

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

**For The Fiscal Year Ended
June 30, 2016**



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Steve Pendery, Campbell County Judge/Executive
Members of the Campbell County Fiscal Court

The enclosed report prepared by Dean Dorton Allen Ford, PLLC, Certified Public Accountants, presents the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Campbell County, Kentucky, as of and for the year ended June 30, 2016, which collectively comprise the Campbell County Fiscal Court's basic financial statements.

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

Respectfully submitted,

Mike Harmon
Auditor of Public Accounts

Enclosure

EXECUTIVE SUMMARY
AUDIT OF THE
CAMPBELL COUNTY FISCAL COURT

June 30, 2016

Dean Dorton Allen Ford, PLLC has completed the audit of the Campbell County Fiscal Court (the fiscal court) for fiscal year ended June 30, 2016.

They have issued unmodified opinions, based on their audit and the audits of Clark Schaefer Hackett and Van Gorder, Walker & Co., Inc., on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Campbell County, Kentucky.

In accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), they have also issued an unmodified opinion on the compliance requirements that are applicable to Campbell County Fiscal Court's major federal program: U.S. Department of Housing and Urban Development Housing Choice Voucher Program (CFDA #14.871).

Financial Condition:

The fiscal court had total net position of \$28,684,965 as of June 30, 2016. The fiscal court had an unrestricted net position of \$762,722 in its governmental activities as of June 30, 2016, with total net position of \$27,708,978. In its business-type activities, total net cash and cash equivalents were \$583,712 with total net position of \$975,987. The fiscal court had total debt principal as of June 30, 2016 of \$23,406,858 with \$1,742,280 due within the next year.

Report Comment:

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

Deposits:

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

CONTENTS

PAGE

INDEPENDENT AUDITORS' REPORT.....	1
CAMPBELL COUNTY OFFICIALS	5
MANAGEMENT'S DISCUSSION AND ANALYSIS	6
STATEMENT OF NET POSITION.....	17
STATEMENT OF ACTIVITIES	19
BALANCE SHEET - GOVERNMENTAL FUNDS	22
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	25
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	27
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....	37
STATEMENT OF NET POSITION - PROPRIETARY FUNDS.....	32
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUNDS	34
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS	36
STATEMENT OF NET POSITION - FIDUCIARY FUNDS	53
NOTES TO FINANCIAL STATEMENTS	55
BUDGETARY COMPARISON SCHEDULES.....	68
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	74
SCHEDULE OF THE FISCAL COURT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	77
SCHEDULE OF FISCAL COURT CONTRIBUTIONS.....	78
COMBINING BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUNDS	80
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS	82
COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUNDS	84
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	86
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	87
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	89
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE.....	92
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	96
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



To the People of Kentucky
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Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell County Fiscal Court, Kentucky (the fiscal court), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the fiscal court's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the entities below. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based upon the reports of other auditors. Those entities were:

Within Governmental Funds:

- Campbell County Fiscal Court Housing Department Housing Choice Voucher Program, a major Special Revenue Fund.

Within Proprietary Funds:

- A.J. Jolly Park.

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Auditor's Responsibility (Continued)

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

	Percent of Assets	Percent of Fund Balance / Net Position	Percent of Revenues
Government-Wide Financial Statements			
Primary Government - Governmental Activities	0.19%	0.33%	10.92%
Primary Government - Business-Type Activities	44.21%	63.00%	0.00%
Fund Financial Statements			
Governmental Funds	0.63%	0.51%	10.92%
Proprietary Funds	44.21%	63.00%	0.00%

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell County Fiscal Court, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 16 to the financial statements, the beginning net position has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 6 through 14, Budgetary Comparison Schedules on pages 68 through 73, the Schedule of the Fiscal Court's Proportionate Share of the Net Pension Liability on page 77 and the Schedule of the Fiscal Court Contributions on page 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2017 on our consideration of the fiscal court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the fiscal court's internal control over financial reporting and compliance.

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

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

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
January 12, 2017

CAMPBELL COUNTY OFFICIALS

For The Year Ended June 30, 2016

Fiscal Court Members:

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

Other Elected Officials:

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

Appointed Personnel:

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

Campbell County
Management's Discussion and Analysis
June 30, 2016

The financial management of the Campbell County Fiscal Court, Kentucky (the fiscal court) offers readers of the financial statements this narrative overview and analysis of the financial activities of the fiscal court for the fiscal year ended June 30, 2016.

Financial Highlights

- Campbell County's net position was \$28,684,965 as of June 30, 2016, of which \$960,361 is unrestricted. In the enterprise funds, cash and cash equivalents were \$583,712, with total net position of \$975,987. Total debt principal outstanding as of June 30, 2016 was \$23,406,858 with \$1,742,280 due within one year.
- The government's total net position decreased by \$83,184 during the current year. Revenues increased overall by approximately 5% and expenses increased 14% over the prior year due primarily to adjustments related to accounting for pension liabilities.
- At the close of the current fiscal year, the Fiscal Court's balance sheet for Governmental Funds reported a fund balance of \$18,021,151. Of this amount, \$13,830,484 is available for spending at the government's discretion (unreserved fund balance).

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to the fiscal court's basic financial statements. The fiscal court's basic financial statements are comprised of three components: 1) Government-Wide Financial Statements, 2) Fund Financial Statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

Government-Wide Financial Statements. The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the fiscal court's finances, in a manner similar to a private-sector business. All amounts are reported on the accrual basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

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

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

**Campbell County
Management's Discussion and Analysis
June 30, 2016
(Continued)**

Overview of the Financial Statements (Continued)

The Government-Wide Financial Statements distinguish functions of the fiscal court that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The fiscal court's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The fiscal court has three business type activities: A.J. Jolly Park, A.J. Jolly Golf Course, and the Jail Commissary Fund.

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

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

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

Because the focus of the Governmental Fund Financial Statements is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

Proprietary Funds. Proprietary funds provide the same type of information as the *business-type activities* column on the Government-Wide Financial Statements, only in more detail. The Proprietary Fund Financial Statements provide separate information for the A.J. Jolly Golf Course and Jail Commissary funds. The A.J. Jolly Park fund is considered a non-major fund.

Campbell County
Management's Discussion and Analysis
June 30, 2016
(Continued)

Overview of the Financial Statements (Continued)

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

Government-Wide Financial Analysis

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

Table 1
Campbell County's Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015 (As Previously Reported)	2016	2015 (As Previously Reported)	2016	2015 (As Previously Reported)
Assets						
Current assets	\$ 20,120,141	\$ 18,897,711	\$ 612,598	\$ 535,473	\$ 20,732,739	\$ 19,433,184
Capital assets	47,584,251	42,130,056	778,348	719,125	48,362,599	42,849,181
Total assets	67,704,392	61,027,767	1,390,946	1,254,598	69,095,338	62,282,365
Deferred Outflows of Resources						
Deferred Amount Related to Pension Plan	2,877,206	1,804,627	68,744	43,989	2,945,950	1,848,616
Loss on refunding debt	913,786	516,772			913,786	516,772
Total Deferred Outflows of Resources	3,790,992	2,321,399	68,744	43,989	3,859,736	2,365,388
Liabilities						
Current and other liabilities	3,841,270	2,570,347	47,044	53,389	\$ 3,888,314	2,623,736
Long-term liabilities	39,191,424	31,135,497	417,894	332,837	39,609,318	31,468,334
Total liabilities	43,032,694	33,705,844	464,938	386,226	43,497,632	34,092,070
Deferred Inflows of Resources						
Deferred Amount Related to Pension Plan	753,712	1,448,138	18,765	35,862	772,477	1,484,000
Net Position						
Net investment in capital assets, net of related debt	24,177,393	22,941,266	569,647	719,125	\$ 24,747,040	23,660,391
Restricted	2,857,512	2,513,229	208,701	208,701	3,066,213	2,721,930
Unrestricted	674,073	2,740,689	197,639	(51,327)	871,712	2,689,362
Total net position	\$ 27,708,978	\$ 28,195,184	\$ 975,987	\$ 876,499	\$ 28,684,965	\$ 29,071,683

**Campbell County
Management's Discussion and Analysis
June 30, 2016
(Continued)**

Government-Wide Financial Analysis (Continued)

Changes in Net Position

Governmental Activities. The fiscal court's net position decreased \$189,785 during fiscal year 2016; key elements of this are as follows:

- Current assets and cash increased by \$1,222,430. This was primarily due to a deferral of certain expenditures and a slight increase in revenue during the fiscal year.
- Investment in capital assets, net of related debt increased \$1,236,127. This was primarily due to the expansion of the jail.
- Current and long-term liabilities increased \$9,326,850. Approximately half of this increase is related to the issuance of debt in November 2015 to fund the jail expansion. The remainder is primarily related to an increase in net pension liability as required by the adoption of GASB 68.
- Revenues were \$37,232,158 as reflected in the Statement of Revenues and Expenditures.
- Expenditures totaled \$37,310,943 as reflected in the Statement of Revenues and Expenditures.

Business-type Activities. The fiscal court's net position for these activities increased \$106,601. This is primarily due to an increase in profits on commissary sales.

**Campbell County
Management's Discussion and Analysis
June 30, 2016
(Continued)**

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Revenues:						
<i>Program Revenues:</i>						
Charges for Services	\$ 4,689,496	\$ 4,451,268	\$ 1,075,544	\$ 987,183	\$ 5,765,040	\$ 5,438,451
Operating Grants and Contributions	7,007,857	6,652,332			7,007,857	6,652,332
Capital Grants and Contributions	1,461,045	1,079,432			1,461,045	1,079,432
<i>General Revenues:</i>						
Property Taxes	9,597,878	9,112,175			9,597,878	9,112,175
Occupational Taxes	9,885,661	9,616,591			9,885,661	9,616,591
Other Taxes & Fees	3,379,250	3,339,067			3,379,250	3,339,067
Excess Fees	988,187	993,957			988,187	993,957
Other	222,784	194,813	48	36	222,832	194,849
Total Revenues	37,232,158	35,439,635	1,075,592	987,219	38,307,750	36,426,854
Expenses:						
<i>Governmental Activities:</i>						
General Government	12,717,904	9,423,585			12,717,904	9,423,585
Protective Services	10,246,056	9,498,993			10,246,056	9,498,993
Health and Sanitation	1,422,861	1,181,396			1,422,861	1,181,396
Social Services	4,266,298	4,535,622			4,266,298	4,535,622
Recreation and Culture	488,890	456,136			488,890	456,136
Roads	3,067,415	2,503,109			3,067,415	2,503,109
Bus Service	4,396,761	4,443,844			4,396,761	4,443,844
Debt Service	583,085	583,033			583,085	583,033
Other Fiscal Charges	116,761	74,491			116,761	74,491
Capital Projects	4,912	65,490			4,912	65,490
<i>Business Type Activities:</i>						
Jail Canteen			114,288	120,529	114,288	120,529
A.J. Jolly Golf Course			937,759	898,693	937,759	898,693
A.J. Jolly Park			27,944	28,989	27,944	28,989
Total Expenses	37,310,943	32,765,699	1,079,991	1,048,211	38,390,934	33,813,910
Transfers	(111,000)	(260,000)	111,000	260,000		
Change in net position	(189,785)	2,413,936	106,601	199,008	(83,184)	2,612,944
Net Position-Beginning, as previously reported	28,195,184	39,259,224	876,499	1,019,801	29,071,683	40,279,025
Adjustment to opening net position (Note 16)	(296,421)	(13,477,976)	(7,113)	(342,310)	(303,534)	(13,820,286)
Net Position-Beginning, as adjusted	27,898,763	25,781,248	869,386	677,491	28,768,149	26,458,739
Net Position-Ending	\$ 27,708,978	\$ 28,195,184	\$ 975,987	\$ 876,499	\$ 28,684,965	\$ 29,071,683

**Campbell County
Management's Discussion and Analysis
June 30, 2016
(Continued)**

Financial Analysis of the Fiscal Court's Funds

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

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

As of June 30, 2016, the combined ending fund balance of the governmental funds was \$18,021,151. Approximately 77% (\$13,830,484) 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 (\$4,190,667) is reserved to indicate that it is not available for new spending because it is restricted or committed.

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

1. The General Fund is the chief operating fund of the fiscal court. At the end of the June 30, 2016 fiscal year, the total fund balance of the General Fund was \$7,268,316, \$6,555,141 of which was unreserved. The fiscal court received \$8,035,656 in Real Property tax revenues, which accounts for approximately 50% of the general fund revenue. \$3,530,368 was received from personal property, motor vehicle, and insurance taxes which is approximately 22% of the fiscal court's general fund revenues. Sheriff and Clerk fees accounted for \$988,187 or 6% 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 \$32,487 in fund balance at June 30, 2016. The fund balance at the end of the previous year was \$(3,092). The fiscal year 2016 expenditures for road projects were \$4.6 million. State funding provided approximately \$1,781,000 in funding for road projects during the fiscal year. Transfers from the Payroll Tax fund provided nearly all of the remaining funding requirement.
3. The Jail Fund is used to account for the operation of the county's detention program. The Jail Fund had a fund balance at June 30, 2016 of \$624,526, all of which was unreserved. The Jail Fund received \$4,314,591 from the state and federal governments for services, primarily for housing prisoners. Transfers totaling \$4,902,827 from other funds were used to fund jail expenses.
4. The (TANK) Payroll Tax Fund is used in part to provide funds for the operation of the regional transit system. As of June 30, 2016 the balance in this fund was \$6,932,486.

**Campbell County
Management's Discussion and Analysis
June 30, 2016
(Continued)**

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

5. The Housing Choice Voucher Program ended the 2016 fiscal year with a fund balance of \$92,257. The previous year balance was \$86,678. The Program derives nearly all of its revenue from the Department of Housing and Urban Development (HUD).
6. The Capital Projects Fund was created in 2015 to account for the acquisition, rehabilitation and construction costs related to the Campbell County Detention Facility project. As of June 30, 2016 the balance in this fund was \$1,866,787.
7. The total fund balance for the non-major funds as of June 30, 2016 was \$1,204,292. Total expenditures and transfers for the non-major funds for the year were \$1,385,218. Revenue sources for the non-major funds include occupational license and payroll taxes designated for senior citizens and mental health programs in Campbell County.

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

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

1. A.J. Jolly Park net position at June 30, 2016 amounted to \$614,903. The entirety of the Park's assets consists of capital assets such as land and land improvements for the golf and general recreation facility. Net capital assets for the park amounted to \$614,903 at the fiscal year-end. On July 1, 2014 all of A.J. Jolly's current assets, liabilities, revenues, and expenditures were assumed by the A.J. Jolly Golf Course Fund, a proprietary fund of the fiscal court, for management.
2. A.J. Jolly Golf Course Fund's net position at June 30, 2016 was \$(164,708). Revenues for the golf course amounted to \$846,445 and were derived primarily from user fees.
3. The Jail Commissary Fund had net assets of \$525,792 as of June 30, 2016 with a cash balance of \$433,497. Most of the revenue for this fund is derived from sales to jail inmates and the expenses are purchases of items for resale as well as the salary of the canteen clerk.

General Fund Budgetary Highlights

Actual operating revenues were greater than the budget. This increase was primarily due to higher excess fee revenue and higher real and tangible personal property tax revenue than anticipated in the budget.

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

Campbell County
Management's Discussion and Analysis
June 30, 2016
(Continued)

Capital Assets and Debt Administration

Capital Assets. The fiscal court's investment in capital assets for its *governmental* and *business-type activities* as of June 30, 2016, amounted to \$48,362,599 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and infrastructure assets. The fiscal court has elected to report infrastructure assets per GASB 34 provisions.

Major capital asset events during the 2016 fiscal year included road and infrastructure improvements, and the jail expansion project.

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

Table 3
Campbell County's Capital Assets (net)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Infrastructure assets	\$ 9,975,480	\$ 9,361,985	\$	\$	\$ 9,975,480	\$ 9,361,985
Land	4,231,925	4,231,925	497,462	497,462	4,729,387	4,729,387
Construction in Process, Buildings & Improvements	30,881,541	25,915,719	119,389	77,832	31,000,930	25,993,551
Other Equipment	1,307,060	1,478,902	130,857	143,831	1,437,917	1,622,733
Vehicles & Equipment	1,188,245	1,141,525	30,640	-	1,218,885	1,141,525
Total capital assets, net of accumulated depreciation	\$ 47,584,251	\$ 42,130,056	\$ 778,348	\$ 719,125	\$ 48,362,599	\$ 42,849,181

Long-Term Debt. At the end of the 2016 fiscal year, the fiscal court had total bonds payable of \$23,150,000. The amount of this debt due within the next year is \$1,720,000 and \$21,430,000 is due in subsequent years. This debt is for the jail facilities and jail expansion project, County Administration Building, park facilities and equipment and emergency dispatch center equipment. This debt is described in note 6 of the notes to the financial statements.

Other matters

The following factors are expected to have a significant effect on the fiscal court's financial position or results of operations and were taken into account in developing the 2017 fiscal year budget:

- The 2017 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 most significant increase from the fiscal year 2016 budget is the renovation of the jail.
- The increasing cost of housing prisoners in the Campbell County Detention Center continues to be a significant factor in budgeting and accounts for approximately 30% of the overall county spending.
- Fiscal Year 2017 will have 27 pay periods which has a budget impact of approximately \$500,000 for the entire county. The 27th payroll is an anomaly to the bi-weekly pay schedule caused by calendar creep that cycles every eleven years. The last 27th payroll occurred in fiscal year 2006. The next one is fiscal year 2028. A 'normal' bi-weekly pay year consists of 26 pay periods. However, due to the difference in timing between two-week pay periods, a 365-day calendar and the additional days for leap year, every eleventh pay year contains a 27th pay period.

Campbell County
Management's Discussion and Analysis
June 30, 2016
(Continued)

Requests for Information

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

**CAMPBELL COUNTY
STATEMENT OF NET POSITION**

June 30, 2016

CAMPBELL COUNTY
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 12,617,250	\$ 583,712	\$ 13,200,962
Restricted Cash and Cash Equivalents	2,953,945		2,953,945
Accounts Receivable	4,548,946	28,886	4,577,832
Total Current Assets	<u>20,120,141</u>	<u>612,598</u>	<u>20,732,739</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	4,231,925	497,462	4,729,387
Construction In Progress	5,979,747	50,477	6,030,224
Land Improvements	399,762	56,427	456,189
Buildings	24,502,032	12,485	24,514,517
Golf Equipment		84,643	84,643
Clubhouse Furniture and Fixtures		1,175	1,175
Other Equipment	1,307,060	45,039	1,352,099
Vehicles and Equipment	1,188,245	30,640	1,218,885
Infrastructure Assets - Net of Accumulated Depreciation	9,975,480		9,975,480
Total Noncurrent Assets	<u>47,584,251</u>	<u>778,348</u>	<u>48,362,599</u>
Total Assets	<u>67,704,392</u>	<u>1,390,946</u>	<u>69,095,338</u>
Deferred Outflows of Resources			
Deferred Amount Related to Pension Plan	2,877,206	68,744	2,945,950
Loss on refunding debt	913,786		913,786
Total Deferred Outflows of Resources	<u>3,790,992</u>	<u>68,744</u>	<u>3,859,736</u>
Liabilities			
Current Liabilities:			
Accounts Payable	1,435,921	35,915	1,471,836
Family Self Sufficiency Escrow Payable	6,001		6,001
Accrued Liabilities	8,683		8,683
Accrued Salaries and Payroll Taxes	648,385	524	648,909
Gift Cards Payable		10,605	10,605
Bonds Payable	1,742,280		1,742,280
Total Current Liabilities	<u>3,841,270</u>	<u>47,044</u>	<u>3,888,314</u>
Noncurrent Liabilities:			
Bonds Payable	21,664,578		21,664,578
Net Pension Liability	17,490,638	417,894	17,908,532
Compensated Absences	36,208		36,208
Total Noncurrent Liabilities	<u>39,191,424</u>	<u>417,894</u>	<u>39,609,318</u>
Total Liabilities	<u>43,032,694</u>	<u>464,938</u>	<u>43,497,632</u>
Deferred Inflows of Resources			
Deferred Amount Related to Pension Plan	753,712	18,765	772,477

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

CAMPBELL COUNTY
STATEMENT OF NET POSITION
June 30, 2016
(Continued)

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
Net Position			
Invested in Capital Assets, Net of Related Debt	\$ 24,177,393	\$ 569,647	\$ 24,747,040
Restricted For:			
Roads	185,293		185,293
Social Services	92,257		92,257
Protection to Persons and Property	624,526		624,526
Capital Projects	1,866,787		1,866,787
Recreation Project Grants		208,701	208,701
Unrestricted	762,722	197,639	960,361
Total Net Position	<u>\$ 27,708,978</u>	<u>\$ 975,987</u>	<u>\$ 28,684,965</u>

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

**CAMPBELL COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2016**

CAMPBELL COUNTY
STATEMENT OF ACTIVITIES
June 30, 2016

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 12,717,904	\$ 538,314	\$ 958,363	\$
Protection to Persons and Property	10,246,056	3,552,561	1,810,845	
General Health and Sanitation	1,422,861	33,220	28,841	
Social Services	4,266,298	418,436	3,635,629	
Recreation and Culture	488,890	146,965		
Roads	3,067,415		287,054	1,461,045
Bus Services	4,396,761		287,125	
Debt Service	583,085			
Other Fiscal Charges	116,761			
Capital Projects	4,912			
Total Governmental Activities	<u>37,310,943</u>	<u>4,689,496</u>	<u>7,007,857</u>	<u>1,461,045</u>
Business-Type Activities:				
A.J. Jolly Park	27,944			
A.J. Jolly Golf Course	937,759	846,445		
Jail Commissary	114,288	229,099		
Total Business-Type Activities	<u>1,079,991</u>	<u>1,075,544</u>		
Total Primary Government	<u>\$ 38,390,934</u>	<u>\$ 5,765,040</u>	<u>\$ 7,007,857</u>	<u>\$ 1,461,045</u>

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Occupational Taxes

Other Taxes

Rental Motor Vehicle License Fee

Insurance License Fee/Tax

Excess Fees

Unrestricted Investment Earnings

Sale of Assets

Miscellaneous Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - beginning, as previously reported

Adjustment to opening net position (Note 16)

Net Position - beginning, as adjusted

Net Position - ending

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

CAMPBELL COUNTY
STATEMENT OF ACTIVITIES
June 30, 2016
(Continued)

Net (Expenses) Revenues
and Changes in Net Position
Primary Government

Governmental Activities	Business-Type Activities	Totals
\$ (11,221,227)	\$	\$ (11,221,227)
(4,882,650)		(4,882,650)
(1,360,800)		(1,360,800)
(212,233)		(212,233)
(341,925)		(341,925)
(1,319,316)		(1,319,316)
(4,109,636)		(4,109,636)
(583,085)		(583,085)
(116,761)		(116,761)
(4,912)		(4,912)
<u>(24,152,545)</u>		<u>(24,152,545)</u>
	(27,944)	(27,944)
	(91,314)	(91,314)
	114,811	114,811
	<u>(4,447)</u>	<u>(4,447)</u>
<u>(24,152,545)</u>	<u>(4,447)</u>	<u>(24,156,992)</u>
8,035,656		8,035,656
745,182		745,182
817,040		817,040
9,885,661		9,885,661
1,349,981		1,349,981
61,123		61,123
1,968,146		1,968,146
988,187		988,187
24,708	48	24,756
20,275		20,275
177,801		177,801
(111,000)	111,000	
<u>23,962,760</u>	<u>111,048</u>	<u>24,073,808</u>
(189,785)	106,601	(83,184)
28,195,184	876,499	29,071,683
(296,421)	(7,113)	(303,534)
<u>27,898,763</u>	<u>869,386</u>	<u>28,768,149</u>
<u>\$ 27,708,978</u>	<u>\$ 975,987</u>	<u>\$ 28,684,965</u>

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

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**CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2016

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Capital Projects Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 6,049,054	\$ 121,384	\$ 307,137	\$ 716,689
Accounts Receivable - Taxes	666,343			
Accounts Receivable - Excess Fees	162,945			
Accounts Receivable - Intergovernmental	68,639	8,268	658,206	
Accounts Receivable - Charges for Services			26,142	
Accounts Receivable - Miscellaneous	56,358		26,359	
Restricted Cash - Police Forfeiture	29,451			
Restricted Cash - Court Filing Fees	683,724			
Restricted Cash and Cash Equivalents - Bond Proceeds				2,234,769
Restricted Cash - Family Self-Sufficiency				
Total Assets	<u>7,716,514</u>	<u>129,652</u>	<u>1,017,844</u>	<u>2,951,458</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	146,586	50,609	118,223	1,084,671
Family Self-Sufficiency Escrow Payable				
Accrued Salaries and Payroll Taxes	301,612	46,556	275,095	
Other Liabilities				
Total Liabilities	<u>448,198</u>	<u>97,165</u>	<u>393,318</u>	<u>1,084,671</u>
FUND BALANCES				
Restricted For:				
Social Services				
Capital Projects				1,866,787
Protection to Persons and Property	713,175			
Roads				
Committed To:				
Social Services				
Bus Service				
General Health and Sanitation				
Assigned To:				
Roads		32,487		
Protection to Persons and Property			624,526	
Social Services	1,135,653			
Bus Service				
General Health and Sanitation				
Unassigned	<u>5,419,488</u>			
Total Fund Balances	<u>7,268,316</u>	<u>32,487</u>	<u>624,526</u>	<u>1,866,787</u>
Total Liabilities and				
Fund Balances	<u>\$ 7,716,514</u>	<u>\$ 129,652</u>	<u>\$ 1,017,844</u>	<u>\$ 2,951,458</u>

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

CAMPBELL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016
(Continued)

(TANK) Payroll Tax Fund	Housing Choice Voucher Program	Non- Major Funds	Total Governmental Funds
\$ 4,426,715	\$ 120,089	\$ 876,182	\$ 12,617,250
2,218,646		369,915	3,254,904
			162,945
287,125			1,022,238
			26,142
			82,717
			29,451
			683,724
			2,234,769
	6,001		6,001
<u>6,932,486</u>	<u>126,090</u>	<u>1,246,097</u>	<u>20,120,141</u>
	2,643	33,189	1,435,921
	6,001		6,001
	16,506	8,616	648,385
	8,683		8,683
	<u>33,833</u>	<u>41,805</u>	<u>2,098,990</u>
	92,257		92,257
			1,866,787
			713,175
		185,293	185,293
		114,755	114,755
1,028,272			1,028,272
		190,128	190,128
			32,487
			624,526
		120,197	1,255,850
5,904,214			5,904,214
		593,919	593,919
			5,419,488
<u>6,932,486</u>	<u>92,257</u>	<u>1,204,292</u>	<u>18,021,151</u>
<u>\$ 6,932,486</u>	<u>\$ 126,090</u>	<u>\$ 1,246,097</u>	<u>\$ 20,120,141</u>

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

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

June 30, 2016

CAMPBELL COUNTY
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
For The Year Ended June 30, 2016

Total fund balances	\$ 18,021,151
Amounts reported for Governmental Activities in the Statement Of Net Position are different because:	
Capital assets used in Governmental Activities are not financial resources and therefore are not reported in the funds:	
Historical cost of capital assets	94,465,011
Accumulated depreciation	(46,880,760)
Discounts on bonds reported in Governmental Activities are not financial resources and therefore are not reported in the funds	
	97,539
Premiums on bonds reported in Governmental Activities are not financial resources and therefore are not reported in the funds	
	(354,397)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds:	
Due within one year-bonds, notes and other principal payments	(1,720,000)
Due in more than one year-bonds, notes and other principal payments	(21,430,000)
Compensated absences	(36,208)
Loss on refunding debt is recorded as a deferred outflow of resources on the Statement of Net Position	
	913,786
Long-term liabilities and deferred inflows and outflows of resources are not financial resources or current liabilities, and therefore, the net impact of the pension-related liabilities and deferred inflows and outflows of resources are not reported in the Governmental Funds	
	<u>(15,367,144)</u>
Net position of Governmental Activities	<u>\$ 27,708,978</u>

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

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

For The Year Ended June 30, 2016

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2016

	General Fund	Road Fund	Jail Fund	Capital Projects Fund
REVENUES				
Taxes	\$ 12,977,128	\$	\$	\$
Excess Fees	988,187			
Licenses and Permits	336,207			
Intergovernmental	726,882	1,780,835	4,314,591	
Charges for Services	58,619		292,524	
Miscellaneous	1,013,066	51,084	305,568	
Interest	2,087	16	22	412
Total Revenues	<u>16,102,176</u>	<u>1,831,935</u>	<u>4,912,705</u>	<u>412</u>
EXPENDITURES				
General Government	3,895,067			
Protection to Persons and Property	3,048,415		6,607,494	
General Health and Sanitation	608,824			
Social Services	76,253		13,498	
Recreation and Culture	406,374			
Roads		2,333,472		
Bus Service				
Debt Service	893,589	72,335	1,116,377	
Other Fiscal Charges	62,221			54,540
Capital Projects	352,414	1,675,882	13,415	5,585,076
Administration	3,147,482	494,667	1,817,683	
Total Expenditures	<u>12,490,639</u>	<u>4,576,356</u>	<u>9,568,467</u>	<u>5,639,616</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	3,611,537	(2,744,421)	(4,655,762)	(5,639,204)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	59,052			
Bond Issuance				5,165,000
Refunding Bond Issuance	6,365,000			
Premium On Bond Issuance	127,300			93,049
Payment to Refunded Bond Escrow Agent	(6,430,079)			
Transfers From Other Funds	2,256,500	2,780,000	4,902,827	
Transfers To Other Funds	(5,973,827)			
Total Other Financing Sources (Uses)	<u>(3,596,054)</u>	<u>2,780,000</u>	<u>4,902,827</u>	<u>5,258,049</u>
Net Change in Fund Balances	15,483	35,579	247,065	(381,155)
Fund Balances - Beginning	7,252,833	(3,092)	377,461	2,247,942
Fund Balances - Ending	<u>\$ 7,268,316</u>	<u>\$ 32,487</u>	<u>\$ 624,526</u>	<u>\$ 1,866,787</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, 2016
(Continued)

(TANK) Payroll Tax Fund	Housing Choice Voucher Program	Non- Major Funds	Total Governmental Funds
\$ 8,473,082	\$	\$ 1,412,579	\$ 22,862,789
			988,187
			336,207
287,125	3,630,129	85,659	10,825,221
	409,018	2,286	762,447
	25,754	16,852	1,412,324
18,987	117	3,067	24,708
<u>8,779,194</u>	<u>4,065,018</u>	<u>1,520,443</u>	<u>37,211,883</u>
189,237	412,720	31,539	4,528,563
			9,655,909
		799,121	1,407,945
	3,646,719	472,770	4,209,240
			406,374
		7,619	2,341,091
4,396,761			4,396,761
			2,082,301
			116,761
		34,385	7,661,172
7,705		39,784	5,507,321
<u>4,593,703</u>	<u>4,059,439</u>	<u>1,385,218</u>	<u>42,313,438</u>
4,185,491	5,579	135,225	(5,101,555)
			59,052
			5,165,000
			6,365,000
			220,349
			(6,430,079)
			9,939,327
(3,970,000)		(106,500)	(10,050,327)
<u>(3,970,000)</u>		<u>(106,500)</u>	<u>5,268,322</u>
215,491	5,579	28,725	166,767
6,716,995	86,678	1,175,567	17,854,384
<u>\$ 6,932,486</u>	<u>\$ 92,257</u>	<u>\$ 1,204,292</u>	<u>\$ 18,021,151</u>

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

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

For The Year Ended June 30, 2016

CAMPBELL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2016

Net change in fund balances - Governmental Funds \$ 166,767

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

Capital outlays	7,656,260
Depreciation expense	(2,163,288)
Assets disposed of, net book value	(38,777)

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

Change in compensated absences	(2,644)
--------------------------------	---------

Net difference between pension plan contributions of \$1,981,149 reported as expense in the Governmental Funds and the pension expense of \$3,968,200 reported in the Statement of Activities

(1,987,049)

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

Proceeds on issuance of debt	(5,165,000)
Refunding bond issuance	(6,365,000)
Payment to refunded bond escrow agent	6,430,079
Discount/premium on long term debt	(220,349)
Repayment of long term debt principal	1,520,000
Amortization of loss on refunding debt	(43,065)
Amortization of bond premiums and bond discount	22,281

Change in net position of Governmental Activities

\$ (189,785)

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

June 30, 2016

CAMPBELL COUNTY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2016

	Business-Type Activities - Enterprise Funds			
	A.J. Jolly Park	A.J. Jolly Golf Course Fund	Jail Commissary Fund	Totals
Assets				
Current Assets:				
Cash and Cash Equivalents	\$	\$ 150,215	\$ 433,497	\$ 583,712
Accounts Receivable			28,886	28,886
Total Current Assets		150,215	462,383	612,598
Noncurrent Assets:				
Capital Assets:				
Land	497,462			497,462
Construction In Progress			50,477	50,477
Vehicles			30,897	30,897
Land Improvements	683,675	45,200		728,875
Buildings	140,704			140,704
Clubhouse Furniture and Fixtures	707,764			707,764
Golf Equipment	106,097			106,097
Other Equipment		61,007		61,007
Less Accumulated Depreciation	(1,520,799)	(23,879)	(257)	(1,544,935)
Total Noncurrent Assets	614,903	82,328	81,117	778,348
Total Assets	614,903	232,543	543,500	1,390,946
Deferred Outflows of Resources				
Deferred Amount Related to Pension Plan		68,744		68,744
Liabilities				
Current Liabilities:				
Accounts Payable		18,731	17,184	35,915
Accrued Wages			524	524
Gift Card Payable		10,605		10,605
Total Current Liabilities		29,336	17,708	47,044
Noncurrent Liabilities:				
Net Pension Liability		417,894		417,894
Total Liabilities		447,230	17,708	464,938
Deferred Inflows of Resources				
Deferred Amount Related to Pension Plan		18,765		18,765
Net Position				
Invested in Capital Assets, Net of Related Debt - Unrestricted	406,202	82,328	81,117	569,647
Invested in Capital Assets, Net of Related Debt - Restricted	208,701			208,701
Unrestricted		(247,036)	444,675	197,639
Total Net Position	\$ 614,903	\$ (164,708)	\$ 525,792	\$ 975,987

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

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

For The Year Ended June 30, 2016

CAMPBELL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
For The Year Ended June 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>A.J. Jolly Park</u>	<u>A.J. Jolly Golf Course Fund</u>	<u>Jail Commissary Fund</u>	
Operating Revenues				
Golf	\$	\$ 459,939	\$	\$ 459,939
Rentals-Power Carts		220,813		220,813
Rentals-Miscellaneous		2,610		2,610
Commissary Sales-Cigarettes/Soaps			116,225	116,225
Commissary Profits			112,874	112,874
Concession Commissions		152,806		152,806
Miscellaneous Revenue		10,277		10,277
Total Operating Revenues		<u>846,445</u>	<u>229,099</u>	<u>1,075,544</u>
Operating Expenses				
Protection to Persons and Property			23,010	23,010
Educational and Recreational			36,205	36,205
Payments to Suppliers			55,073	55,073
Golf	21,890	464,748		486,638
Clubhouse	6,054	473,011		479,065
Total Operating Expenses	<u>27,944</u>	<u>937,759</u>	<u>114,288</u>	<u>1,079,991</u>
Operating Income (Loss)	(27,944)	(91,314)	114,811	(4,447)
Nonoperating Revenues				
Transfer from other funds		111,000		111,000
Interest Income		4	44	48
Total Nonoperating Revenues		<u>111,004</u>	<u>44</u>	<u>111,048</u>
Change In Net Position	(27,944)	19,690	114,855	106,601
Net Position - beginning of year, as previously reported	642,847	(177,285)	410,937	876,499
Adjustment to opening net position (Note 16)		(7,113)		(7,113)
Net Position - beginning, as adjusted	<u>642,847</u>	<u>(184,398)</u>	<u>410,937</u>	<u>869,386</u>
Net Position - ending	<u>\$ 614,903</u>	<u>\$ (164,708)</u>	<u>\$ 525,792</u>	<u>\$ 975,987</u>

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

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

For The Year Ended June 30, 2016

CAMPBELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Year Ended June 30, 2016

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>A.J. Jolly Park</u>	<u>A.J. Jolly Golf Course Fund</u>	<u>Jail Commissary Fund</u>	
Cash Flows From Operating Activities				
Receipts from Green Fees	\$	\$ 459,939	\$	\$ 459,939
Rental for Golf Carts		220,813		220,813
Miscellaneous Rentals		2,610		2,610
Receipts from Concession Sales		152,806		152,806
Miscellaneous Income		10,277		10,277
Receipts from Sale of Cigarettes/Soaps			116,225	116,225
Profits			90,151	90,151
Payments to Employees		(524,488)	(17,689)	(542,177)
Educational and Recreational			(35,948)	(35,948)
Payments to Suppliers		(373,353)	(55,073)	(428,426)
Net Cash Provided (Used) By Operating Activities		<u>(51,396)</u>	<u>97,666</u>	<u>46,270</u>
Cash Flows From Noncapital Financing Activities				
Transfers In/Out		111,000		111,000
Net Cash Provided By Noncapital Financing Activities		<u>111,000</u>		<u>111,000</u>
Cash Flows From Capital and Related Financing Activities				
Purchases of capital assets		(21,542)	(81,374)	(102,916)
Net Cash Used By Capital and Related Financing Activities		<u>(21,542)</u>	<u>(81,374)</u>	<u>(102,916)</u>
Cash Flows From Investing Activities				
Interest Earned		4	44	48
Net Cash Provided By Investing Activities		<u>4</u>	<u>44</u>	<u>48</u>
Net Increase in Cash and Cash Equivalents		38,066	16,336	54,402
Cash and Cash Equivalents - July 1, 2015		112,149	417,161	529,310
Cash and Cash Equivalents - June 30, 2016	<u>\$ 0</u>	<u>\$ 150,215</u>	<u>\$ 433,497</u>	<u>\$ 583,712</u>

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

CAMPBELL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Year Ended June 30, 2016
(Continued)

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	Business-Type Activities - Enterprise Funds			
	A.J. Jolly Park	A.J. Jolly Golf Course Fund	Jail Commissary Fund	Totals
Operating Income (Loss)	\$ (27,944)	\$ (91,314)	\$ 114,811	\$ (4,447)
Adjustments:				
Depreciation Expense	27,944	15,492	257	43,693
Pension Expense		36,092		36,092
Changes In:				
Accounts Receivable			(22,724)	(22,724)
Accounts Payable		(11,666)	5,322	(6,344)
Net Cash Provided (Used) By Operating Activities	<u>\$ 0</u>	<u>\$ (51,396)</u>	<u>\$ 97,666</u>	<u>\$ 46,270</u>

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

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

June 30, 2016

CAMPBELL COUNTY
STATEMENT OF NET POSITION - FIDUCIARY FUNDS
June 30, 2016

	Total Agency Funds
Assets	
Cash and Cash Equivalents	\$ 77,204
Total Assets	<u>77,204</u>
Liabilities	
Amounts Held In Custody For Others	<u>77,204</u>
Total Liabilities	<u>77,204</u>
Net Position	
Net Position	<u><u>\$ 0</u></u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	55
NOTE 2.	DEPOSITS	49
NOTE 3.	OPERATING LEASES	63
NOTE 4.	CAPITAL ASSETS	65
NOTE 5.	JOINT VENTURES.....	67
NOTE 6.	LONG-TERM DEBT.....	67
NOTE 7.	INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS.....	72
NOTE 8.	COMMITMENTS AND CONTINGENCIES.....	72
NOTE 9.	EMPLOYEE RETIREMENT SYSTEM	73
NOTE 10.	DEFERRED COMPENSATION	78
NOTE 11.	INSURANCE	78
NOTE 12.	ESTIMATED INFRASTRUCTURE HISTORICAL COST.....	79
NOTE 13.	CONCENTRATION OF BUSINESS RISK	79
NOTE 14.	INTERFUND TRANSACTIONS	79
NOTE 15.	DISAGGREGATION OF ACCOUNTS PAYABLE	80
NOTE 16.	PRIOR PERIOD ADJUSTMENTS	80

CAMPBELL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

B. Reporting Entity

The financial statements of the fiscal court include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, as amended by GASB 14, GASB 39 and GASB 61, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management, and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the fiscal court is financially accountable or the organization's exclusion would cause the financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The fiscal court had no discretely presented component units.

Blended Component Unit

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

A.J. Jolly Park:

The activities of A.J. Jolly Park (the Park), an agency of the fiscal court, are accounted for as an enterprise fund. This method was adopted to account for the Park's operations in a manner similar to private business enterprises. On July 1, 2014, all of the Park's current assets, liabilities, revenues, and expenditures were assumed by the A.J. Jolly Golf Course Fund, a proprietary fund of the fiscal court, for management. The Park's fixed assets are still being held by the component unit until resolution of the legality of the transfer of its restricted assets. This component unit is blended within the financial statements of the fiscal court.

Copies of the audit of the Park can be obtained by contacting Marie Schenkel, Finance Director, Campbell County Fiscal Court, 1098 Monmouth St., Newport, KY 41701.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Campbell County Elected Officials

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

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

D. Government-Wide and Fund Financial Statements

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Generally, except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale 90 days following April 15.

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

Governmental Funds

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

The primary government reports the following major governmental funds:

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

Road Fund - This fund is for road and bridge construction and repair. The primary sources of revenue for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these revenues and expenditures separately from the general fund.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental Funds (Continued)

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

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

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

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

Special Revenue Funds:

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

Capital Projects Fund:

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

Revenue Recognition

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Revenue Recognition (Continued)

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the fiscal court must provide local resources to be used for a specified purpose. Revenue from non-exchange transactions must be available before it can be recognized.

Expenditure Recognition

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

Proprietary Funds

Proprietary funds account for operations that are primarily financed by user charges. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in these funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with Proprietary Funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the fiscal court's enterprise funds are charges to customers at the A.J. Jolly golf course and sales in the jail commissary. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary funds:

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

Jail Commissary Fund - The canteen operations are authorized pursuant to Kentucky Revised Statutes (KRS) 441.135(1). The profits generated from the sale of items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail commissary fund.

The primary government also has the following non-major funds: A.J. Jolly Park fund.

Fiduciary Funds

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Fiduciary Funds (Continued)

The primary government reports the following fiduciary funds: the jail inmate account and the employee fund account.

E. Use of Estimates

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

F. Deposits

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

KRS 66.480 authorizes the fiscal court to invest in obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Capital Assets

Capital assets, which include land, land improvements, buildings, vehicles and equipment, other equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the Government's capitalization policy, are reported in the applicable Governmental or Business-Type Activities of the Government-Wide Financial Statements and the Proprietary Fund Financial Statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Long-term Obligations

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

The Governmental Fund Financial Statements recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

Compensated Absences

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

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

The county police and the road department have a separate contract for sick leave. These employees earn 40 hours of sick leave per year. The entire 40 hours is given to them in January. If they are still employed by the fiscal court on December 31, they receive pay for their unused sick time the following January. If they are not employed on December 31, they do not get paid for their unused sick time.

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

I. Fund Equity

In the Governmental Fund Financial Statements, the difference between the assets and liabilities is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

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

Spendable include the following:

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

I. Fund Equity (Continued)

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

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

Encumbrances are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected in the financial statements.

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

J. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The State Local Finance Officer does not require the jail commissary fund to be budgeted, because the fiscal court does not approve these expenses made from these funds. However, the fiscal court has chosen to budget these funds.

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

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

K. Receivables

In the Government-Wide Financial Statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the Governmental Activities include payroll taxes.

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

Note 1. Summary of Significant Accounting Policies (Continued)

L. Interfund Receivables and Payables

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government’s deposits may not be returned. The fiscal court does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 66.480(1)(d) and KRS 41.240. As of June 30, 2016, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Operating Leases

A. Copiers

The fiscal court entered into various lease agreements for copiers to be used by various departments. The total expense related to these leases was \$8,772 for the year ended June 30, 2016. The future minimum lease payments for these leases are as follows:

<u>Year Ended June 30</u>	<u>Governmental Activities</u>
2017	\$ 7,959
2018	6,764
2019	5,349
2020	3,652
2021	1,704
Total Minimum Lease Payments	<u>\$ 25,428</u>

Note 3. Operating Leases (Continued)

B. Golf Carts

The fiscal court entered into a lease for golf carts effective March 2014 for a total rental of \$227,418. Payments are due on the first of the month for April through October each year of the lease term. No payments are required November through March. The first payment on the lease was made in October 2014. The total expense related to this lease is \$54,894 for the year ended June 30, 2016.

Minimum future lease payments are as follows:

<u>Year Ended June 30</u>	<u>Business-Type Activities</u>
2017	\$ 54,894
2018	54,894
2019	31,368
Total Minimum Lease Payments	<u>\$ 141,156</u>

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 4,231,925	\$	\$	\$ 4,231,925
Construction In Progress	229,662	5,750,085		5,979,747
Total Capital Assets Not Being Depreciated	4,461,587	5,750,085		10,211,672
Capital Assets, Being Depreciated:				
Land Improvements	898,261	34,385		932,646
Buildings	35,121,987	69,992		35,191,979
Other Equipment	3,891,311	128,967	(32,400)	3,987,878
Vehicles and Equipment	4,039,072	334,461	(113,795)	4,259,738
Infrastructure	38,633,233	1,338,370	(90,505)	39,881,098
Total Capital Assets Being Depreciated	82,583,864	1,906,175	(236,700)	84,253,339
Less Accumulated Depreciation For:				
Land Improvements	(496,444)	(36,440)		(532,884)
Buildings	(9,837,747)	(852,200)		(10,689,947)
Other Equipment	(2,412,409)	(300,859)	32,450	(2,680,818)
Vehicles and Equipment	(2,897,547)	(287,741)	113,795	(3,071,493)
Infrastructure	(29,271,248)	(686,048)	51,678	(29,905,618)
Total Accumulated Depreciation	(44,915,395)	(2,163,288)	197,923	(46,880,760)
Total Capital Assets, Being Depreciated, Net	37,668,469	(257,113)	(38,777)	37,372,579
Governmental Activities Capital Assets, Net	\$ 42,130,056	\$ 5,492,972	\$ (38,777)	\$ 47,584,251

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016
(Continued)

Note 4. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 497,462	\$	\$	\$ 497,462
Construction in Process		50,477		50,477
Total Capital Assets Not Being Depreciated	497,462	50,477		547,939
Land Improvements	728,875			728,875
Buildings	140,704			140,704
Vehicles		30,897		30,897
Clubhouse Furniture and Fixtures	106,097			106,097
Golf Equipment	707,763			707,763
Other Equipment	39,466	21,542		61,008
Total Capital Assets Being Depreciated	1,722,905	52,439		1,775,344
Less Accumulated Depreciation For:				
Land Improvements	(667,928)	(4,520)		(672,448)
Buildings	(123,819)	(4,400)		(128,219)
Vehicles		(257)		(257)
Clubhouse Furniture and Fixtures	(103,268)	(1,654)		(104,922)
Golf Equipment	(601,229)	(21,891)		(623,120)
Other Equipment	(4,998)	(10,971)		(15,969)
Total Accumulated Depreciation	(1,501,242)	(43,693)		(1,544,935)
Total Capital Assets, Being Depreciated, Net	221,663	8,746		230,409
Business-Type Activities Capital Assets, Net	\$ 719,125	\$ 59,223	\$ 0	\$ 778,348

CAMPBELL COUNTY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016
(Continued)

Note 4. Capital Assets (Continued)

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

Governmental Activities:

General Government	\$ 694,971
Protection to Persons and Property	587,503
General Health and Sanitation	14,916
Social Services	57,058
Recreation and Culture	82,516
Roads, Including Depreciation of General Infrastructure Assets	726,324
Total Depreciation Expense - Governmental Activities	<u>\$ 2,163,288</u>

Business-Type Activities:

Jail Commissary	257
A.J. Jolly Golf Course	15,492
A.J. Jolly Park	27,944
Total Depreciation Expense - Business-Type Activities	<u>\$ 43,693</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 Campbell County Consolidated Dispatch Board is considered a joint venture of the fiscal court. This joint venture is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on the fiscal court in the future.

Note 6. Long-term Debt

A. General Obligation Refunding Bonds, Series 2012

The fiscal court issued, as of February 24, 2012, \$1,645,000 General Obligation Refunding Bond, Series 2012, to refund Campbell County, Kentucky General Project Refunding Bond, Series 2001 and First Mortgage Refunding and Improvement Revenue Bonds, Series 1997. The bonds mature in varying amounts from \$5,000 to \$200,000 from June 1, 2012 through 2022. Interest is payable semi-annually on June 1 and December 1 at a rate of 2.00%. Bonds outstanding at June 30, 2016 were \$810,000.

Note 6. Long-term Debt (Continued)

A. General Obligation Refunding Bonds (Continued)

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

Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2017	\$ 195,000	\$ 14,250
2018	200,000	10,300
2019	75,000	7,550
2020	85,000	5,950
2021	85,000	4,250
2022-2024	170,000	3,500
Totals	\$ 810,000	\$ 45,800

B. General Obligation Public Project Bonds, Series 2006

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

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

Bonds outstanding at June 30, 2016 are \$610,000, which mature on December 1, 2016. Interest at a rate of 4% is payable semi-annually on June 1 and December 1. Interest due in 2017 is \$24,400.

C. General Obligation Public Project Bonds, Series 2008

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

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

Bonds outstanding at June 30, 2016 were \$920,000 and mature on January 1, 2017 and 2018 in the amounts of \$450,000 and \$470,000, respectively. Interest is payable semi-annually on January 1 and July 1 at rates of 3.50% to 4.60%. Interest due in 2017 and 2018 is \$32,671 and \$16,920, respectively.

Note 6. Long-term Debt (Continued)

D. General Obligation Public Projects Bond, Series 2014 A

On July 29, 2014, the fiscal court issued \$2,500,000 General Obligation Public Projects Bonds, Series 2014 A. These bonds mature in varying amounts from \$105,000 to \$325,000 on December 1 of each year through 2033. Proceeds of the bonds were principally used for construction of the Campbell County Detention Facility. Interest is payable semi-annually on December 1 and June 1 at rates ranging from 2.0% to 3.5% and principal payments are due annually on December 1 of each year. Bonds outstanding on June 30, 2016 were \$2,295,000.

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

Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2017	\$ 100,000	\$ 64,975
2018	105,000	62,925
2019	105,000	60,825
2020	105,000	58,725
2021	110,000	56,575
2022-2026	595,000	233,950
2027-2031	700,000	136,938
2032-2035	475,000	25,275
Totals	<u>\$ 2,295,000</u>	<u>\$ 700,188</u>

E. General Obligation Refunding Bonds, Series 2014 B

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

The bonds mature in varying amounts from \$80,000 to \$840,000 on December 1 of each year through 2025. Interest is payable semi-annually on December 1 and June 1 at rates ranging from 2.0% to 3.0% and principal payments are due annually on December 1 of each year. Bonds outstanding on June 30, 2016 were \$6,985,000.

Note 6. Long-term Debt (Continued)

E. General Obligation Refunding Bonds, Series 2014 B (Continued)

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

Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2017	\$ 80,000	\$ 159,400
2018	705,000	151,550
2019	715,000	137,350
2020	735,000	122,850
2021	750,000	108,000
2022-2026	4,000,000	276,250
Totals	<u>\$ 6,985,000</u>	<u>\$ 955,400</u>

F. General Obligation Bonds, Series 2015

On November 4, 2015, the fiscal court issued \$5,165,000 General Obligation Bonds, Series 2015. The proceeds of \$5,203,508 are net of a premium of \$93,048 and \$54,540 in issuance costs. These bonds mature in varying amounts from \$210,000 to \$330,000 on November 1 of each year through 2033. Proceeds of the bonds were principally used for construction of the Campbell County Detention Facility. Interest is payable semi-annually on May 1 and November 1 at rates ranging from 2.0% to 3.5% and principal payments are due annually on November 1 of each year. Bonds outstanding on June 30, 2016 were \$5,165,000.

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

Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2017	\$ 210,000	\$ 127,900
2018	210,000	123,700
2019	215,000	119,450
2020	220,000	115,100
2021	225,000	110,650
2022-2026	1,200,000	482,688
2027-2031	1,335,000	338,200
2032-2035	1,550,000	129,475
Totals	<u>\$ 5,165,000</u>	<u>\$ 1,547,163</u>

Note 6. Long-term Debt (Continued)

G. General Obligation Refunding Bonds, Series 2016

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

These bonds mature in varying amounts from \$65,000 to \$695,000 on January 1 of each year through 2028. Interest is payable semi-annually on January 1 and July 1 at rates ranging from 2.0% to 2.25% and principal payments are due annually on January 1 of each year. Bonds outstanding on June 30, 2016 were \$6,365,000.

Year Ended June 30	Governmental Activities	
	Scheduled Principal	Scheduled Interest
2017	\$ 75,000	\$ 123,826
2018	65,000	129,225
2019	560,000	127,925
2020	570,000	116,725
2021	585,000	105,325
2022 - 2026	3,140,000	345,425
2027 - 2028	1,370,000	46,463
Totals	<u>\$ 6,365,000</u>	<u>\$ 994,914</u>

Note 6. Long-term Debt (Continued)

H. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Compensated Absences	\$ 33,564	\$ 2,644	\$	\$ 36,208	\$
General Obligation					
Public Project Bonds Series 2008	7,345,000		6,425,000	920,000	450,000
General Obligation					
Public Project Bonds Series 2006	1,330,000		720,000	610,000	610,000
General Obligation					
Public Refunding Bonds Series 2012	995,000		185,000	810,000	195,000
General Obligation					
Public Refunding Bonds Series 2014B	7,065,000		80,000	6,985,000	80,000
General Obligation					
Public Project Bonds Series 2014A	2,395,000		100,000	2,295,000	100,000
General Obligation					
Public Project Bonds Series 2015		5,165,000		5,165,000	210,000
General Obligation					
Public Refunding Bonds Series 2015		6,365,000		6,365,000	75,000
Unamortized Premiums	166,529	220,349	32,481	354,397	32,480
Unamortized Discounts	(107,739)		(10,200)	(97,539)	(10,200)
	<u>\$ 19,222,354</u>	<u>\$ 11,752,993</u>	<u>\$ 7,532,281</u>	<u>\$ 23,443,066</u>	<u>\$ 1,742,280</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 19,222,354</u>	<u>\$ 11,752,993</u>	<u>\$ 7,532,281</u>	<u>\$ 23,443,066</u>	<u>\$ 1,742,280</u>

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

Debt service on the Statement of Activities includes \$413,516 in interest on bonds.

Note 8. Commitments and Contingencies

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

Note 9. Employee Retirement System

A. Plan Description

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems (KRS). This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute. CERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601-6124 or by calling (502) 696-8800.

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

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

B. Benefits Provided

CERS provides retirement, disability, and death benefits.

Non-hazardous employees can retire with full retirement benefits after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit. Retirement benefits are determined based upon a maximum of 2.2 percent of the employee's years of service multiplied by their Final Compensation. Final Compensation is calculated based upon the average of the five highest fiscal years (or last five fiscal years for employees who begin participation on or after September 1, 2008) of salary prior to attainment of the CERS specified age (or age and service combinations).

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

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

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

Note 9. Employee Retirement System (Continued)

B. Benefits Provided (Continued)

CERS also provides post-retirement health care coverage as follows:

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

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

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

C. Contributions

Benefit and contribution rates are established by state statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008, are required to contribute six percent of their salary to the plan. The fiscal court's contribution rate for nonhazardous employees was 17.06%, 17.67% and 18.89% for the years ended June 30, 2016, 2015 and 2014, respectively.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the Kentucky Retirement System insurance fund. The fiscal court's contribution rate for hazardous employees was 32.95%, 34.31% and 35.70% for the years ended June 30, 2016, 2015, and 2014, respectively.

Note 9. Employee Retirement System (Continued)

C. Contributions (Continued)

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

The fiscal court's contributions to CERS for the years ended June 30, 2016, 2015, and 2014 were \$1,981,150, \$1,848,616, and \$1,851,233, respectively.

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

At June 30, 2016, the fiscal court reported a liability of \$17,908,532 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The fiscal court's proportion of the net pension liability was based on a projection of the fiscal court's long-term share of contributions to the pension plan relative to the projected contributions of all participating organizations, actuarially determined.

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

For the year ended June 30, 2016, the fiscal court recognized pension expense of \$3,968,200. At June 30, 2016, the fiscal court reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 9. Employee Retirement System (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments:		
Hazardous	\$	\$ 217,220
Non-Hazardous		555,257
Difference between expected and actual experience:		
Hazardous	85,009	
Non-Hazardous	81,126	
Change of assumptions:		
Hazardous	338,230	
Non-Hazardous	984,397	
Change in proportion and differences between employee contributions and proportionate share of contributions:		
Non-Hazardous	84,364	
Fiscal Court's contributions subsequent to the measurement date of June 30, 2015:		
Hazardous	377,627	
Non-Hazardous	995,197	
Total	<u>\$ 2,945,950</u>	<u>\$ 772,477</u>

The deferred outflows of resources relate to the fiscal court's contributions to the CERS plan subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	\$ 221,786
2018	221,786
2019	221,786
2020	135,291
	<u>\$ 800,649</u>

E. Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary increases	4.0 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense, including inflation

Note 9. Employee Retirement System (Continued)

E. Actuarial Assumptions (Continued)

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2013.

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

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

F. Discount Rate

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

Note 9. Employee Retirement System (Continued)

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

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

	1% Decrease <u>(6.5%)</u>	Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
The County's share of the net pension liability	\$ 22,879,157	\$ 17,908,532	\$ 13,689,856

Note 10. Deferred Compensation

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

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

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

Note 11. Insurance

For the year ended June 30, 2016, the fiscal court was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of 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 (the year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year the infrastructure was built by determining when a major reconstruction was performed on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through June 30, 2002. All infrastructure assets placed in service during the year ended June 30, 2003 and thereafter are recorded at actual historical cost.

Note 13. Concentration of Business Risk

Housing Choice Voucher Program

The operations of the Housing Choice Voucher Program (the Program) are concentrated in the low-income rental market. In addition, the Program operates in a heavily regulated environment. The operation of the Program is subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with very little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. The majority of revenue is received from annual contributions from HUD. For the year ended June 30, 2016, contributions from HUD made up 99% of the total revenues received.

Note 14. Interfund Transactions

Transfers are indicative of 1.) funding for capital projects, 2.) moving unrestricted revenues collected in the general fund to subsidize various programs accounted for in other funds in accordance with budgetary authorization, and 3) reallocation of special revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The following is a list of interfund transactions as of June 30, 2016:

	Total Transfers Out	Total Transfers In
General Fund	\$ 5,973,827	\$ 2,256,500
Road Fund		2,780,000
Jail Fund		4,902,827
(TANK) Payroll Tax Fund	3,970,000	
AJ Jolly Golf Course Fund		111,000
Non-Major	106,500	
Total Transfers	<u>\$ 10,050,327</u>	<u>\$ 10,050,327</u>

Note 15. Disaggregation of Accounts Payable

The following is a list of accounts payable by function as of June 30, 2016:

	Totals	General Fund	Road Fund	Jail Fund	Capital Projects Fund	Housing Voucher Program	Non-Major Funds
General Government	\$ 82,590	\$ 82,590		\$	\$	\$	\$
Roads	50,609		50,609				
Protection To Persons and Property	129,385	13,483		115,902			
General Health and Sanitation	30,148	18,530					11,618
Social Services	24,663	449				2,643	21,571
Recreation and Culture	16,779	16,779					
Capital Projects	1,084,671	-			1,084,671		
Administration	17,076	14,755		2,321			
Total	<u>\$ 1,435,921</u>	<u>\$ 146,586</u>	<u>\$ 50,609</u>	<u>\$ 118,223</u>	<u>\$ 1,084,671</u>	<u>\$ 2,643</u>	<u>\$ 33,189</u>

Note 16. Prior Period Adjustments

Effective July 1, 2014, the fiscal court was required to adopt GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" (Statement 68). Statement 68 replaced the requirements of GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB Statement No. 50, "Pension Disclosures" as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the fiscal court, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

In 2015, the fiscal court recorded a deferred outflow to account for the fiscal court's total pension contributions made to the plan subsequent to the measurement date. The fiscal court's total contributions included the amounts allocated between both the pension and insurance components. Statement 68 requires that only the portion of contributions made subsequent to the measurement date that were allocated to the pension to be recorded as a deferred outflow. Additionally, Statement 68 requires that certain deferred inflows and outflows of resources begin being amortized in the year of adoption, however, the fiscal court did not amortize any amounts in 2015. The adjustments resulted in a \$586,049 reduction in deferred outflows and a \$289,628 reduction in deferred inflows related to Governmental Activities and a \$14,285 reduction in deferred outflows and a \$7,172 reduction in deferred inflows related to Business-Type Activities and the Proprietary Funds as of June 30, 2015. Accordingly, the beginning Governmental Activities net position, the beginning Business-Type Activities net position and beginning Proprietary Fund balance have been restated to reflect the adjustments.

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

For The Year Ended June 30, 2016

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2016

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 12,485,448	\$ 12,485,448	\$ 12,925,259	\$ 439,811
Excess Fees	700,000	700,000	1,157,514	457,514
Licenses and Permits	216,200	216,200	336,207	120,007
Intergovernmental	777,530	777,530	679,747	(97,783)
Charges for Services	59,850	59,850	58,619	(1,231)
Miscellaneous	1,075,570	1,075,570	1,075,362	(208)
Interest	2,000	2,000	2,084	84
Total Revenues	<u>15,316,598</u>	<u>15,316,598</u>	<u>16,234,792</u>	<u>918,194</u>
EXPENDITURES				
General Government	4,142,726	4,233,826	3,861,217	372,609
Protection to Persons and Property	3,205,535	3,386,385	3,031,455	354,930
General Health and Sanitation	492,700	631,200	600,897	30,303
Social Services	104,350	86,136	78,245	7,891
Recreation and Culture	418,575	435,300	394,226	41,074
Debt Service	957,620	957,620	893,589	64,031
Other Fiscal Charges			62,221	(62,221)
Capital Projects	603,000	646,650	352,414	294,236
Administration	3,794,387	3,327,776	3,161,561	166,215
Total Expenditures	<u>13,718,893</u>	<u>13,704,893</u>	<u>12,435,825</u>	<u>1,269,068</u>
Excess of Revenues Over Expenditures Before Other Financing Sources (Uses)	1,597,705	1,611,705	3,798,967	2,187,262
OTHER FINANCING SOURCES (USES)				
Refunding Bond Issuance			6,365,000	6,365,000
Premium on Bond Issuance			127,300	127,300
Payment to Refunded Bond Escrow Agent			(6,430,079)	(6,430,079)
Transfers From Other Funds	1,011,500	1,011,500	2,256,500	1,245,000
Transfers To Other Funds	(5,360,000)	(5,360,000)	(5,973,827)	(613,827)
Total Other Financing Sources (Uses)	<u>(4,348,500)</u>	<u>(4,348,500)</u>	<u>(3,655,106)</u>	<u>693,394</u>
Net Change in Fund Balance	(2,750,795)	(2,736,795)	143,861	2,880,656
Fund Balance - Beginning	<u>2,165,040</u>	<u>2,165,040</u>	<u>6,618,362</u>	<u>4,453,322</u>
Fund Balance - Ending	<u>\$ (585,755)</u>	<u>\$ (571,755)</u>	<u>\$ 6,762,223</u>	<u>\$ 7,333,978</u>

See notes to the required supplementary information.

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2016
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,776,559	\$ 1,899,359	\$ 1,863,785	\$ (35,574)
Miscellaneous	48,000	48,000	51,084	3,084
Interest	300	300	16	(284)
Total Revenues	<u>1,824,859</u>	<u>1,947,659</u>	<u>1,914,885</u>	<u>(32,774)</u>
EXPENDITURES				
Roads	2,461,800	2,650,336	2,365,783	284,553
Debt Service	72,500	72,500	72,335	165
Capital Projects	2,521,000	2,501,850	1,675,882	825,968
Administration	547,919	531,919	493,103	38,816
Total Expenditures	<u>5,603,219</u>	<u>5,756,605</u>	<u>4,607,103</u>	<u>1,149,502</u>
Deficiency of Revenues Over Expenditures Before Other Financing Sources	(3,778,360)	(3,808,946)	(2,692,218)	1,116,728
OTHER FINANCING SOURCES				
Transfers From Other Funds	<u>3,778,360</u>	<u>3,778,360</u>	<u>2,780,000</u>	<u>(998,360)</u>
Net Change in Fund Balance		(30,586)	87,782	118,368
Fund Balance - Beginning		<u>30,586</u>	<u>33,602</u>	<u>3,016</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 121,384</u>	<u>\$ 121,384</u>

See notes to the required supplementary information.

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2016
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 4,268,400	\$ 4,268,400	\$ 3,957,774	\$ (310,626)
Charges for Services	234,500	234,500	286,138	51,638
Miscellaneous	235,500	235,500	306,964	71,464
Interest	100	100	22	(78)
Total Revenues	<u>4,738,500</u>	<u>4,738,500</u>	<u>4,550,898</u>	<u>(187,602)</u>
EXPENDITURES				
Protection to Persons and Property	6,914,200	6,892,050	6,629,515	262,535
Debt Service	1,165,200	1,165,200	1,116,377	48,823
Capital Projects			13,415	(13,415)
Social Services		13,850	13,498	352
Administration	1,925,913	1,934,213	1,823,586	110,627
Total Expenditures	<u>10,005,313</u>	<u>10,005,313</u>	<u>9,596,391</u>	<u>408,922</u>
Deficiency of Revenues Over Expenditures Before Other Financing Sources	(5,266,813)	(5,266,813)	(5,045,493)	221,320
OTHER FINANCING SOURCES				
Transfers From Other Funds	<u>5,200,000</u>	<u>5,200,000</u>	<u>4,902,827</u>	<u>(297,173)</u>
Net Change in Fund Balance	(66,813)	(66,813)	(142,666)	(75,853)
Fund Balance - Beginning	<u>66,813</u>	<u>66,813</u>	<u>449,803</u>	<u>382,990</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 307,137</u>	<u>\$ 307,137</u>

See notes to the required supplementary information.

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2016
(Continued)

	(TANK) PAYROLL TAX FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 8,170,000	\$ 8,170,000	\$ 8,468,157	\$ 298,157
Intergovernmental	300,000	300,000	319,309	19,309
Interest	5,000	5,000	18,987	13,987
Total Revenues	<u>8,475,000</u>	<u>8,475,000</u>	<u>8,806,453</u>	<u>331,453</u>
EXPENDITURES				
General Government	82,500	191,000	189,237	1,763
Bus Service	4,465,000	4,435,000	4,396,761	38,239
Administration	90,000	11,500	7,705	3,795
Total Expenditures	<u>4,637,500</u>	<u>4,637,500</u>	<u>4,593,703</u>	<u>43,797</u>
Excess of Revenues Over Expenditures Before Other Financing Uses	3,837,500	3,837,500	4,212,750	375,250
OTHER FINANCING USES				
Transfers To Other Funds	<u>(4,678,360)</u>	<u>(4,678,360)</u>	<u>(3,970,000)</u>	<u>708,360</u>
Net Change in Fund Balances	(840,860)	(840,860)	242,750	1,083,610
Fund Balance - Beginning	<u>840,860</u>	<u>840,860</u>	<u>4,183,965</u>	<u>3,343,105</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,426,715</u>	<u>\$ 4,426,715</u>

See notes to the required supplementary information.

CAMPBELL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2016
(Continued)

HOUSING CHOICE VOUCHER PROGRAM

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 3,424,298	\$ 3,424,298	\$ 3,630,129	\$ 205,831
Charges for Services	432,628	432,628	409,018	(23,610)
Miscellaneous	6,303	6,303	25,754	19,451
Interest	125	125	117	(8)
Total Revenues	<u>3,863,354</u>	<u>3,863,354</u>	<u>4,065,018</u>	<u>201,664</u>
EXPENDITURES				
Social Services	3,424,298	3,424,298	3,646,719	(222,421)
General Government	448,919	448,919	412,720	36,199
Total Expenditures	<u>3,873,217</u>	<u>3,873,217</u>	<u>4,059,439</u>	<u>(186,222)</u>
Net Change in Fund Balances	(9,863)	(9,863)	5,579	15,442
Fund Balance - Beginning	<u>86,678</u>	<u>86,678</u>	<u>86,678</u>	<u>86,678</u>
Fund Balance - Ending	<u>\$ 76,815</u>	<u>\$ 76,815</u>	<u>\$ 92,257</u>	<u>\$ 15,442</u>

See notes to the required supplementary information.

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

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

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

Note 2. General Fund

Fiscal charges relate entirely to the bond issuance costs related to General Obligation Refunding Bond Series 2016, which are required to be reported as an expenditure in accordance with GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*.

Note 3. Capital Projects Fund

Fiscal charges relate entirely to the bond issuance costs related to General Obligation Bond Series 2015, which are required to be reported as an expenditure in accordance with GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*.

Note 4. Excess of Disbursements over Appropriations

- General Fund - Other Fiscal Charges disbursements exceeded budgeted appropriations by \$62,221.
- Jail Fund - Capital Projects disbursements exceeded budgeted appropriations by \$13,415.
- Housing Choice Voucher Program - Social Services disbursements exceeded budgeted appropriations by \$222,421.

CAMPBELL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015
(Continued)

Note 5. Budgetary Basis vs. GAAP

Accounting principles applied for purposes of developing data on budgetary basis differ significantly from those used to present financial statements in conformity with GAAP. A schedule reconciling the fund balance on a regulatory basis at June 30, 2016, to the fund balance on an accrual basis follows:

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Capital Projects Fund</u>	<u>(TANK) Payroll Tax Fund</u>
<u>Sources/Inflows of Resources</u>					
Total Revenues - Budgetary Basis	\$ 16,234,792	\$ 1,914,885	\$ 4,550,898	\$ 412	\$ 8,806,453
Differences - (Budget to GAAP)					
The Fiscal Court budgets for revenues only to the extent they are expected to be received rather than on the modified accrual basis.	<u>(132,616)</u>	<u>(82,950)</u>	<u>361,807</u>		<u>(27,259)</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 16,102,176</u>	<u>\$ 1,831,935</u>	<u>\$ 4,912,705</u>	<u>\$ 412</u>	<u>\$ 8,779,194</u>
<u>Uses/Outflows of Resources</u>					
Total Expenses - Budgetary Basis	\$ 12,435,825	\$ 4,607,103	\$ 9,596,391	\$ 4,556,256	\$ 4,593,703
Differences - (Budget to GAAP)					
The Fiscal Court budgets for claims only to the extent they are expected to be paid rather than on the modified accrual basis.	<u>54,814</u>	<u>(30,747)</u>	<u>(27,924)</u>	<u>1,083,360</u>	
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 12,490,639</u>	<u>\$ 4,576,356</u>	<u>\$ 9,568,467</u>	<u>\$ 5,639,616</u>	<u>\$ 4,593,703</u>
<u>Ending Fund Balances</u>					
Fund Balance - Budgetary Basis	\$ 6,762,223	\$ 121,384	\$ 307,137	\$ 2,951,458	\$ 4,426,715
Differences - (Budget to GAAP)					
The Fiscal Court budgets for transactions only to the extent they are expected to be received or paid rather than on the modified accrual basis.	<u>506,093</u>	<u>(88,897)</u>	<u>317,389</u>	<u>(1,084,671)</u>	<u>2,505,771</u>
Total Ending Fund Balance as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 7,268,316</u>	<u>\$ 32,487</u>	<u>\$ 624,526</u>	<u>\$ 1,866,787</u>	<u>\$ 6,932,486</u>

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CAMPBELL COUNTY
ADDITIONAL INFORMATION REGARDING THE PENSION PLAN
Required Supplementary Information

June 30, 206

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

	<u>2016</u>	<u>2015</u>
The Fiscal Court's proportionate percentage of the net pension liability	0.62%	0.64%
The Fiscal Court's proportionate share of the net pension liability	\$ 17,908,532	\$ 13,773,000
The Fiscal Court's covered-employee payroll	\$ 6,979,571	\$ 6,119,066
The Fiscal Court's proportionate share of the net pension liability as a percentage of its covered-employee payroll	257%	225%
Plan fiduciary net position as a percentage of the total pension liability	59.35%	65.96%

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

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

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

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

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

June 30, 2016

**CAMPBELL COUNTY
COMBINING BALANCE SHEET –
NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information
June 30, 2016**

	Mental Health Tax Fund	Federal CDBG Grant Fund	Developer Road Escrow	Senior Citizens Tax Fund	LGEA Fund	Total Non-Major Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 549,149	\$	\$ 179,753	\$ 141,740	\$ 5,540	\$ 876,182
Accounts Receivable-Taxes	246,516			123,399		369,915
Total Assets	<u>795,665</u>		<u>179,753</u>	<u>265,139</u>	<u>5,540</u>	<u>1,246,097</u>
LIABILITIES						
Accounts Payable	11,618			21,571		33,189
Accrued Salaries and Payroll Taxes				8,616		8,616
Total Liabilities	<u>11,618</u>			<u>30,187</u>		<u>41,805</u>
FUND BALANCES						
Restricted For:						
Roads			179,753		5,540	185,293
Committed To:						
Social Services				114,755		114,755
General Health and Sanitation	190,128					190,128
Assigned To:						
Social Services				120,197		120,197
General Health and Sanitation	593,919					593,919
Total Fund Balances	<u>\$ 784,047</u>	<u>\$ 0</u>	<u>\$ 179,753</u>	<u>\$ 234,952</u>	<u>\$ 5,540</u>	<u>\$ 1,204,292</u>

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

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

For the Year Ended June 30, 2016

CAMPBELL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information
For the Year Ended June 30, 2016

	Mental Health Tax Fund	Federal CDBG Grant Fund	Developer Road Escrow	Senior Citizens Tax Fund	LGEA Fund	Total Non-Major Governmental Funds
REVENUES						
Taxes	\$ 941,628	\$	\$	\$ 470,951	\$	\$ 1,412,579
Charges for Services				2,286		2,286
Miscellaneous	243		1,126	15,483		16,852
Intergovernmental		5,500		67,000	13,159	85,659
Interest	2,040		18	1,009		3,067
Total Revenues	<u>943,911</u>	<u>5,500</u>	<u>1,144</u>	<u>556,729</u>	<u>13,159</u>	<u>1,520,443</u>
EXPENDITURES						
General Government	21,026			10,513		31,539
General Health and Sanitation	799,121					799,121
Social Services		5,500		467,270		472,770
Roads					7,619	7,619
Capital Projects				34,385		34,385
Administration				39,784		39,784
Total Expenditures	<u>820,147</u>	<u>5,500</u>		<u>551,952</u>	<u>7,619</u>	<u>1,385,218</u>
Excess of Revenues Over Expenditures Before Other Financing Uses	123,764		1,144	4,777	5,540	135,225
OTHER FINANCING USES						
Transfers To Other Funds	(89,000)			(17,500)		(106,500)
Total Other Financing Uses	<u>(89,000)</u>			<u>(17,500)</u>		<u>(106,500)</u>
Net Change in Fund Balances	34,764		1,144	(12,723)	5,540	28,725
Fund Balances - Beginning	749,283		178,609	247,675		1,175,567
Fund Balances - Ending	<u>\$ 784,047</u>	<u>\$ 0</u>	<u>\$ 179,753</u>	<u>\$ 234,952</u>	<u>\$ 5,540</u>	<u>\$ 1,204,292</u>

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

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

June 30, 2016

CAMPBELL COUNTY
COMBINING STATEMENT OF NET POSITION - FIDUCIARY FUND
Other Supplementary Information
June 30, 2016

	Jail Inmate Account	Employee Fund Account	Total Agency Funds
Assets			
Cash and Cash Equivalents	\$ 61,175	\$ 16,029	\$ 77,204
Total Assets	<u>61,175</u>	<u>16,029</u>	<u>77,204</u>
Liabilities			
Amounts Held In Custody For Others	<u>61,175</u>	<u>16,029</u>	<u>77,204</u>
Total Liabilities	<u>61,175</u>	<u>16,029</u>	<u>77,204</u>
Net Position			
Net Position	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

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

For the Year Ended June 30, 2016

CAMPBELL COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

Federal Grantor CFDA #	Program Title	Pass-Through Grantor's Number	Expenditures
<u>Department of Housing and Urban Development</u>			
<i>Direct Award:</i>			
14.871	Section 8 Housing Choice Voucher Program	KY136	** \$ 4,047,458
14.896	Family Self Sufficiency Program	2014-FSS-41PH-KY136	11,982
<i>Passed-Through Commonwealth of Kentucky:</i>			
14.228	Community Development Block Grants	Not Available	<u>5,500</u>
Total U.S. Department of Housing and Urban Development			4,064,940
<u>U.S. Department of Health and Human Services</u>			
<i>Passed-Through Northern Kentucky Area Development District:</i>			
93.044	Title III B-Grants for Supportive Services and Senior Citizens	Not Available	67,000
<u>U.S. Department of Homeland Security</u>			
<i>Passed-Through Kentucky Office of Homeland Security:</i>			
97.067	Homeland Security Grant Program	Not Available	176,583
<i>Passed-Through Kentucky Department of Emergency Management:</i>			
97.042	Emergency Management Performance Grants	Not Available	<u>68,284</u>
Total U.S. Department of Homeland Security			244,867
<u>U.S. Department of Transportation</u>			
<i>Passed-Through Kentucky Transportation Cabinet:</i>			
20.600	State and Community Highway Safety	Not Available	<u>30,530</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,407,337</u></u>

**Tested as Major Program or Cluster

CAMPBELL COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

Note 2 - Determination of Major Program

The Type A programs for the fiscal court are any programs for which total expenditures of federal awards exceed \$750,000 for fiscal year 2016 or were deemed high risk. There was one Type A program. The major program tested was:

- CFDA #14.871 Section 8 Housing Choice Voucher Program

Note 3- Significant Accounting Policies

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

Note 4 - There were no noncash expenditures of federal awards for fiscal year 2016.

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



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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Campbell County Fiscal Court, Inc. (the fiscal court), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the fiscal court's basic financial statements, and have issued our report thereon dated January 12, 2017. Our report includes a reference to other auditors who audited the financial statements of A.J. Jolly Park and the Campbell County Fiscal Court's Housing Department Housing Choice Voucher Program, as described in our report on the fiscal court's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, which is described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency as item 2016-001.

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

Compliance and Other Matters

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

County Judge/Executive's Response to Finding

The fiscal court's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The fiscal court's response was not subject to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Purpose of this Report

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

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
January 12, 2017

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



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

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited Campbell County Fiscal Court's (the fiscal court) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the fiscal court's major federal programs for the year ended June 30, 2016. The fiscal court's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The fiscal court's basic financial statements include the operations of the Campbell County Fiscal Court's Housing Department Housing Choice Voucher Program (the program), which received \$4,047,458 in federal awards during the year ended June 30, 2016. We did not audit the program. The fiscal court engaged other auditors to perform an audit of the operations of the program in accordance with the Uniform Guidance, whose report has been furnished to us. Our audit, as described below, insofar as it relates to the program is based upon the reports of other auditors.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the fiscal court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the fiscal court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Report Of Independent Auditors On Compliance For Each Major Federal
Program And Report On Internal Control Over Compliance
Required By The Uniform Guidance
(Continued)

Auditor's Responsibility (Continued)

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

Opinion on Each Major Federal Program

In our opinion, based on our audit and the report of the other auditors, the fiscal court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompany schedule of findings and questioned costs as finding 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

The fiscal court's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The fiscal court's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

Report Of Independent Auditors On Compliance For Each Major Federal
Program And Report On Internal Control Over Compliance
Required By The Uniform Guidance
(Continued)

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

The fiscal court's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The fiscal court's response was not subject to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

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

Dean Dotson Allen Ford, PLLC

Louisville, Kentucky
January 12, 2017

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

For The Year Ended June 30, 2016

**CAMPBELL COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2016
(Continued)**

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

Federal Program: CFDA 14.871 Housing Choice Voucher Program

Award Number and Year: KY136 2016

Name of Federal Agency and Pass-Through Agency: U.S. Department of Housing and Urban Development
direct award

Compliance Requirements: Reporting

Type of Finding: Compliance

Amount of Question Costs: \$0

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

Condition: The program did not submit its unaudited financial information for the fiscal year ended June 30, 2015 until September 2015. The program's audited submission was not submitted until May 2016. This is a repeat of finding 2015-001 from the prior year.

Criteria: 24 CFR 5.801, *Uniform Financial Reporting Standards*, requires unaudited financial statements to be submitted 60 days after the fiscal year end and audited financial statements to be submitted no later than 9 months after the fiscal year end.

Cause: The program lacked formal procedures to ensure reporting deadlines were met.

Effect: The program was not in compliance with reporting requirements.

Recommendation: We recommend the program implement formal procedures to ensure compliance with reporting requirements of federal awards.

Management Response: Management concurs.

Section IV – Summary Schedule of Prior Audit Findings

2015-001 The Jailer Was Not Paid In Accordance With The Maximum Salary Authorization Set For Calendar Year 2014 – Resolved.

2015-002 CFDA 14.871 Section 8 Housing Choice Voucher Program Did Not Submit Financial Information Timely - Repeated as finding number 2016-001.

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

**For The Fiscal Year Ended
June 30, 2016**

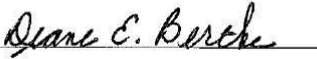
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CAMPBELL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2016

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



County Judge/Executive



County Treasurer

