Rent Expense - Power Carts	-	30,709	-	30,709
Gross Profit on Operating Revenues	360,546	667,069	68,403	1,096,018
Operating Expenses				
Protection to Persons and Property	-	-	69,826	69,826
Golf	-	437,857	-	437,857
Clubhouse	-	192,355	-	192,355
Administrative	62,438	59,113	867	122,418
Depreciation	65,141	-	-	65,141
Utilities	91,233	-	-	91,233
Operating and Maintenance Expense	98,845	-	-	98,845
Taxes and Insurance	30,673	-	-	30,673
Financial Expense	2,675	-	-	2,675
Total Operating Expenses	351,005	689,325	70,693	1,111,023
Operating Income (Loss)	9,541	(22,256)	(2,290)	(15,005)

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

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
For The Year Ended June 30, 2007
(Continued)

Business-Type Activities - Enterprise Funds

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Nonoperating Revenues (Expenses)				
Transfer to Pay on Lease	\$ -	\$ (36,701)	\$ -	\$ (36,701)
Revenue from Investments - Project Operations	1,806	-	-	1,806
Revenue from Investments - Reserve for Replacements	1,109	-	-	1,109
Miscellaneous Revenue from Dep't of Trans	-	17,773	-	17,773
Contribution from General Fund	-	50,000	-	50,000
Forgiveness of Debt	-	95,000	-	95,000
Total Financial Revenue	2,915	126,072	-	128,987
Interest Reduction Payments Revenue	57,084	-	-	57,084
Laundry and Vending Revenue	4,688	-	-	4,688
(Loss) Gain on Sale of Capital Assets	(206)	51,010	-	50,804
Total Other Revenue	61,566	51,010	-	112,576
Interest Income	-	936	527	1,463
Total Nonoperating Revenues (Expenses)	64,481	178,018	527	243,026
Change In Net Assets	74,022	155,762	(1,763)	228,021
Total Net Assets - Beginning	405,600	705,137	10,493	1,121,230
Total Net Assets - Ending	\$ 479,622	\$ 860,899	\$ 8,730	\$ 1,349,251

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

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

For The Year Ended June 30, 2007

CAMPBELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND

For The Year Ended June 30, 2007

	Lakeside Terrace Apartments	A.J. Jolly Park	Jail Canteen Fund	Total
Cash Flows From Operating Activities				
Receipts from Green Fees	\$ -	\$ 465,811	\$ -	\$ 465,811
Rental for Golf Carts	-	216,006	-	216,006
Miscellaneous Rentals	-	672	-	672
Rental Receipts	360,546	-	-	360,546
Laundry and Vending Revenue	4,688	-	-	4,688
Excess Rent Retained by Project	312	-	-	312
Interest Reduction Payments Revenue	57,084	-	-	57,084
Other Revenue	-	11,996	-	11,996
Miscellaneous Revenue	-	3,293	75,834	79,127
Cash Payments to Employees	(89,836)	(393,957)	(867)	(484,660)
Cash Payments to Suppliers	(184,583)	(247,891)	(68,883)	(501,357)
Net Cash Provided By Operating Activities	<u>148,211</u>	<u>55,930</u>	<u>6,084</u>	<u>210,225</u>
Cash Flows From Capital and Related Financing Activities				
Purchase of Capital Assets	(66,483)	(19,296)	-	(85,779)
Transfers to Pay on Lease	-	(36,701)	-	(36,701)
Proceeds from Sale of Property	-	59,900	-	59,900
Mortgage Principal Payments	(99,701)	-	-	(99,701)
Net Cash (Used) Provided By Capital and Related Financing Activities	<u>(166,184)</u>	<u>3,903</u>	<u>-</u>	<u>(162,281)</u>
Cash Flows from Non-Capital Financing Activities				
Receipts from Dep't of Transportation	-	17,773	-	17,773
Receipts from Campbell County General Fund	-	50,000	-	50,000
Net Cash Provided By Non -Capital Financing Activities	<u>-</u>	<u>67,773</u>	<u>-</u>	<u>67,773</u>
Cash Flows From Investing Activities				
Interest Earned	2,603	936	527	4,066
Net Deposits to Reserve for Replacements Account	(10,716)	-	-	(10,716)
Net Deposits to Mortgage Escrow Account	(2,698)	-	-	(2,698)
Net Deposits to Residual Receipts Account	463	-	-	463
Net Cash (Used) Provided By Investing Activities	<u>(10,348)</u>	<u>936</u>	<u>527</u>	<u>(8,885)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	<u>(28,321)</u>	<u>128,542</u>	<u>6,611</u>	<u>106,832</u>
Cash and Cash Equivalents - July 1, 2006	<u>108,600</u>	<u>28,558</u>	<u>3,642</u>	<u>140,800</u>
Cash and Cash Equivalents - June 30, 2007	<u>\$ 80,279</u>	<u>\$ 157,100</u>	<u>\$ 10,253</u>	<u>\$ 247,632</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, 2007
 (Continued)

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Lakeside Terrace Apartments</u>	<u>A.J. Jolly Park</u>	<u>Jail Canteen Fund</u>	<u>Total</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 9,541	\$ (22,256)	\$ (2,290)	\$ (15,005)
Adjustments to Reconcile Operating Income To Net Cash Provided By Operating Activities				
Depreciation Expense	65,141	64,942	-	130,083
Other Revenue	61,878	-	-	61,878
Loss on Disposal of Capital Assets	206	-	-	206
Changes In:				
Accounts Receivable	-	-	7,431	7,431
Miscellaneous Prepaid Expenses	439	(1,054)	-	(615)
Accounts Payable	7,712	13,129	743	21,584
Sales Tax Payable	-	265	-	265
Accrued Interest	1,515	-	-	1,515
Accrued Payroll and Taxes	1,779	904	200	2,883
Net Cash Provided By Operating Activities	<u>\$ 148,211</u>	<u>\$ 55,930</u>	<u>\$ 6,084</u>	<u>\$ 210,225</u>

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

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

June 30, 2007

CAMPBELL COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS

June 30, 2007

	<u>Agency Funds</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	<u>\$ 36,705</u>
 Total Assets	 <u> 36,705</u>
 Liabilities	
Amounts Held In Custody For Others	<u> 36,705</u>
 Total Liabilities	 <u>\$ 36,705</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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.)

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, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

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

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

A.J. Jolly Park:

The activities of A.J. Jolly Park (an agency of the Campbell County Fiscal Court) are accounted for using the enterprise fund principle. This reported 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.

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

D. Government-wide and Fund Financial Statements

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Program revenues are resources that derive directly from the program itself or from parties outside the government that reduce the total expense of the benefiting functional activity to arrive at the net expense of the activity. The Statement of Activities categorizes program revenues into three groups: charges for goods, services, and other benefits; operating grants and contributions; and capital grants and contributions. Revenues not considered program revenues are classified as general revenues. General revenues include all taxes regardless of type.

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

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

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 Governor's Office for Local Development 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 Governor's Office for Local Development 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 Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

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

General Obligation Bond/Construction Fund - The purpose of this fund is to account for the General Obligation Public Project Bonds, Series 2006 issued in June 2006. This bond issue is being used for the addition to the jail. The primary source of revenue for this fund is the proceeds from the bond issue.

Note 1. Summary of Significant Accounting Policies (Continued)

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

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

Governmental Funds (Continued)

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, the Developer Road Escrow Fund, and the Capital Projects 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, and 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.

Capital Projects Fund:

The Capital Projects Fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds:

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

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

Proprietary Funds

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Proprietary Funds (Continued)

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.

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 and the Employee Fund Account.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

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.

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	10-20
Buildings and Building Improvements	\$ 5,000	25-40
Machinery and Equipment	\$ 5,000	5-10
Vehicles	\$ 5,000	5-10
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.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

G. Long-term Obligations (Continued)

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Compensated Absences

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

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

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

H. Fund Equity

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

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

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

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

I. Budgetary Information

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

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information (Continued)

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.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

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

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

J. Receivables

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

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

K. Interfund Receivables and Payables

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

L. Deferred Revenue

Deferred revenues are treated as liabilities in the governmental funds until all requirements for revenue recognition are met.

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.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

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, 2007, all deposits were covered by FDIC Insurance or a properly executed collateral security agreement.

B. Investments

At June 30, 2007, 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, except for the sweep investment account portion of the county's Payroll Tax Checking Account. This is considered an investment by the bank and is not collateralized by pledged securities. As of June 30, 2007, the amount of the sweep investment account that was exposed to custodial credit risk was \$1,462,530.

Note 3. Operating Leases

The fiscal court entered into a lease agreement for copiers to be used by various county departments. The total expense related to this lease was \$4,597 for the fiscal year ended June 30, 2007. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Governmental Activities Amount</u>
2008	\$ 4,406
2009	4,038
Total Minimum Lease Payments	<u>\$ 8,444</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 3. Operating Leases (Continued)

The Park entered into a three-year lease for golf carts effective September 2006 for a total rental of \$164,346. This replaced the previous lease for golf carts that expired in September 2006. 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. Lease expense related to this lease was \$30,709 for the fiscal year ended June 30, 2007. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Business-type Activities Amount</u>
2008	\$ 54,782
2009	54,782
2010	<u>31,304</u>
Total Minimum Lease Payments	<u>\$ 140,868</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance	Increases	Decreases	
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 2,857,598	\$ 182,991	\$ -	\$ 3,040,589
Construction In Progress	1,296,989	6,341,566	-	7,638,555
Total Capital Assets Not Being Depreciated	<u>4,154,587</u>	<u>6,524,557</u>	<u>-</u>	<u>10,679,144</u>
Capital Assets, Being Depreciated:				
Land Improvements	407,062	76,430	-	483,492
Buildings	13,571,287	471,342	-	14,042,629
Other Equipment	1,809,452	75,473	-	1,884,925
Furniture and Fixtures	106,963	-	-	106,963
Vehicles and Equipment	2,775,145	306,097	(111,032)	2,970,210
Infrastructure	33,746,958	909,531	-	34,656,489
Total Capital Assets Being Depreciated	<u>52,416,867</u>	<u>1,838,873</u>	<u>(111,032)</u>	<u>54,144,708</u>
Less Accumulated Depreciation For:				
Land Improvements	(143,496)	(31,675)	-	(175,171)
Buildings	(3,740,953)	(349,141)	-	(4,090,094)
Other Equipment	(816,882)	(178,963)	-	(995,845)
Furniture and Fixtures	(91,730)	(6,749)	-	(98,479)
Vehicles and Equipment	(1,966,347)	(286,509)	111,032	(2,141,824)
Infrastructure	(19,018,646)	(1,304,951)	-	(20,323,597)
Total Accumulated Depreciation	<u>(25,778,054)</u>	<u>(2,157,988)</u>	<u>111,032</u>	<u>(27,825,010)</u>
Total Capital Assets, Being Depreciated, Net	<u>26,638,813</u>	<u>(319,115)</u>	<u>-</u>	<u>26,319,698</u>
Governmental Activities Capital Assets, Net	<u>\$ 30,793,400</u>	<u>\$ 6,205,442</u>	<u>\$ -</u>	<u>\$ 36,998,842</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(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	\$ 446,451	\$ -	\$ (8,890)	\$ 437,561
Land Improvements	268,340	-	-	268,340
Construction in Progress	-	3,600	-	3,600
Total Capital Assets Not Being Depreciated	714,791	3,600	(8,890)	709,501
Capital Assets, Being Depreciated:				
Land Improvements	688,820	-	-	688,820
Buildings	1,777,826	52,760	-	1,830,586
Portable Building Equipment	86,587	5,668	-	92,255
Equipment for Tenant Use	77,843	632	(354)	78,121
Furnishings	44,727	-	(1,860)	42,867
Office Furniture and Equipment	8,229	2,374	(2,121)	8,482
Maintenance Equipment	6,756	1,449	(4,308)	3,897
Clubhouse Furniture and Fixtures	94,708	-	-	94,708
Golf Equipment	562,040	19,296	(26,627)	554,709
Total Capital Assets Being Depreciated	3,347,536	82,179	(35,270)	3,394,445
Less Accumulated Depreciation For:				
Land Improvements	(470,050)	(42,344)	-	(512,394)
Buildings	(1,376,754)	(52,687)	-	(1,429,441)
Portable Building Equipment	(25,681)	(8,451)	-	(34,132)
Equipment for Tenant Use	(61,891)	(4,184)	354	(65,721)
Furnishings	(32,893)	(2,244)	1,860	(33,277)
Office Furniture and Equipment	(7,014)	(703)	1,915	(5,802)
Maintenance Equipment	(6,688)	(118)	4,308	(2,498)
Clubhouse Furniture and Fixtures	(84,023)	(2,228)	-	(86,251)
Golf Equipment	(471,154)	(17,124)	26,627	(461,651)
Total Accumulated Depreciation	(2,536,148)	(130,083)	35,064	(2,631,167)
Total Capital Assets, Being Depreciated, Net	811,388	(47,904)	(206)	763,278
Business-Type Activities Capital Assets, Net	\$ 1,526,179	\$ (44,304)	\$ (9,096)	\$ 1,472,779

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 4. Capital Assets (Continued)

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

Governmental Activities:

General Government	\$ 216,479
Protection to Persons and Property	428,676
General Health and Sanitation	44,803
Social Services	48,640
Recreation and Culture	131,271
Roads, Including Depreciation of General Infrastructure Assets	<u>1,288,119</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,157,988</u>

Business-Type Activities

A.J. Jolly Park	\$ 64,942
Lakeside Terrace Apartments	<u>65,141</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 130,083</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. Note Receivable

Campbell County Consolidated Dispatch Board

The Campbell County Consolidated Dispatch Board entered into a six-year note payable at 3.25% in the amount of \$1,250,000 in accordance with the Memorandum of Understanding (see note 8E) with the Campbell County Fiscal Court dated June 27, 2002. The repayment of the note began during fiscal year 2003. Annual debt service requirements to maturity are as follows:

Fiscal Year <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Other Fees</u>	<u>Total</u>
2008	<u>\$226,108</u>	<u>\$14,412</u>	<u>\$291</u>	<u>\$240,811</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 7. Capital Lease Receivable

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

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

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

At June 30, 2007, the future minimum payments required under the lease agreement and the present value of minimum capital lease payments are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$60,000	\$15,127	\$75,127
2009	65,000	12,797	77,797
2010	65,000	10,262	75,262
2011	70,000	7,527	77,527
2012	70,000	4,640	74,640
Thereafter	<u>75,000</u>	<u>1,594</u>	<u>76,594</u>
	<u>\$405,000</u>	<u>\$51,947</u>	<u>\$456,947</u>

Note 8. Long-term Debt

A. 2001 Refunding Bonds

The Campbell County Fiscal Court issued as of July 1, 2001 \$2,520,000 General Project Refunding Bond, Series 2001, to refund Campbell, County Kentucky Public Properties Corporation Multiple Projects Revenue Bonds, Series 1992. In the 1992 series, a portion of the project was subleased by the County to the Campbell County Extension District Board pursuant to a sublease dated December 1, 1992 for automatically renewable annual periods through December 1, 2012. Payments to the County under the sublease are equal to the pro-rata portion of the lease payments to be made by the County, which are allocable to the portion of the project being subleased to the Extension District Board. The outstanding balance due to the Campbell County Fiscal Court from the Extension District Board as of June 30, 2007 was \$405,000.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 8. Long-term Debt (Continued)

A. 2001 Refunding Bonds (Continued)

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

Bonds outstanding on June 30, 2007 were \$1,795,000. The debt service requirements for future fiscal years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2008	\$ 135,000	\$ 76,064
2009	145,000	70,845
2010	150,000	65,090
2011	155,000	58,913
2012	160,000	52,415
2013-2017	470,000	186,943
2018-2022	470,000	87,424
2023	110,000	2,750
Totals	<u>\$ 1,795,000</u>	<u>\$ 600,444</u>

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

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

Bonds outstanding on June 30, 2007 were \$1,820,000. The debt service requirements for future fiscal years are as follows

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2008	\$ 245,000	\$ 81,481
2009	255,000	69,481
2010	265,000	57,000
2011	285,000	43,800
2012	95,000	34,680
2013-2017	550,000	98,398
2018	125,000	3,000
Totals	<u>\$ 1,820,000</u>	<u>\$ 387,840</u>

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 8. Long-term Debt (Continued)

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

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

Bonds outstanding on June 30, 2007 were \$470,000. The debt service requirements for future fiscal years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2008	\$ 165,000	\$ 16,662
2009	170,000	9,459
2010	135,000	2,902
Totals	<u>\$ 470,000</u>	<u>\$ 29,023</u>

D. General Obligation Public Project Bonds, Series 2006

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

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 8. Long-term Debt (Continued)

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

Bonds outstanding on June 30, 2007 were \$12,900,000. The debt service requirements for future fiscal years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2008	\$ 520,000	\$ 521,344
2009	545,000	500,044
2010	565,000	477,844
2011	590,000	454,744
2012	615,000	430,644
2013-2017	3,330,000	1,758,517
2018-2022	3,425,000	1,085,806
2023-2026	3,310,000	295,280
Totals	<u>\$ 12,900,000</u>	<u>\$ 5,524,223</u>

E. Kentucky Association of Counties Leasing Trust

The Campbell County Fiscal Court, the City of Fort Thomas, and the City of Newport entered into an inter-local agreement dated January 9, 2001, which created Campbell County Consolidated Dispatch Board (Note 6.) As indicated per this inter-local agreement, the Campbell County Fiscal Court shall make a one-time contribution of cash in the amount of \$750,000, earmarked for capital equipment and development of the new communications system. Furthermore, the Fiscal Court shall make annual and recurring cash contributions to the Board, earmarked for general operational expenses, at the beginning of each fiscal year, commencing on the first year of dispatch service. The base amount for the initial fiscal year shall be \$200,000, which shall be adjusted each ensuing year by the percentage of increase/decrease in the cost-of-living index for the Greater Cincinnati SMSA area, as reported by the Bureau of Labor Statistics.

A memorandum of understanding was entered into by and between the Campbell County Fiscal Court and the Campbell County Consolidated Dispatch Board on June 27, 2002 implementing the following: The Campbell County Fiscal Court will enter into a six year lease with the Kentucky Association of Counties Lease Trust (KACoLT) in the sum of \$2,000,000 for the purpose of financing dispatch equipment for the Board. A total of \$1,250,000 of the principal amount will be made on behalf of the Campbell County Consolidated Dispatch Board, and a total of \$750,000 will be made on behalf of the County in meeting its obligation pursuant to the inter-local government agreement dated January 9, 2001. In addition, the Campbell County Fiscal Court shall be paid by the Campbell County Consolidated Dispatch Board a total of 62.50% of the annual lease payment less the credit of \$200,000 pursuant to the inter-local agreement. The outstanding balance due to the Campbell County Fiscal Court from the Campbell County Consolidated Dispatch Board was \$226,108.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 8. Long-term Debt (Continued)

E. Kentucky Association of Counties Leasing Trust (Continued)

On June 14, 2002, Campbell County Fiscal Court entered into a six-year lease with the Kentucky Association of Counties Leasing Trust (KACoLT) for the purpose of leasing dispatch equipment for the Campbell County Consolidated Dispatch Board. In June 2002, the first drawdown was made on this lease for the purchase of dispatch equipment and furniture. The remaining draw downs were made in the fiscal year ended June 2003.

Interest is paid on a monthly basis, and a principal payment is made annually until termination of the lease in fiscal year ending June 30, 2008, as shown in the following table.

Fiscal Year Ended June 30	Governmental Activities		
	Scheduled Principal	Scheduled Interest	Scheduled Fees
2008	\$ 361,773	\$ 15,386	\$ 3,313

F. Mortgage Payable (Lakeside Terrace Apartments)

The mortgage payable as of June 30, 2007 represents a permanent building loan provided by HUD. The balance due as of June 30, 2007 was \$245,574. The monthly installments for principal and interest at June 30 are \$10,375 with a maturity date of February 1, 2010. Interest is being charged at 8.5%. The mortgage note is secured by the apartment project.

Maturities of the principal of the mortgage note are as follows:

Fiscal Year Ended June 30,	Business-Type Activities
	Amount
2008	\$ 107,762
2009	117,288
2010	20,524
Totals	\$ 245,574

The fair value of the mortgage payable is estimated based on the current rates offered to the Project for debt of the same remaining maturities. At June 30, 2007, the fair value of the mortgage payable approximates the amount recorded in the financial statements.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 8. Long-term Debt (Continued)

G. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation					
Public Refunding Bonds	\$ 1,925,000	\$ -	\$ 130,000	\$ 1,795,000	\$ 135,000
General Obligation					
Public Project Bonds	13,150,000	-	250,000	12,900,000	520,000
KACO Leasing Trust					
Financing Obligations	710,928	-	349,155	361,773	361,773
First Mortgage Refunding and Improvement Revenue					
Bond Series 1997	2,050,000	-	230,000	1,820,000	245,000
First Mortgage Refunding Revenue Bonds Series 1998	625,000	-	155,000	470,000	165,000
Governmental Activities Long-term Liabilities	<u>\$ 18,460,928</u>	<u>\$ -</u>	<u>\$ 1,114,155</u>	<u>\$17,346,773</u>	<u>\$ 1,426,773</u>
<u>Business Type Activities:</u>					
Mortgage Payable	345,275	-	99,701	245,574	107,762
Total	<u>\$ 18,806,203</u>	<u>\$ -</u>	<u>\$ 1,213,856</u>	<u>\$17,592,347</u>	<u>\$ 1,534,535</u>

Note 9. Interest on Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$36,144 in interest on financing obligations and \$695,084 in interest on bonds and notes.

Note 10. 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. Non-hazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 13.19 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 28.21 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 10. Employee Retirement System (Continued)

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.

The County's CERS contribution totaled \$1,158,989 for the year ended June 30, 2007.

Note 11. Insurance

For the fiscal year ended June 30, 2007, Campbell County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 12. Estimated Infrastructure Historical Cost

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

Note 13. Concentrations of Business Risk

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

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, 2007, approximately 99.4% of the Program's total revenue was received from that source

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007
(Continued)

Note 14. Prior Period Adjustment

The net assets of the Housing Choice Voucher Program as of July 1, 2006 have been restated due to new HUD guidelines. The amount of the restatement was \$33,410. The change had no effect on the change in net assets for the year ended June 30, 2007.

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CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
For The Year Ended June 30, 2007

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information

For The Year Ended June 30, 2007

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 8,272,100	\$ 8,272,100	\$ 8,561,442	\$ 289,342
Excess Fees	930,000	930,000	1,441,587	511,587
Licenses and Permits	222,000	222,000	237,200	15,200
Intergovernmental	785,370	874,370	752,153	(122,217)
Charges for Services	33,400	33,400	33,132	(268)
Miscellaneous	1,345,260	1,345,260	1,299,903	(45,357)
Interest	215,000	215,000	388,987	173,987
Total Revenues	11,803,130	11,892,130	12,714,404	822,274
EXPENDITURES				
General Government	3,570,090	3,846,590	3,479,882	366,708
Protection to Persons and Property	2,627,935	2,646,185	2,383,358	262,827
General Health and Sanitation	370,540	399,640	360,248	39,392
Social Services	140,500	141,200	134,167	7,033
Recreation and Culture	440,225	467,425	392,419	75,006
Debt Service	701,050	704,250	692,024	12,226
Capital Projects	650,000	765,000	594,796	170,204
Administration	3,317,750	2,936,800	2,540,591	396,209
Total Expenditures	11,818,090	11,907,090	10,577,485	1,329,605
(Deficiency) Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	(14,960)	(14,960)	2,136,919	2,151,879
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	1,540,650	1,540,650	1,557,337	16,687
Transfers To Other Funds	(3,440,990)	(3,440,990)	(3,246,869)	194,121
Total Other Financing Sources (Uses)	(1,900,340)	(1,900,340)	(1,689,532)	210,808
Net Changes in Fund Balance	(1,915,300)	(1,915,300)	447,387	2,362,687
Fund Balance - Beginning	1,915,300	1,915,300	6,142,382	4,227,082
Fund Balance - Ending	\$ -	\$ -	\$ 6,589,769	\$ 6,589,769

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
For The Year Ended June 30, 2007
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 100	\$ 100	\$	\$ (100)
Intergovernmental	799,830	1,249,830	791,823	(458,007)
Miscellaneous	2,000	2,000	24,565	22,565
Interest	5,500	5,500	23,929	18,429
Total Revenues	<u>807,430</u>	<u>1,257,430</u>	<u>840,317</u>	<u>(417,113)</u>
EXPENDITURES				
Roads	1,824,280	2,010,130	1,363,132	646,998
Debt Service	92,770	92,770	91,865	905
Capital Projects	29,400	479,400	37,239	442,161
Administration	387,210	374,960	365,436	9,524
Encumbrances	-	-	587,410	(587,410)
Total Expenditures	<u>2,333,660</u>	<u>2,957,260</u>	<u>2,445,082</u>	<u>1,099,588</u>
(Deficiency) Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,526,230)</u>	<u>(1,526,230)</u>	<u>(1,604,765)</u>	<u>682,475</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>1,500,000</u>	<u>1,500,000</u>	<u>900,000</u>	<u>(600,000)</u>
Net Changes in Fund Balance	(26,230)	(26,230)	(704,765)	(678,535)
Fund Balance - Beginning	<u>26,230</u>	<u>26,230</u>	<u>326,390</u>	<u>300,160</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (378,375)</u>	<u>\$ (378,375)</u>

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
For The Year Ended June 30, 2007
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,954,340	\$ 1,954,340	\$ 1,754,415	\$ (199,925)
Charges for Services	190,000	190,000	209,400	19,400
Miscellaneous	114,900	114,900	163,520	48,620
Interest	2,500	2,500	7,472	4,972
Total Revenues	<u>2,261,740</u>	<u>2,261,740</u>	<u>2,134,807</u>	<u>(126,933)</u>
EXPENDITURES				
Protection to Persons and Property	3,675,000	4,125,900	3,748,702	377,198
Debt Service	300,340	294,940	282,965	11,975
Administration	1,217,690	1,172,190	1,052,830	119,360
Total Expenditures	<u>5,193,030</u>	<u>5,593,030</u>	<u>5,084,497</u>	<u>508,533</u>
(Deficiency) Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(2,931,290)</u>	<u>(3,331,290)</u>	<u>(2,949,690)</u>	<u>381,600</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>2,831,490</u>	<u>3,226,940</u>	<u>2,906,432</u>	<u>(320,508)</u>
Net Changes in Fund Balance	(99,800)	(104,350)	(43,258)	61,092
Fund Balance - Beginning	<u>99,800</u>	<u>104,350</u>	<u>104,350</u>	<u>-</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,092</u>	<u>\$ 61,092</u>

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
For The Year Ended June 30, 2007
(Continued)

	TANK FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 6,736,500	\$ 6,736,500	\$ 7,047,864	\$ 311,364
Intergovernmental	402,320	402,320	-	(402,320)
Interest	67,000	67,000	163,920	96,920
Total Revenues	<u>7,205,820</u>	<u>7,205,820</u>	<u>7,211,784</u>	<u>5,964</u>
EXPENDITURES				
General Government/Bus Services	4,278,850	4,278,350	4,244,971	33,379
Capital Projects	1,000,000	1,000,000	-	1,000,000
Administration	305,000	305,500	5,291	300,209
Total Expenditures	<u>5,583,850</u>	<u>5,583,850</u>	<u>4,250,262</u>	<u>1,333,588</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,621,970</u>	<u>1,621,970</u>	<u>2,961,522</u>	<u>1,339,552</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(2,850,000)</u>	<u>(2,850,000)</u>	<u>(2,250,011)</u>	<u>599,989</u>
Net Changes in Fund Balances	(1,228,030)	(1,228,030)	711,511	1,939,541
Fund Balances - Beginning	<u>1,228,030</u>	<u>1,228,030</u>	<u>2,928,231</u>	<u>1,700,201</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,639,742</u>	<u>\$ 3,639,742</u>

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2007

Budgetary Information

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

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

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

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

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</u> <u>Fund</u>	<u>Road</u> <u>Fund</u>	<u>Jail</u> <u>Fund</u>	<u>TANK</u> <u>Fund</u>
<u>Sources/Inflows of Resources</u>				
Actual Amount (Budgetary Basis)	\$ 12,714,404	\$ 840,317	\$ 2,134,807	\$ 7,211,784
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.	(314,840)	286,621	(40,005)	519,701
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 12,399,564</u>	<u>\$ 1,126,938</u>	<u>\$ 2,094,802</u>	<u>\$ 7,731,485</u>

Uses/Outflows of Resources

Actual Amount (Budgetary Basis)	\$ 10,577,485	\$ 2,445,082	\$ 5,084,497	\$ 4,250,262
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.	(140,796)	(82,339)	5,844	-
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 10,436,689</u>	<u>\$ 2,362,743</u>	<u>\$ 5,090,341</u>	<u>\$ 4,250,262</u>

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

June 30, 2007

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

June 30, 2007

	Speical Revenue Funds			
	LGEA Fund	Senior Citizen Tax Fund	Mental Health Tax Fund	Developer Road Escrow Fund
ASSETS				
Cash and Cash Equivalents	\$ 30,166	\$ 255,308	\$ 337,349	\$ 153,573
Accounts Rec - Taxes	-	107,845	215,665	-
Accounts Rec - Intergovernmental	-	1,523	22,536	-
Total Assets	<u>30,166</u>	<u>364,676</u>	<u>575,550</u>	<u>153,573</u>
LIABILITIES AND FUND BALANCES				
LIABILITES				
Accounts Payable	-	25,610	53,260	-
Accrued Salaries and Payroll Taxes	-	2,112	-	-
Total Liabilities	<u>-</u>	<u>27,722</u>	<u>53,260</u>	<u>-</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	30,166	336,954	522,290	153,573
Capital Projects Fund	-	-	-	-
Total Fund Balances	<u>30,166</u>	<u>336,954</u>	<u>522,290</u>	<u>153,573</u>
Total Liabilities and Fund Balances	<u>\$ 30,166</u>	<u>\$ 364,676</u>	<u>\$ 575,550</u>	<u>\$ 153,573</u>

CAMPBELL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information
June 30, 2007
(Continued)

Capital Projects Fund	Total Non-Major Governmental Funds
\$	\$ 776,396
-	323,510
-	24,059
-	1,123,965
-	78,870
-	2,112
-	80,982
-	1,042,983
-	-
-	1,042,983
\$ -	\$ 1,123,965

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

For The Year Ended June 30, 2007

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

For The Year Ended June 30, 2007

	Special Revenue Funds			
	LGEA Fund	Senior Citizen Tax Fund	Mental Health Tax Fund	Developer Road Escrow Fund
REVENUES				
Taxes	\$ -	\$ 403,016	\$ 800,913	\$ -
Intergovernmental	27,509	62,254	87,916	-
Charges for Services	-	1,048	-	-
Miscellaneous	-	19,697	96	8,951
Interest	1,573	14,367	21,189	7,565
Total Revenues	<u>29,082</u>	<u>500,382</u>	<u>910,114</u>	<u>16,516</u>
EXPENDITURES				
General Government	-	5,809	-	-
Protection to Persons and Property	-	-	250	-
General Health and Sanitation	-	-	740,718	-
Social Services	-	442,857	10,000	-
Roads	18,847	-	-	-
Debt Service	-	13,590	-	-
Capital Projects	-	-	-	-
Administration	-	27,491	-	-
Total Expenditures	<u>18,847</u>	<u>489,747</u>	<u>750,968</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>10,235</u>	<u>10,635</u>	<u>159,146</u>	<u>16,516</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	-	-	-	-
Transfers To Other Funds	-	(1,038)	(211,100)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,038)</u>	<u>(211,100)</u>	<u>-</u>
Net Change in Fund Balances	10,235	9,597	(51,954)	16,516
Fund Balances - Beginning	19,931	327,357	574,244	137,057
Fund Balances - Ending	<u>\$ 30,166</u>	<u>\$ 336,954</u>	<u>\$ 522,290</u>	<u>\$ 153,573</u>

CAMPBELL COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 Other Supplementary Information
 For The Year Ended June 30, 2007
 (Continued)

<u>Capital Projects Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$ -	\$ 1,203,929
-	177,679
-	1,048
-	28,744
<u>5,221</u>	<u>49,915</u>
<u>5,221</u>	<u>1,461,315</u>
-	5,809
-	250
-	740,718
-	452,857
-	18,847
-	13,590
432,885	432,885
-	27,491
<u>432,885</u>	<u>1,692,447</u>
<u>(427,664)</u>	<u>(231,132)</u>
365,436	365,436
<u>(20,199)</u>	<u>(232,337)</u>
<u>345,237</u>	<u>133,099</u>
(82,427)	(98,033)
<u>82,427</u>	<u>1,141,016</u>
<u>\$ -</u>	<u>\$ 1,042,983</u>

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CAMPBELL COUNTY
COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS
Other Supplementary Information
June 30, 2007

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

June 30, 2007

	Agency Funds		
	Jail Inmate Account	Employee Fund Account	Totals
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 28,656	\$ 8,049	\$ 36,705
Total Assets	28,656	8,049	36,705
Liabilities			
Amounts Held In Custody For Others	28,656	8,049	36,705
Total Liabilities	\$ 28,656	\$ 8,049	\$ 36,705

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

For The Year Ended June 30, 2007

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

Fiscal Year Ended June 30, 2007

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
U.S. Department of Housing and Urban Development		
Direct Program:		
Section 8 Housing Choice Voucher Program CFDA #14.871	N/A	\$ 3,475,898
Mortgage Insurance - Rental Housing for the Elderly Section 236 Direct Loan CFDA #14.138	N/A	137,812
Operating Assistance for Troubled Multifamily Housing Projects Section 201 Flexible Subsidy Loan CFDA #14.164	N/A	151,464
Public Housing Capital Fund CFDA #14.872	N/A	<u>72,898</u>
Total U.S. Department of Housing and Urban Development		<u>3,838,072</u>
<u>U.S. Department of Homeland Security</u>		
Passed-Through State Department of Military Affairs:		
Hazard Mitigation Grant CFDA #97.039	DR - 1471-004	<u>17,883</u>
<u>U.S. Department of Justice</u>		
Direct Program:		
Bulletproof Vest Partnership Program CFDA #16.607	N/A	1,703
Local Law Enforcement Block Grant Program CFDA # 16.592	N/A	3,400
Supervised Visitation & Safe Havens for Children CFDA #16.527	N/A	<u>87,916</u>
Total U.S. Department of Justice		<u>93,019</u>
Total Cash Expenditures of Federal Awards		<u>\$ 3,948,974</u>

CAMPBELL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2007

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Campbell County, Kentucky and is presented on a GAAP basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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



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

**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**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated December 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

- 2007-1 The Fiscal Court Should Set Up All Capital Assets In Their Capital Asset Software Prior To The Audit
- 2007-2 A Prior Period Adjustment Is Shown For The Housing Choice Voucher Program

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)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

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

The county's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit the county's response and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

VonLehman & Company Inc.

December 28, 2007
Fort Mitchell, Kentucky

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



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

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

Compliance

We have audited the compliance of Campbell County, Kentucky, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Campbell County's major federal programs are identified in the summary of auditor results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Campbell County's management. Our responsibility is to express an opinion on Campbell County's compliance based on our audit.

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

In our opinion, Campbell County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

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

Internal Control over Compliance (Continued)

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

VonLehman & Company Inc.

December 28, 2007
Fort Mitchell, Kentucky

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

For The Year Ended June 30, 2007

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

Fiscal Year Ended June 30, 2007

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. Two significant deficiencies relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's 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 Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Campbell County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Campbell County reported in Part C of this schedule.
7. The program tested as a major program was: Housing Choice Voucher Program (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

Reference Number 2007-1

The Fiscal Court Should Set Up All Capital Assets In Their Capital Asset Software Prior To The Audit

During our audit of the capital assets of the County, we noted several additions that were not set up in the capital assets software. We recommend that all capital assets should be entered into this software prior to the audit.

County Treasurer Diane Bertke's Response: We are taking steps to eliminate this discrepancy for future audits.

Reference Number 2007-2

A Prior Period Adjustment Is Shown Related To The Housing Choice Voucher Program

As noted in Note 14 to the financial statements, net assets of the Housing Choice Voucher Program have been restated as of July 1, 2006 to record the family self sufficiency fund as a liability. A proper system of internal controls over financial reporting is essential in order to prevent, detect, and correct misstatements. Due to recent HUD guidance, the Program became aware they had failed to record the funds as a liability in prior years. The Program has now recorded the liability in the current year.

County Treasurer Diane Bertke's Response: We agree that the federal guideline requires that the FSS program be listed as a liability per the adjustment.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

None.

D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Year Findings – Financial Statement Audit

The Fiscal Court Should Set Up All Capital Assets In Their Capital Asset Software Prior To The Audit

- This comment is repeated in the current year.

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

CAMPBELL COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2007**

Appendix A

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

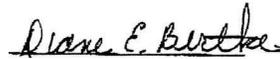
CAMPBELL COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2007**

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



Judge Executive



County Treasurer

