

BOONE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2012

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REPORT INCLUDING SUPPLEMENTARY INFORMATION*



BOONE COUNTY
Kentucky

**BOONE COUNTY FISCAL COURT
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INDEPENDENT AUDITORS' REPORT

People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court

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 Boone County, Kentucky, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Boone County Assisted Housing Department which represents the following percentages of assets and revenues – 25.9% of the assets and 68.9% of the revenues of the business type activities. 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 the Boone County Assisted Housing Department, is based on the reports of the other auditors.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boone County, Kentucky, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2014 on our consideration of Boone County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and condition rating on pages 2 through 12 and 47 through 52 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Boone County, Kentucky's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

VonLehman & Company Inc.

**BOONE COUNTY OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2012**

Fiscal Court Members:

Gary W. Moore	County Judge/Executive
Matt Dedden	Commissioner
Charles E. Kenner, DMD	Commissioner
Charlie Walton	Commissioner

Other Elected Officials:

Robert D. Neace	County Attorney
Edward Prindle	Jailer
Kenny Brown	County Clerk
Dianne Murray	Circuit Court Clerk
Michael A. Helmig	Sheriff
Cindy Arlinghaus	Property Valuation Administrator
Douglas M. Stith	Coroner

Appointed Personnel:

Lisa H. Buerkley	County Treasurer
Gregory V. Sketch	County Engineer

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
For the Year Ended June 30, 2012
Unaudited**

Management's discussion and analysis (MD&A) of Boone County's financial performance provides a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the County's financial statements that begin on page 13.

Financial Highlights

- As of June 30, 2012, Boone County's net assets were \$254,285,006, which is an increase of approximately \$13 million or 5% over the prior year. Total current assets of \$34,519,820 increased by \$7,127,593 or 26% and the non-current assets increased by \$8,046,133 or 3%.
 - The \$7,127,593 increase in current asset is attributable to an increase in cash within the General and Road and Bridge Funds along with a significant receivable due from the State of Kentucky for the reimbursable construction cost of South Airport Connector Road.
 - The net increase in non-current asset is primarily due to the construction of the South Airport Connector Road of approximately \$5.6 million dollars along with the restricted cash balances associated with Occupation/Business Licenses tax estimated and extension payments.
 - Total liabilities increase by approximately \$2.1 million or 4%; again the construction of South Airport Connector Road is the driver behind this increase due to construction cost incurred during the fiscal year to be paid in the subsequent year.
- On January 1, 2012, Boone County assumed full responsibility for the Public Safety Communications Center (PSCC). Prior to January 1, 2012, the PSCC had an independent board and received funding from two separate governmental entities, Boone County and the City of Florence. The PSCC has previously been reported as a component unit; as of June 30, 2012 it is being presented as a separate fund under the governmental activities of Boone County. For presentation purposes the annual comparisons have been adjusted retroactively to reflect this change.
- Program revenues offset 50% of Boone County's governmental activity expenses, totaling \$52,265,423. These revenues consist of grants, contributions and charges for services that the County collects to complement its use of tax revenue.
- Boone County's total indebtedness decreased by more than \$2.6 million to close out the 2012 fiscal year at \$40,656,577 of which \$3,889,577 is due within one year.
- Through budgeted expenditures, grants and in-kind donations, the County capitalized nearly \$7.6 million in long lived assets during 2012. Significant additions include the following:
 - Design of the South Airport Connector Road was completed and all revenue secured in FY10. Estimated costs of this 4 lane highway are approximately \$17 million. All dollars have been secured through federal and state grants with project expenditures of approximately \$10.7 million to date, or 95% of the construction in progress dollars at June 30, 2012.
 - Operating capital purchased included \$449,463 in Sheriff's vehicles, \$247,594 for heavy equipment for use in Public Works and \$115,569 in light duty equipment for use in various other County departments.
 - The County accepted several new roads valued at \$804,975 from local developers.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012
Unaudited
(Continued)**

Overview of the Financial Statements

The MD&A serves as an introduction to the County's basic financial statements, which consists of two government wide financial statements and various fund financial statements. The County's financial statements and components are listed and explained below:

Government Wide Financial Statements

The government wide financial statements consist of a statement of net assets and a statement of activities. The financial statements include all activities for which the Boone County Fiscal Court is fiscally responsible. These activities, defined as the County's reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a component unit.

The primary government includes the following legal entities:

- Boone County Fiscal Court, including Boone County Public Golf Courses and Assisted Housing
- Boone County Public Properties Corporation

The financial information of the County "as a whole" is reported in the two government wide financial statements (pages 13 - 15). One of the most important questions to ask is whether the County is in better financial shape as a result of the year's activities. The two government wide financial statements will help answer this question. These two statements report the County's net assets and changes in them. You can think of the County's net assets – the difference between assets and liabilities – as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the roads and other infrastructure, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into three types of activities: governmental, business and component unit.

- Governmental Activities - Most of the County's basic services are reported in this section, including police protection, roads and public works, parks, jail, emergency management, water rescue, building inspection, animal care and control, and social services. The proprietary fund of Self Insurance is also included in the governmental activities totals. Governmental activities also include the general administration of the County, all capital projects and mental health, intellectual disabilities and aging programs. These programs and services are funded 50% by program revenues which include charges for services and federal, state and local operating and capital grants. The Statement of Activities shows a positive change in net assets of \$13,179,775 reflecting an increase of 117% in the change over the previous year. Revenues increase by 5.6% over the prior year and the expenses decreased by 6.5%, as the primary activities of the capital fund have been recorded in construction in process and will be capitalized in a future period when placed into public service.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012
Unaudited
(Continued)**

Government Wide Financial Statements (Continued)

- Business-Type Activities – The County has business-type funds; the jail canteen, assisted housing, and golf course fund. Each of these funds charges a fee to customers to help cover the cost of these services. Current year program revenues covered 99% of service costs; the Jail Canteen and Assisted Housing were self-sufficient. The Golf Course resulted in a negative change in assets and borrowed an additional \$600,000 from the General Fund. The Golf Course's bonds will be paid off in FY13 and is expected to begin repayment of its General Fund borrowings in FY14. The total negative change in net assets was \$104,555 for 2012.
- Component Unit Activities – In prior years the Public Safety Communications Center (PSCC) was a separate legal entity and the financial statements included its activities as a separate component unit as the County was financially accountable. PSCC was governed by a separate board appointed by the County and City officials. Boone County and the City of Florence were to fund any operating deficits, 75% to 25%, respectively. Early in FY12 the City of Florence notified the County that it wanted to terminate the existing arrangement, on January 1, 2012, the County assumed full financial responsibility for the PSCC. The independent board was disbanded, all employees were assumed under the County tax identification number and all assets were transferred to the County. All activity for the PSCC has been reported under Governmental Activities for FY12 and all FY11 financial information contained within management's discussion and analysis has been adjusted to reflect the operations of the PSCC for comparative purposes.

Fund Financial Statements

The fund financial statements (pages 16 and 18) focus on the individual funds of the County's government. These fund financial statements report the County's operations in more detail than the government wide statements by providing information on the County's most significant funds. The four funds deemed "major" are general, road and bridge, PSCC, and capital improvements funds.

- Governmental funds are used to report most of the County's basic services. These funds provide a short-term view of the County's operations. The County currently has twelve governmental funds and adopts a budget for each except Public Properties, Self Insurance and HRA accounts. These funds provide the reader with information to help determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation on pages 17 and 19.
- Proprietary funds are used to report operations the County treats as business type activities. The focus is to earn a profit or at least break even. The County charges either outside customers or other units of government for services reported in these funds. The County currently has three proprietary funds; Jail Canteen Fund, Assisted Housing Fund, and the Golf Course Fund.
- The Self Insurance and HRA Funds are combined and considered a Governmental Activity – Internal Service Fund and therefore combined in the governmental activities portion of the government wide financial statements.
- Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for another group or individual. Activities from these types of funds are not included in the government wide financial statements because the County cannot use the assets from the funds in daily operations. The County currently has four fiduciary funds; Jail Prisoners Cash Fund, School Board Tax Fund, Motor Vehicle Rental Tax Fund, and the Flexible Spending Account.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012
Unaudited
(Continued)**

Fund Financial Statements (Continued)

Notes to the Financial Statements

The notes to the financial statements (pages 24 - 46) provide an expanded explanation about the government wide and fund financial statements and are essential to the reader in obtaining a better understanding of the information provided within the financial statements.

Required Supplementary Information

The budgetary comparison schedules (pages 47 - 51) for the general fund and two major special revenue funds provide information that supplements the government wide and fund financial statements.

Other required information is the Condition Rating of the County's Road System. The Public Works Department is utilizing the modified approach method in valuing the County's maintained road system. The modified approach establishes a minimum condition level set for all Boone County maintained roads. The Public Works Department will maintain the necessary condition level through its Pavement Management Program which establishes a Pavement Quality Index (PQI) when the roads are analyzed (every 3 to 4 years) on a range from 2.0 to 10.0. The County has and will continue its commitment to preserve and maintain the road system at a level of at least 7.0 on all collector roads and 6.0 on other local roads. Using this approach, the roads will maintain the asset value of construction or historic cost, whichever is available, and will not depreciate each year. The dollar value of the road will not increase unless a significant level of service is improved. Each year the Public Works Department is responsible for maintaining this condition level and the Fiscal Court is responsible for budgeting annually the estimated amount to expend for maintaining all roads at this level. When a road/street is scheduled to fall below the minimum PQI in a given fiscal year, the road/street will be listed to be rehabilitated in that year and placed on the yearly paving list submitted to the Court through the budget process. The PQI is upgraded upon rehabilitation and by doing this the County fulfills the requirements of the Modified Approach.

Supplementary Information

The Combining Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances – Non Major Governmental Funds (pages 53 and 54) present the activities of the non-major governmental funds.

The Schedule of Expenditures of Federal Awards (page 55) provides information required pursuant to the Office of Management and Budget (OMB) Circular A-133 of all federal grant money received by the County.

Basis of Accounting

The County has converted all financial information to the modified accrual basis of accounting as required by generally accepted accounting principles (GAAP). Under this basis of accounting, revenues are recorded when the resources are measurable and available and expenditures are recorded in the accounting period in which the related fund liability is incurred. The Boone County budget is adopted on a cash basis of accounting, which is required by the Kentucky Constitution. The schedules on pages 50 and 51 reconcile the actual results of the cash basis budget and the accrual basis fund statements.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012
Unaudited
(Continued)**

Financial Analysis of the County as a Whole

The following sections provide condensed financial information derived from the two government-wide financial statements along with a comparison of the prior year.

STATEMENTS OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY11</u>	<u>FY12</u>	<u>FY11</u>	<u>FY12</u>	<u>FY11</u>	<u>FY12</u>
Current Assets	\$ 25,655,786	\$ 32,809,356	\$ 1,736,441	\$ 1,710,464	\$ 27,392,227	\$ 34,519,820
Noncurrent Assets	265,935,699	274,278,814	3,835,429	3,538,447	269,771,128	277,817,261
Total Assets	<u>291,591,485</u>	<u>307,088,170</u>	<u>5,571,870</u>	<u>5,248,911</u>	<u>297,163,355</u>	<u>312,337,081</u>
Current Liabilities	8,107,717	13,058,113	917,247	843,517	9,024,964	13,901,630
Long-Term Liabilities	42,522,603	39,889,117	4,406,002	4,261,328	46,928,605	44,150,445
Total Liabilities	<u>50,630,320</u>	<u>52,947,230</u>	<u>5,323,249</u>	<u>5,104,845</u>	<u>55,953,569</u>	<u>58,052,075</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	210,996,988	217,383,248	2,398,566	2,838,175	213,395,554	220,221,423
Restricted	7,357,104	11,286,449	586,938	683,941	7,944,042	11,970,390
Unrestricted	22,607,073	25,471,243	(2,736,883)	(3,378,050)	19,870,190	22,093,193
Total Net Assets	<u>\$ 240,961,165</u>	<u>\$ 254,140,940</u>	<u>\$ 248,621</u>	<u>\$ 144,066</u>	<u>\$ 241,209,786</u>	<u>\$ 254,285,006</u>

At June 30, 2012, the County's net assets exceeded its liabilities by \$254,285,006, an increase of \$13,075,220 or of 5% over the prior year. The majority of the County's total assets (83.5%) are invested in capital assets which include land, buildings, infrastructure, equipment and vehicles. These assets are listed under the non-current assets section as capital and infrastructure assets. The unassigned net asset amount of \$22,093,193 represents available funds the County may use to operate on a day-to-day basis to provide basic services, all operating expenses and any capital construction.

In comparing the Statement of Net Assets to the prior year, some other key points to consider are below:

- In governmental activity, the growth in current assets of 27.9% (\$7,153,570) is attributable to an increase in the cash balance of several major funds and accounts receivable associated with the construction cost reimbursement from the State of Kentucky for South Airfield Connector Road.
- Total liabilities under governmental activities rose by approximately \$2.3 million (4.6%), construction cost incurred for South Airfield Connector Road and an increase in extension payments associated with Occupational/Business License returns are the primary drivers for the net increase.
- Total assets decreased in the business activity by 5.8% or approximately \$323,000 due to the depreciation of capital assets. The overall cash position of business activities increased by approximately \$35,000.
- In the business activity, a decrease in net assets of 42% or approximately \$105,000 is predominantly due to the Golf Course showing a net loss of \$153,908.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012
Unaudited
(Continued)**

Financial Analysis of the County as a Whole (Continued)

STATEMENTS OF ACTIVITIES

	Governmental Activities		Business Activities		Total	
	FY11	FY12	FY11	FY12	FY11	FY12
Revenues						
<u>Program Revenues:</u>						
Charges for Services	\$ 6,341,377	\$ 6,251,369	\$ 2,582,209	\$ 2,690,394	\$ 8,923,586	\$ 8,941,763
Operating Grants and Contributions	10,478,657	10,188,401	5,920,613	5,949,947	16,399,270	16,138,348
Capital Grants and Contributions	6,590,500	9,688,395	-	-	6,590,500	9,688,395
Total Program Revenue	23,410,534	26,128,165	8,502,822	8,640,341	31,913,356	34,768,506
<u>General Revenue:</u>						
Taxes	34,211,574	36,360,225	-	-	34,211,574	36,360,225
License Fees and Permits	215,953	195,944	-	-	215,953	195,944
Excess Fees	1,244,887	1,026,440	-	-	1,244,887	1,026,440
Rental Income	183,480	196,595	-	-	183,480	196,595
Investment Earnings	248,431	200,406	10,318	9,193	258,749	209,599
Gain on Donated Roads/Land	945,852	804,975	-	-	945,852	804,975
Gain on Sale of Fixed Assets	17,785	2,358	-	-	17,785	2,358
Reimbursements	1,459,599	461,746	-	-	1,459,599	461,746
Other	48,296	68,344	-	-	48,296	68,344
Total Revenues	61,986,391	65,445,198	8,513,140	8,649,534	70,499,531	74,094,732
Expenses						
General Government/Administration	17,093,997	18,466,607	-	-	17,093,997	18,466,607
Protection to Persons and Property	21,039,054	18,956,395	-	-	21,039,054	18,956,395
General Health and Sanitation	1,903,782	1,842,203	-	-	1,903,782	1,842,203
Social Services	992,233	933,365	-	-	992,233	933,365
Recreation and Culture	2,039,366	2,109,232	-	-	2,039,366	2,109,232
Roads	6,844,219	7,336,897	-	-	6,844,219	7,336,897
Capital Improvements	4,046,236	734,488	-	-	4,046,236	734,488
Interest on Long-Term Debt	1,954,232	1,886,236	-	-	1,954,232	1,886,236

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012
Unaudited
(Continued)**

Financial Analysis of the County as a Whole (Continued)

**STATEMENTS OF ACTIVITIES
(Continued)**

	Governmental Activities		Business Activities		Total	
	FY11	FY12	FY11	FY12	FY11	FY12
Expenses (Continued)						
Jail Canteen Fund	-	-	423,566	358,749	423,566	358,749
Golf Course Fund	-	-	2,361,647	2,479,715	2,361,647	2,479,715
Assisted Housing Fund	-	-	5,794,688	5,915,625	5,794,688	5,915,625
Total Expenses	55,913,119	52,265,423	8,579,901	8,754,089	64,493,020	61,019,512
Change in Net Assets	6,073,272	13,179,775	(66,761)	(104,555)	6,006,511	13,075,220
Net Assets - Beginning Year	234,887,893	240,961,165	315,382	248,621	235,203,275	241,209,786
Net Assets -Ending Year	\$ 240,961,165	\$ 254,140,940	\$ 248,621	\$ 144,066	\$ 241,209,786	\$ 254,285,006

During FY 2012, the year end governmental activities net assets totaled \$254,140,940 which was 5.5% greater than FY11 and ending net assets for business-type activities were \$144,066, a decrease of 42%.

Due to the continued downturn in economic conditions over the past couple years the decreases in operating grants/contributions and charges for services has continued to decline, however the rate of annual decline has decreased when compared to the previous year by approximately 50%. The program revenues in total, increased by approximately 8.9% due to the large capital grants received of more than \$5.5 million related to the construction of the South Airfield Connector Road. Total governmental activity revenues increased by 5.6% (approximately \$3,459,000).

The County has continued its ongoing efforts to maintain a very conservative approach to budgeting by eliminating most capital projects for which it cannot obtain grants or contribution to offset the cost and expenditures, hiring restrictions, and limiting discretionary spending. The conservative spending efforts have provided the County with good reserves and allowed for the continuation of needed capital projects on roads, sidewalks and other infrastructure. Most capital improvements, other than regular maintenance of roads, were funded partially or fully by grants. Total expenditures decrease by \$3,473,508 or 5.4%. This left a positive change in net assets (actual revenues exceeding actual expenditures) of \$13,075,220.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012
Unaudited
(Continued)**

Financial Analysis of the County as a Whole (Continued)

Significant changes compared to the prior year are listed below:

- The ongoing construction of the South Airfield Connector Road and related road improvements impact on the statements of activities is demonstrated by an increase in the Capital Grants and Contributions as the County is receiving both federal and state dollars to pay 100% of the actual construction cost and a decrease in the capital expenditures as the new road will be capitalized. Currently it is classified as construction in progress.
- The County also experienced an increase in tax collections of approximately \$2.15 million (6.3%). This is directly related to its occupational/payroll taxes, accounting for \$2.08 million or 96.7% of the FY12 improvement. All other taxes collected show a slight increase when compared to FY11, but remain comparable.
- Reimbursements decreased significantly as the prior year included \$1.37 million from the receipt of funding from a State Water grant that was unique to FY11.
- The business-type activity program revenues as a percentage of total expenditures held steady at approximately 99% when compared to the prior year.

Program revenues for the governmental activities were 40% of total revenue received. This explains that 40% of the revenues collected went directly to funding specific programs and offset the amount of general revenue needed for these programs. General revenues consist of all taxes, excess fees, borrowed money, donated roads and investment earnings, which cannot be directly traced to a function. The program revenues for governmental activity increased 12% for the fiscal year primarily due to capital project reimbursements related to the construction of South Airfield Connector Road and related improvements.

Administration and Protection to Persons and Property's activities are the largest users of the general revenue category. The administrative function includes all departments' fringe benefits, liability insurance and all contractual agreements, like the Transit Authority of Northern Kentucky (TANK). Protection to Persons and Property includes the sheriff, jail, emergency management, water rescue, building inspector and the Public Safety Communication Center (911 Emergency Dispatch).

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012
Unaudited
(Continued)**

Financial Analysis of the County's Funds

Fund financial statements generally distinguish between major and non-major funds with major funds presented individually. The County has four major funds; general, road and bridge, PSCC, and capital improvements. The County's governmental funds reflect a combined fund balance of \$39,545,272, of which approximately 41.6% is termed unassigned, which allows these dollars to be used for day-to-day operational expenses for the following year's budget. The fund financial statements for the governmental funds can be found on page 16 and 18. An increase in fund balance in the General Fund of more than \$3.6 million from previous years is related to a significant increase in collection of Occupational/Payroll Taxes and a continued focus on conservative budgeting and a policy put in place to maintain a minimum 10% emergency reserve in the General Fund, along with the same minimum reserves in all major funds.

The County's proprietary funds' statements are shown on pages 20 - 22 with a total net asset decrease of \$104,555 from FY11, primarily due to accumulated depreciation.

- The current year's Golf Courses net operating loss of \$153,908, representing a decrease of \$14,646 compared to the prior year. As mentioned earlier concerning governmental funds, the golf course also adopted a conservative budgeting approach taken by the County to eliminate most all capital projects and expenditures, hiring restrictions, and limiting discretionary spending with operating expenses. Operating expense, without depreciation, increased approximately \$127,000. The primary driver for the increase is due to fluctuation of \$116,000 in fertilizer and chemical costs caused by timing of receipt around year end.
- The Golf Courses have liabilities recorded to the General Fund in the amount of \$3,860,118 and \$150,000 to the Capital Improvement Fund, which is an increase of \$600,000. The Golf Course will begin to pay back these funds after the current bonds are paid in full.
- The Jail Canteen Fund's net assets ended with net operating income of \$7,782. This amount fluctuates from year to year depending on the expenditures taken from this account; however the fund is self-sufficient and does not require additional support.
- Assisted Housing's Fund net assets increase by \$41,571 during the year; a decrease of approximately 69% compared to the increase in preceding year. Revenues showed a very modest improvement; however the expenses increase by approximately \$133,000, without depreciation. The increase is related to an outflow of more resources for direct housing assistance.

The County has four fiduciary funds; School Board Tax Fund, Jail Prisoners' Fund, Motor Vehicle Rental Tax Fund and Flexible Spending Account, for which the statements are shown on page 23. These monies are restricted and were excluded them from the other statements because the County cannot use these assets to finance operations.

General Budgetary Highlights

There were no amendments to Boone County's budget in Fiscal Year 2012 although the County made various line item transfers within the budget to increase/decrease certain line items. Some transfers were between funds but had no effect on the budget's bottom line. Throughout the year, General Fund revenues collected were over budget by 5%, while operating expenses were well below budget by 18%.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012
Unaudited
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of Fiscal Year 2012, the government activities of the County had \$260,878,000 invested in a broad range of capital assets, including land, roads, water lines, buildings, equipment and vehicles. As shown on the following chart, the amount represents a net increase (including additions and deductions) of approximately \$4.5 million, or 2%, on the governmental activities and a decrease of \$290,600, or 8%, on the business activities from the previous year. Due to the elimination of most capital purchases throughout the past couple of years, the governmental activities' increase in capital assets were in the categories of Construction in Progress and Roads. The increase in Roads is a result of the County accepting additional roads donated from local developers of approximately \$805,000. The Construction in Progress are road and sidewalk projects within the Capital Improvements Fund that have been funded fully or partially by grants and are still under construction; the largest project being South Airfield Connector Road with more than \$10.7 million in progress.

The business activities continue to show a decrease due to the Golf Course and Assisted Housing having very limited capital budgets, with the Golf Course only purchasing a few pieces of turf equipment.

STATEMENTS OF CAPITAL ASSETS

	Governmental Activities		Business Activities		Total	
	FY11	FY12	FY11	FY12	FY11	FY12
Land	\$ 11,825,020	\$ 11,825,020	\$ 2,396,478	\$ 2,396,478	\$ 14,221,498	\$ 14,221,498
Roads, Modified Approach (Not Depr.)	169,848,095	170,653,070	-	-	169,848,095	170,653,070
Roads	18,219	16,598	-	-	18,219	16,598
Land Improvements	7,070,394	6,675,104	547,632	334,863	7,618,026	7,009,967
Building and Improvements	52,219,335	50,779,219	761,734	697,120	52,981,069	51,476,339
Construction In Progress	5,718,560	11,318,329	-	-	5,718,560	11,318,329
Vehicles, Machinery and Equipment	5,502,447	5,559,753	95,290	94,368	5,597,737	5,654,121
Furniture and Office Equipment	589,571	512,460	27,913	15,618	617,484	528,078
	<u>\$ 252,791,641</u>	<u>\$ 257,339,553</u>	<u>\$ 3,829,047</u>	<u>\$ 3,538,447</u>	<u>\$ 256,620,688</u>	<u>\$ 260,878,000</u>

A more detailed breakdown of the capital assets and depreciation can be found in Note 6 of the Notes to the Financial Statements, pages 35 – 36.

Debt

As of June 30, 2012, the County had \$40,656,577 in outstanding bonds and lease obligations versus \$43,225,134 last year, a decrease of 5.9% - as shown on the following chart. The primary reason this number has continued to decrease is due to the County not borrowing additional dollars.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012
Unaudited
(Continued)**

Capital Assets and Debt Administration (Continued)

STATEMENTS OF DEBT

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY11</u>	<u>FY12</u>	<u>FY11</u>	<u>FY12</u>	<u>FY11</u>	<u>FY12</u>
General Obligation Bonds (Backed by the County)	\$ 27,289,819	\$ 25,649,374	\$ -	\$ -	\$ 27,289,819	\$ 25,649,374
General Obligation Bonds (Backed by Specific Tax or Fee)	3,988,889	3,735,128	1,391,169	670,498	5,380,058	4,405,626
Revenue Bonds and Notes (Backed by Specific Tax or Fee Revenues)	10,455,000	10,525,000	-	-	10,455,000	10,525,000
Capital Lease Payable	60,945	46,803	39,312	29,774	100,257	76,577
	<u>\$ 41,794,653</u>	<u>\$ 39,956,305</u>	<u>\$ 1,430,481</u>	<u>\$ 700,272</u>	<u>\$ 43,225,134</u>	<u>\$ 40,656,577</u>

The County's general obligation bond rating is Aa1; a rating that has been assigned by national rating agency, Moody's Rating Service. The Kentucky Revised Statutes provide that a county will not incur net indebtedness for all purposes that exceed an amount equal to two percent (2%) of the value of the taxable property within the county's limits. According to Boone County's 2011 assessment, this 2% total direct debt limitation is more than \$250 million dollars, which far exceeds the County's outstanding debt.

Economic Factors and Next Year's Budget

During the current fiscal year the County's local economy showed positive signs of growth. In particular, revenue sources related to the housing industry improved; building permit activity, development inspection fees and deed transfer tax (revenue originating from housing sales/transfers), combined these sources increased 16% over the previous year. Revenue from payroll tax receipts, the County's single largest source of revenue reflected growth of approximately 10% over FY11. This rate of increase was 2% in the two preceding fiscal years. Real and personal property tax revenues remain comparable to years past. State government has also experienced a significant decline in revenue which will translate, in part, to reductions in state aid for certain local government programs and services.

Several years ago the administration began and continues to take proactive steps to address the static nature of revenue in the General Fund. Examples of these efforts include reducing the size of the workforce (via attrition), implementing a variety of cost saving measures and generally decreasing total departmental expenditures. Budgeting practices have resulted in more conservative forecasting for revenue and the reduction of discretionary spending on items such as equipment, capital improvement projects and specific line-item spending for individual County departments.

Requests for Information

This financial report is designed to provide a general overview of Boone County's Financial Statements for all interested in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Boone County Treasurer, PO Box 960 (2950 Washington), Burlington, KY 41005.

BOONE COUNTY FISCAL COURT
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 20,569,145	\$ 1,526,574	\$ 22,095,719
Investments	1,022,560	-	1,022,560
Inventory	-	67,937	67,937
Accounts Receivable	10,808,271	109,571	10,917,842
Deferred Charges	24,323	6,382	30,705
Bond Discount Deferral, Due Within One Year	55,315	-	55,315
Due from Boone County Golf Course	9,729	-	9,729
Notes Receivable, Due Within One Year	320,013	-	320,013
Total Current Assets	<u>32,809,356</u>	<u>1,710,464</u>	<u>34,519,820</u>
Noncurrent Assets			
Capital Assets, Net of Accumulated Depreciation			
Land	11,825,020	2,396,478	14,221,498
Land Improvements	6,675,104	334,861	7,009,965
Buildings and Building Improvements	50,779,219	697,119	51,476,338
Furniture and Office Equipment	512,460	15,254	527,714
Vehicles and Equipment	5,559,753	94,735	5,654,488
Construction in Progress	11,318,329	-	11,318,329
Infrastructure Assets, Net of Accumulated Depreciation	170,669,668	-	170,669,668
Restricted Cash	6,295,945	-	6,295,945
Deferred Charges	236,297	-	236,297
Bond Discount Deferral, Due in More than One Year	511,144	-	511,144
Due from Boone County Golf Course	4,030,163	-	4,030,163
Notes Receivable, Due in More than One Year	5,865,712	-	5,865,712
Total Noncurrent Assets	<u>274,278,814</u>	<u>3,538,447</u>	<u>277,817,261</u>
Total Assets	<u>307,088,170</u>	<u>5,248,911</u>	<u>312,337,081</u>
LIABILITIES			
Current Liabilities			
Compensated Absences Payable, Due Within One Year	20,384	3,417	23,801
Capital Lease, Due Within One Year	14,848	9,729	24,577
Bonds Payable, Due Within One Year	3,194,502	670,498	3,865,000
Accrued Payroll	527,305	75,511	602,816
Accrued Interest	370,797	1,768	372,565
Accounts Payable	3,191,009	82,594	3,273,603
Estimated Liability for Claims - HRA Accounts, Due Within One Year	219,525	-	219,525
Bond Premium Deferral, Due Within One Year	70,859	-	70,859
Accrued Other	5,448,884	-	5,448,884
Total Current Liabilities	<u>13,058,113</u>	<u>843,517</u>	<u>13,901,630</u>
Noncurrent Liabilities			
Compensated Absences Payable, Due in More Than One Year	480,473	208,009	688,482
Due to General Fund	-	3,860,118	3,860,118
Due to Capital Improvements	-	150,000	150,000
Capital Lease, Due in More than One Year	31,955	20,045	52,000
Bonds Payable, Due in More than One Year	36,715,000	-	36,715,000
Estimated Liability for Claims - HRA Accounts, Due in More Than One Year	2,041,669	-	2,041,669
Bond Premium Deferral, Due in More than One Year	620,020	-	620,020
Accrued Other, Due in More Than One Year	-	23,156	23,156
Total Noncurrent Liabilities	<u>39,889,117</u>	<u>4,261,328</u>	<u>44,150,445</u>
Total Liabilities	<u>\$ 52,947,230</u>	<u>\$ 5,104,845</u>	<u>\$ 58,052,075</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF NET ASSETS
June 30, 2012
(Continued)

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Net Assets			
Invested in Capital Assets, Net of Related Debt Restricted for	\$ 217,383,248	\$ 2,838,175	\$ 220,221,423
Multi-Government Self Insurance	(2,052,983)	-	(2,052,983)
Social Services	-	553,185	553,185
Protection of Persons and Property	4,426,176	-	4,426,176
Other Purposes	870,886	130,756	1,001,642
Other Capital Projects	3,489,399	-	3,489,399
Health and Welfare	550,518	-	550,518
Road resurfacing and maintenance	4,001,074	-	4,001,074
Debt Service	1,379	-	1,379
Unrestricted	<u>25,471,243</u>	<u>(3,378,050)</u>	<u>22,093,193</u>
Total Net Assets	<u>\$ 254,140,940</u>	<u>\$ 144,066</u>	<u>\$ 254,285,006</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2012**

Functions	Expenses	Program Revenues Received			Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business Type Activities	Total
Governmental Activities							
General Government	\$ 18,466,607	\$ 522,039	\$ 1,215,832	\$ 49,721	\$ (16,679,015)	\$ -	\$ (16,679,015)
Protection to Persons and Property	18,956,395	4,840,301	5,475,356	167,097	(8,473,641)	-	(8,473,641)
General Health and Sanitation	1,842,203	140,512	2,174,049	210,495	682,853	-	682,853
Social Services	933,365	12,477	-	-	(920,888)	-	(920,888)
Recreation and Culture	2,109,232	440,191	151,263	-	(1,517,778)	-	(1,517,778)
Roads	7,336,897	295,849	1,147,160	2,271,659	(3,622,229)	-	(3,622,229)
Capital Improvements	734,488	-	24,741	6,989,423	6,279,676	-	6,279,676
Interest on Long-Term Debt	1,886,236	-	-	-	(1,886,236)	-	(1,886,236)
Total Governmental Activities	52,265,423	6,251,369	10,188,401	9,688,395	(26,137,258)	-	(26,137,258)
Business-Type Activities							
Jail Canteen Fund	358,749	365,742	-	-	-	6,993	6,993
Golf Course Fund	2,479,715	2,324,652	-	-	-	(155,063)	(155,063)
Assisted Housing	5,915,625	-	5,949,947	-	-	34,322	34,322
Total Business-Type Activities	8,754,089	2,690,394	5,949,947	-	-	(113,748)	(113,748)
Total Primary Government	\$ 61,019,512	\$ 8,941,763	\$ 16,138,348	\$ 9,688,395	(26,137,258)	(113,748)	(26,251,006)
General Revenues							
Taxes							
Property Taxes					14,407,481	-	14,407,481
Occupational Taxes					21,124,522	-	21,124,522
Franchise Fees					828,222	-	828,222
Reimbursements					461,746	-	461,746
License Fees and Permits					195,944	-	195,944
Excess Fees					1,026,440	-	1,026,440
Rental/Income					196,595	-	196,595
Unrestricted Investment Earnings					200,406	9,193	209,599
Donated Assets					804,975	-	804,975
Gain on Sale of Fixed Assets					2,358	-	2,358
Miscellaneous Revenues					68,344	-	68,344
Total General Revenues					39,317,033	9,193	39,326,226
Change in Net Assets					13,179,775	(104,555)	13,075,220
Net Assets July 1, 2011					240,961,165	248,621	241,209,786
Net Assets June 30, 2012					\$ 254,140,940	\$ 144,066	\$ 254,285,006

See accompanying notes.

**BOONE COUNTY FISCAL COURT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012**

	<u>Major Funds</u>					
	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Public Safety Communications Center</u>	<u>Capital Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets						
Cash and Cash Equivalents	\$ 9,401,131	\$ 4,064,211	\$ 3,484,370	\$ 1,643,372	\$ 1,568,067	\$ 20,161,151
Investments	1,021,181	-	-	-	1,379	1,022,560
Notes Receivable	3,619,638	-	-	2,566,087	-	6,185,725
Accounts Receivable	6,929,201	597,467	317,110	1,776,201	1,188,292	10,808,271
Due from Boone County Golf Course	3,860,118	-	-	179,774	-	4,039,892
Due from Self Insurance Fund	500,000	-	-	-	-	500,000
Restricted Cash	6,295,945	-	-	-	-	6,295,945
Total Assets	<u>\$ 31,627,214</u>	<u>\$ 4,661,678</u>	<u>\$ 3,801,480</u>	<u>\$ 6,165,434</u>	<u>\$ 2,757,738</u>	<u>\$ 49,013,544</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ 1,090,209	\$ 438,035	\$ 90,230	\$ 1,165,041	\$ 207,711	\$ 2,991,226
Accrued Payroll	253,455	98,745	80,827	-	94,278	527,305
Compensated Absences Payable	242,897	123,824	76,937	-	57,199	500,857
Net Profit Tax Extension Payable	5,448,884	-	-	-	-	5,448,884
Total Liabilities	<u>7,035,445</u>	<u>660,604</u>	<u>247,994</u>	<u>1,165,041</u>	<u>359,188</u>	<u>9,468,272</u>
Fund Balances						
Non Spendable						
Notes Receivable Long-Term	7,284,743	-	-	2,461,132	-	9,745,875
Restricted						
Other Capital Projects	-	-	-	-	950,138	950,138
Other Purposes	847,061	-	-	-	23,825	870,886
Protection of Persons and Property	-	-	3,553,486	-	118,178	3,671,664
Committed						
Health and Welfare	-	-	-	-	550,518	550,518
Assigned						
Debt Service	-	-	-	-	1,379	1,379
Other Capital Projects	-	-	-	2,539,261	-	2,539,261
Protection of Persons and Property	-	-	-	-	754,512	754,512
Road Resurfacing and Maintenance	-	4,001,074	-	-	-	4,001,074
Unassigned	16,459,965	-	-	-	-	16,459,965
Total Fund Balances	<u>24,591,769</u>	<u>4,001,074</u>	<u>3,553,486</u>	<u>5,000,393</u>	<u>2,398,550</u>	<u>39,545,272</u>
Total Liabilities and Fund Balances	<u>\$ 31,627,214</u>	<u>\$ 4,661,678</u>	<u>\$ 3,801,480</u>	<u>\$ 6,165,434</u>	<u>\$ 2,757,738</u>	<u>\$ 49,013,544</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2012**

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balance - Governmental Funds		\$ 39,545,272
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	\$ 286,666,168	
Accumulated Depreciation	<u>29,326,615</u>	
		257,339,553
Cost associated with the issuance of bonds are shown as expenditures in the fund statements. For the governmental statements, these costs are capitalized and amortized over the life of the bond.		
		260,620
Internal service fund is used by management to charge the cost of health insurance to individual funds. The assets and liabilities are included in governmental activities on the statement of net assets.		
		(2,552,983)
Discount on bonds, net are not financial resources and therefore are not reported as an asset in governmental funds.		
		566,459
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Accrued Interest on Bonds	370,797	
Premium on Bonds Payable, Due within One Year	70,859	
Premium on Bonds Payable, Due in More Than One Year	620,020	
Bonds, Notes and Lease Principal Payments, Due within One Year	3,209,350	
Bonds, Notes and Lease Principal Payments, Due in More than One Year	<u>36,746,955</u>	
		<u>(41,017,981)</u>
Total Net Assets - Governmental Activities		\$ <u>254,140,940</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2012

	Major Funds					Total Governmental Funds
	General Fund	Road and Bridge Fund	Public Safety Communications Center	Capital Improvements Fund	Nonmajor Governmental Funds	
Revenues						
Taxes	\$ 35,175,839	\$ -	\$ -	\$ -	\$ 2,420,168	\$ 37,596,007
In Lieu Tax Payments	101,875	-	-	-	-	101,875
Excess Fees	1,751,601	-	-	-	-	1,751,601
Licenses and Permits	1,409,863	52,782	-	-	-	1,462,645
Intergovernmental	2,068,173	3,185,883	-	5,804,821	5,572,216	16,631,093
Charges for Services	821,153	150,990	-	180,001	183,818	1,335,962
Miscellaneous	974,713	206,758	1,903,014	786	157,420	3,242,691
Interest	111,004	6,618	-	389,768	9,447	516,837
Total Revenues	<u>42,414,221</u>	<u>3,603,031</u>	<u>1,903,014</u>	<u>6,375,376</u>	<u>8,343,069</u>	<u>62,638,711</u>
Expenditures						
General Government	3,917,543	-	-	-	18,167	3,935,710
Protection to Persons and Property	11,518,789	-	2,529,282	-	4,174,301	18,222,372
General Health and Sanitation	544,736	-	-	-	1,227,939	1,772,675
Social Services	150,527	-	-	-	780,213	930,740
Recreation and Culture	1,949,218	-	-	-	-	1,949,218
Roads	-	7,095,819	-	-	122,485	7,218,304
Program Expense	-	-	-	-	-	-
Capital Projects	-	-	-	6,402,559	-	6,402,559
Administration	8,433,722	979,625	746,508	-	1,306,236	11,466,091
Debt Service	3,057,992	286,170	-	215,090	1,003,815	4,563,067
Total Expenditures	<u>29,572,527</u>	<u>8,361,614</u>	<u>3,275,790</u>	<u>6,617,649</u>	<u>8,633,156</u>	<u>56,460,736</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>12,841,694</u>	<u>(4,758,583)</u>	<u>(1,372,776)</u>	<u>(242,273)</u>	<u>(290,087)</u>	<u>6,177,975</u>
Other Financing Sources (Uses)						
Proceeds from Issuance of Advance Refunding, Including Premium	9,770,434	-	-	-	-	9,770,434
Bond Issuance Cost	(120,200)	-	-	-	-	(120,200)
Transfer to Bond Escrow Agent - Advance Refunding Bonds	(9,650,234)	-	-	-	-	(9,650,234)
Transfers to Other Funds	(9,757,058)	(91,937)	-	(1,295,601)	(450,000)	(11,594,596)
Transfers from Other Funds	541,937	6,895,601	2,029,375	1,677,683	450,000	11,594,596
Total Other Financing (Uses) Sources	<u>(9,215,121)</u>	<u>6,803,664</u>	<u>2,029,375</u>	<u>382,082</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>3,626,573</u>	<u>2,045,081</u>	<u>656,599</u>	<u>139,809</u>	<u>(290,087)</u>	<u>6,177,975</u>
Fund Balances July 1, 2011	<u>20,965,196</u>	<u>1,955,993</u>	<u>2,896,887</u>	<u>4,860,584</u>	<u>2,688,637</u>	<u>33,367,297</u>
Fund Balances June 30, 2012	<u>\$ 24,591,769</u>	<u>\$ 4,001,074</u>	<u>\$ 3,553,486</u>	<u>\$ 5,000,393</u>	<u>\$ 2,398,550</u>	<u>\$ 39,545,272</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2012**

Amounts reported for governmental activities in the statement of net assets are different because:

Total Net Change in Fund Balances - Governmental Funds	\$	6,177,975
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.

Depreciation Expense	\$	(3,009,149)	
Capital Outlays		6,783,353	3,774,204

Repayment of bond and capital lease principal is an expenditure in the governmental funds but it reduces long-term liabilities in the statement of net assets, and does not affect the statement of activities.		2,378,582
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Donated capital assets are not reported on the governmental fund statements. However, for governmental activities, these assets are reported on the statement of net assets.		804,975
--	--	---------

The cost from the issuance of bonds are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over the life of the bond as annual amortization in the statement of activities.		224,852
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities; however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is a result of the change in accrued interest on bonds.		90,581
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Internal Service Funds are used by management to charge the cost of health insurance to individual funds. The net revenues (expenses) of this fund are reported with governmental activities.		(240,125)
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Proceeds from the disposal of capital assets are recorded at the gross amount received. On the statement of activities, the proceeds from the sale are netted against the net book value of the asset.		(31,269)
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Total Change in Net Assets - Governmental Activities	\$	<u>13,179,775</u>
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See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2012

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Assisted Housing Fund	Golf Course Fund	Total	Self Insurance Fund
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 130,756	\$ 1,114,446	\$ 281,372	\$ 1,526,574	\$ 407,994
Inventory	-	-	67,937	67,937	-
Accounts Receivable	-	109,571	-	109,571	-
Deferred Charges	-	-	6,382	6,382	-
Total Current Assets	<u>130,756</u>	<u>1,224,017</u>	<u>355,691</u>	<u>1,710,464</u>	<u>407,994</u>
Noncurrent Assets					
Land	-	-	2,396,478	2,396,478	-
Land Improvements	-	-	5,523,656	5,523,656	-
Buildings and Building Improvements	-	137,417	2,249,488	2,386,905	-
Vehicles, Machinery and Equipment	-	18,412	1,248,390	1,266,802	-
Furniture and Office Equipment	-	154,891	-	154,891	-
	-	310,720	11,418,012	11,728,732	-
Less Accumulated Depreciation	-	175,799	8,014,486	8,190,285	-
Total Noncurrent Assets	<u>-</u>	<u>134,921</u>	<u>3,403,526</u>	<u>3,538,447</u>	<u>-</u>
Total Noncurrent Assets	<u>-</u>	<u>134,921</u>	<u>3,403,526</u>	<u>3,538,447</u>	<u>-</u>
Total Assets	<u>130,756</u>	<u>1,358,938</u>	<u>3,759,217</u>	<u>5,248,911</u>	<u>407,994</u>
Liabilities					
Current Liabilities					
Bonds Payable, Due Within One Year	-	-	670,498	670,498	-
Note Payable, Due to Capital Improvements, Due Within One Year	-	-	9,729	9,729	-
Accounts Payable	-	2,577	80,017	82,594	199,783
Accrued Payroll	-	20,657	54,854	75,511	-
Accrued Interest Payable	-	-	1,768	1,768	-
Estimated Liability for Claims - HRA Accounts	-	-	-	-	219,525
Compensated Absences Payable, Due Within One Year	-	1,219	2,198	3,417	-
Total Current Liabilities	<u>-</u>	<u>24,453</u>	<u>819,064</u>	<u>843,517</u>	<u>419,308</u>
Noncurrent Liabilities					
Compensated Absences Payable	-	164,551	43,458	208,009	-
Due to General Fund	-	-	3,860,118	3,860,118	500,000
Due to Capital Improvements	-	-	150,000	150,000	-
Note Payable, Due to Capital Improvements, Due in More than One Year	-	-	20,045	20,045	-
Estimated Liability for Claims - HRA Accounts	-	-	-	-	2,041,669
Accrued Other - Noncurrent	-	23,156	-	23,156	-
Total Noncurrent Liabilities	<u>-</u>	<u>187,707</u>	<u>4,073,621</u>	<u>4,261,328</u>	<u>2,541,669</u>
Total Liabilities	<u>-</u>	<u>212,160</u>	<u>4,892,685</u>	<u>5,104,845</u>	<u>2,960,977</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt Restricted	-	134,921	2,703,254	2,838,175	-
Other Purposes	130,756	-	-	130,756	-
Social Services	-	553,185	-	553,185	-
Multi-Governmental Self Insurance	-	-	-	-	(2,552,983)
Unrestricted	<u>-</u>	<u>458,672</u>	<u>(3,836,722)</u>	<u>(3,378,050)</u>	<u>-</u>
Total Net Assets	<u>\$ 130,756</u>	<u>\$ 1,146,778</u>	<u>\$ (1,133,468)</u>	<u>\$ 144,066</u>	<u>\$ (2,552,983)</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2012

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Assisted Housing Fund	Golf Course Fund	Total	Self Insurance Fund
Operating Revenues					
Governmental Grants	\$ -	\$ 5,908,577	\$ -	\$ 5,908,577	\$ -
Canteen Receipts	365,742	-	-	365,742	-
Green Fees	-	-	1,194,930	1,194,930	-
Power Cart Rentals	-	-	531,060	531,060	-
Memberships	-	-	77,202	77,202	-
Commission	-	-	3,764	3,764	-
Pro Shop Sales and Pull Cart Rentals	-	-	129,669	129,669	-
Food and Beverage	-	-	387,900	387,900	-
Employer / Employee Contributions	-	-	-	-	5,023,589
Miscellaneous	-	41,370	127	41,497	-
Total Operating Revenues	365,742	5,949,947	2,324,652	8,640,341	5,023,589
Operating Expenses					
Cost of Merchandise Sold	358,749	-	84,977	443,726	-
Housing Assistance Payment	-	5,197,704	-	5,197,704	-
Salaries and Wages	-	404,364	826,509	1,230,873	-
Employee Benefits	-	180,914	291,996	472,910	-
Contract Services	-	11,600	30,576	42,176	-
Materials and Supplies	-	-	3,063	3,063	-
Golf Cart Lease	-	-	117,162	117,162	-
Utilities	-	-	177,673	177,673	-
Maintenance and Repairs	-	-	97,531	97,531	-
Fertilizer and Chemicals	-	-	235,399	235,399	-
Petroleum Products	-	-	73,177	73,177	-
Uniforms	-	-	2,214	2,214	-
Food and Beverage	-	-	164,271	164,271	-
Depreciation	-	17,016	300,102	317,118	-
Other Operating Expenses	-	104,027	46,844	150,871	-
Insurance Claims	-	-	-	-	5,265,981
Total Operating Expenses	358,749	5,915,625	2,451,494	8,725,868	5,265,981
Operating Income (Loss)	6,993	34,322	(126,842)	(85,527)	(242,392)
Non-Operating Revenues (Expenses)					
Interest Income	789	7,249	1,155	9,193	2,267
Interest Expense	-	-	(28,221)	(28,221)	-
Total Non-Operating Revenues	789	7,249	(27,066)	(19,028)	2,267
Net Income (Loss)	7,782	41,571	(153,908)	(104,555)	(240,125)
Net Assets July 1, 2011	122,974	1,105,207	(979,560)	248,621	(2,312,858)
Net Assets June 30, 2012	\$ 130,756	\$ 1,146,778	\$ (1,133,468)	\$ 144,066	\$ (2,552,983)

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2012

	<u>Business-Type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Fund
	<u>Jail Canteen Fund</u>	<u>Assisted Housing Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>	<u>Self Insurance Fund</u>
Cash Flows From Operating Activities					
Receipts from Customers	\$ 365,742	\$ -	\$ 2,320,888	\$ 2,686,630	\$ -
Receipts from Commissions	-	-	3,764	3,764	-
Receipts from Governmental Grants	-	5,876,512	-	5,876,512	-
Receipts from Employees/Intergovernmental	-	-	-	-	5,023,589
Payments to Suppliers	(358,749)	(5,545,322)	(1,040,643)	(6,944,714)	-
Payments to Employees	-	(356,059)	(1,112,868)	(1,468,927)	-
Payments for Claims	-	-	-	-	(4,666,493)
Other Receipts	-	41,370	-	41,370	-
Net Cash Provided by Operating Activities	<u>6,993</u>	<u>16,501</u>	<u>171,141</u>	<u>194,635</u>	<u>357,096</u>
Cash Flows from Non Capital Financing Activities					
Proceeds from Other Funds	-	-	-	-	-
Payments to Other Funds	-	-	-	-	-
Net Cash Provided by Non Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities					
Purchase of Capital Assets	-	-	(26,517)	(26,517)	-
Proceeds from General Fund Obligation	-	-	600,000	600,000	-
Payments on Bond Obligations	-	-	(720,671)	(720,671)	-
Payments on Capital Lease Obligations	-	-	(9,538)	(9,538)	-
Interest Paid on Capital Lease Obligations	-	-	(11,870)	(11,870)	-
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(168,596)</u>	<u>(168,596)</u>	<u>-</u>
Cash Flows from Investing Activities					
Interest Income	789	7,249	1,155	9,193	2,267
Net Change in Cash	<u>7,782</u>	<u>23,750</u>	<u>3,700</u>	<u>35,232</u>	<u>359,363</u>
Cash and Cash Equivalents July 1, 2011	<u>122,974</u>	<u>1,090,696</u>	<u>277,672</u>	<u>1,491,342</u>	<u>48,631</u>
Cash and Cash Equivalents June 30, 2012	<u>\$ 130,756</u>	<u>\$ 1,114,446</u>	<u>\$ 281,372</u>	<u>\$ 1,526,574</u>	<u>\$ 407,994</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating Income (Loss)	\$ 6,993	\$ 34,322	\$ (126,842)	\$ (85,527)	\$ (242,392)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities					
Depreciation	-	17,016	300,102	317,118	-
Change in Assets and Liabilities					
Accounts Receivable	-	51,079	-	51,079	-
Inventory	-	-	(513)	(513)	-
Due to General Fund	-	-	-	-	500,000
Accounts Payable	-	2,523	(7,243)	(4,720)	(116,709)
Estimated Liability for Claims - HRA	-	-	-	-	216,197
Accrued Payroll	-	2,414	12,383	14,797	-
Accrued Other	-	(232,794)	-	(232,794)	-
Compensated Absences Payable	-	141,941	(6,746)	135,195	-
Net Cash Provided by Operating Activities	<u>\$ 6,993</u>	<u>\$ 16,501</u>	<u>\$ 171,141</u>	<u>\$ 194,635</u>	<u>\$ 357,096</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
June 30, 2012

	Agency Funds			
	School Board Tax Fund	Jail Prisoners Funds	Motor Vehicle Rental Tax Fund	Flexible Spending Account
Assets				
Cash and Cash Equivalents	\$ 179,146	\$ 299,672	\$ 73	\$ 1,359
Accounts Receivable	2,222,789	-	408,546	-
Total Assets	2,401,935	299,672	408,619	1,359
Liabilities				
Accounts Payable and Accrued Liabilities	2,401,935	299,672	408,619	1,359
Net Assets	\$ -	\$ -	\$ -	\$ -

See accompanying notes.

**BOONE COUNTY FISCAL COURT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial statements of Boone County Fiscal Court (the County) include the funds, agencies, boards, component units, and entities for which the fiscal court is financially accountable. Blended component units, although legally separate entities are, in substance, part of the County's operations. Discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

Additional – Boone County Constitutional Elected Officials:

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

The Kentucky constitution provides for election of the above officials from the geographic area constituting Boone County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the County, and the board of education. In exercising these responsibilities; however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually, and can be obtained from their respective administrative offices.

Blended Component Units

The following organizations are shown as blended component units:

The Boone County Public Properties Corporation (BCPP) was formed to act as an issuing agent for long-term debt, the proceeds of which are to be used for the acquisition and construction of public building facilities in Boone County, Kentucky. The governing body is the County Commissioners. Separate financial statements are not required or prepared. The BCPP is a blended component unit because the boards are the same.

The Boone County Public Properties Corporation Golf Course (BCGC) owns and operates two golf courses on behalf of the County. Separate financial statements are not required or prepared. The BCGC is a blended component unit because the boards are the same.

The Boone County Assisted Housing Department provides rental assistance to low income families in Boone County, Kentucky under a contract with the U.S. Department of the Housing and Urban Development. The Boone County Assisted Housing Department is a blended component unit because the boards are the same.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following is a summary of certain significant accounting policies followed in the preparation of these financial statements.

Basis of PresentationGovernment Wide Statements

The government wide financial statements (i.e. the statement of net assets and the statement of activities) display information about all of the non-fiduciary activities of the primary government and its component units. The statements distinguish between those activities of the Fiscal Court that are governmental and those that are considered business-type activities.

The government wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements; therefore include reconciliations with brief explanations to better identify the relationship between the government wide statements and the statements for governmental funds.

The government wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County, and for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are; therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing, or draws from the general revenues of the County.

Fund Financial Statements

The fund financial statements are designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Boone County Fiscal Court's fund types, a definition of each, and County funds included within each fund type are listed below.

The government reports the following major government funds:

General Fund

This is the primary operating fund of the Boone County 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 and Bridge Fund

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Public Safety Communications Center

This fund is for the communication system and the police files and records of the County and Cities. The primary sources of revenue for this fund are transfers from the General Fund and 911 user fees. In prior years this fund was a separate legal entity and was reported as a discretely presented component unit as the County was financially accountable. Early in fiscal year 2012, the County assumed full financial responsibility and began reporting the Public Safety Communications Center as a major fund.

Capital Improvements Fund

These funds are used to purchase and build capital assets. This fund tracks the funds to be used for these purposes.

Non-Major Funds

The primary government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, Federal Grants Fund, TIF District #1 Fund, Mental Health Fund, JAG Recovery Grant Fund, Earl Parker Robinson Fund, and Public Properties Fund.

Special Revenue Funds

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Federal Grants Fund, TIF District #1 Fund, Mental Health Fund, JAG Recovery Grant Fund and Earl Parker Robinson Fund. Special Revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund

The Capital Improvements Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction or major capital facilities.

Debt Service Fund

The Boone County Public Properties Corporation Fund is presented as debt service funds. Debt service funds are to account for the accumulation of resources for and the payment of general long-term debt principal and interest.

The government reports the following major proprietary funds:

Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation 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 Canteen Fund.

Golf Course Fund

The Golf Course Fund accounts for the activities of the Public Properties Golf Course, a blended component unit of the County. The Public Properties Golf Course owns and operates two golf courses.

Assisted Housing Fund

The Assisted Housing Fund accounts for the activities of the Assisted Housing Department which provides rental assistance to low income families under a contract with the U.S. Department of the Housing and Urban Development. The Assisted Housing Department is a blended component unit of the county.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Self Insurance Fund

The Fiscal Court accounts for the health insurance of the County's employees through this fund.

The government reports the following fiduciary funds:

School Board Tax Fund

This fund is used to collect and remit the occupational payroll and net profit taxes collected on behalf of the Boone County Board of Education.

Jail Prisoners Fund

The Jail Prisoners Fund is an agency fund that accounts for assets held by the Boone County Fiscal Court in a purely custodial nature.

Motor Vehicle Rental Tax Fund

This fund is used to collect a 3% motor vehicle rental tax placed on most car rental agencies by Boone County Ordinance 430.8 in 1995. These dollars are remitted to the Tri-County Economic Development less a 3% administration fee, through enabling legislation passed in the 1994 General Assembly House Bill 662.

Flexible Spending Account

This fund is used as a pass through of any Cafeteria 125 plan dollars for tax exempt purposes from employees' payroll checks.

As a general rule, the effect of interfund activity has been eliminated from the government wide financial statements.

Amounts reported as 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. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include taxes and unrestricted state 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 County's Enterprise Fund are charges to customers for sales in the Jail Canteen Fund, and greens fees revenue in the Public Properties Golf Course. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied and are due and payable on November 1st of each year, and may be paid upon receipt of the notice at declining discounts through the month of February. All unpaid taxes on real and personal property become delinquent on April 1st of the year following the year in which the taxes were levied. Delinquent real property taxes bear interest at the rate of 1.5% per month, and interest continues to accrue until a certificate is sold at auction, from which time the interest rate shall be as bid by the buyer of the certificate. Personal property taxes bear interest at 1.5% per month from April 1st until paid. After May 1st of each year and following proper procedures, a court order may be issued to seize and sell the property.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Basis of Accounting**

Governmental Funds are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when the resources are measurable and available, and expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Proprietary Funds are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Legal Compliance - Budget

The Boone County budget is adopted on a cash basis of accounting, and according to the laws of Kentucky, as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1st of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1st.

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.

The schedules of revenues, expenditures and changes in fund balances budget and actual present a comparison of budgetary data in actual results. These funds utilize the same basis of accounting for both budgetary purposes and actual results. See pages 50 and 51 for the reconciliation of the actual results to the fund statements.

Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost, which approximates market. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Deposits and Investments note), investments exclude certificates of deposit.

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

Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets generally result from expenditures in the Governmental Funds. These assets are reported in the governmental activities column of the government wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Funds are reported both in the business-type activities column of the government wide statement of net assets, and in the respective funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Fiscal Court maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life, are not.

All reported capital assets, except for land and roads, are depreciated. Improvements are depreciated over the estimated remaining useful lives of the related capital assets. The County has adopted the modified approach method in valuing their roads. They manage the roads using an asset management system and preserve the roads at or above a minimum condition level established by the County. Under the modified approach, expenditures made for roads (except for additions and improvements eligible to be capitalized) are expensed in the period incurred. If a road falls below the Pavement Quality Index (PQI) and the County, due to other circumstances, does not plan on improving the road, the road will be transferred to a depreciable asset and depreciated. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Governmental Activities Estimated Lives
Buildings and Building Improvements	25 - 50 Years
Land Improvements	20 Years
Technology Equipment	3 - 7 Years
Vehicles	5 - 10 Years
General Equipment	7 - 10 Years
Roads (Below the PQI Index)	15 - 25 Years

GASB 34 allows the government to report part of the infrastructure assets at transition. There were no infrastructure additions of bridges and sewers during the year.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

The County has implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable Fund Balance – Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed Fund Balance – Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government itself takes the same highest level action to remove or change the constraint;
- Assigned Fund Balance – Amounts a government intends to use for a specific purpose intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned Fund Balance – Amounts that are available for any purpose; positive amounts are reported only in the general fund.

The County establishes (and modifies or rescinds) fund balance commitments by passage of resolutions.

Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Boone County Fiscal Court: Boone County Water District, Boone County Extension District and the Boone County Public Library.

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM

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

Non-hazardous covered employees are required to contribute 5% of their salary to the plan. Non-hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6% of their salaries to be allocated as follows; 5% will go to the member's account and 1% will go to the KRS Insurance Fund. The County's contribution rate for non-hazardous employees was 18.96%.

NOTE 2 - EMPLOYEE RETIREMENT SYSTEM (Continued)

Hazardous covered employees are required to contribute 8% of their salary to the plan. Hazardous covered employees who begin participation after September 1, 2008, are required to contribute 9% of their salaries to be allocated as follows; 8% will go to the member's account and 1% will go to the KRS Insurance Fund. The County's contribution rate for hazardous employees was 35.76%.

The County's contribution (both withholding and match) for FY12 was \$2,746,295, FY11 was \$2,270,356 and FY10 was \$2,226,322.

Benefits fully vest on reaching 5 years of service for hazardous and non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65. Non-hazardous employees who begin on or after September 1, 2008, must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

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

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

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

<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%
10 – 14	50%	50%
4 – 9	25%	75%
Less than 4	0%	100%

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

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

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

NOTE 3 - DEPOSITS AND INVESTMENTS**Deposits**

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC, in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2012, the County's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County's agent in the County's name, or provided surety bond which named the County as beneficiary/obligee on the bond.

Investments

The investment policy adopted for the Boone County Fiscal Court contains the following risk related policies:

Interest Rate Risk

The policy does not limit investment maturities as a means of managing its exposure to fair values arising from increasing interest rates.

Credit Risk

The policy limits investments to the following:

- Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken, either directly or through an authorized custodian. The investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky.
- Obligations and contracts for future delivery, or purchase, of obligations backed by the full faith and credit of the United States or a United States government agency.
- Obligations of any corporation of the United States government.
- Certificates of deposit issued by, or other interest-bearing accounts of any bank or savings and loan institute, which are insured by the Federal Deposit Insurance Corporation or similar entity, or which are collateralized to the extent uninsured, by any obligations permitted by KRS 41.240(4).
- Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.
- Commercial paper rated in the highest category by a nationally recognized rating agency.
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
- Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

The policy limits the concentration of credit risk as follows:

- The amount of money invested at any time by the County in bankers' acceptances, commercial paper, or bonds or certificates of indebtedness of Kentucky, shall not exceed 20% of the total amount of money invested by the County.
- The County shall not purchase any investment on a margin basis or through the use of any similar leveraging technique.
- With the exception of fully insured or fully collateralized investments, no more than 10% of the County's total investment portfolio shall be invested in a single security type or with a single financial institution.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy on custodial credit risk. As of June 30, 2012, the County investments are neither insured nor registered, but are held by the County's counter party in the County's name.

At June 30, 2012, the County's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Certificates of Deposit	\$ 1,012,842	Various	N/A
Money Market Funds	<u>9,718</u>	N/A	N/A
Total	<u>\$ 1,022,560</u>		

NOTE 4 - NOTES RECEIVABLE

The Walton Fire Protection District has a lease/purchase agreement with Boone County Fiscal Court for the construction of a single level firehouse. Principal payments are due yearly with interest due semi-annually. The note matures in October, 2018. The receivable balance on the lease/purchase agreement at June 30, 2012 is \$146,523 and the Walton Fire Protection District is in substantial compliance with the terms of the agreement.

The Boone County Health Taxing District has a lease/purchase agreement with Boone County Fiscal Court for the construction of a building. Principal payments are due yearly with interest due semi-annually. The receivables balance on the lease agreement at June 30, 2012 is \$60,000 and the Boone County Health Taxing District is in substantial compliance with the terms of the agreement. The note matured in December, 2012 and was paid in full.

The Boone County Water District has a lease/purchase agreement with Boone County Fiscal Court for the construction of rural water lines. Principal payments are due yearly with interest due semi-annually. The note matures in August, 2035. The receivables balance on the lease agreement at June 30, 2012 is \$2,192,490 and the Boone County Water District is in substantial compliance with the terms of the agreement.

NOTE 4 - NOTES RECEIVABLE (Continued)

The Boone County Fiscal Court has agreed to use a portion of the \$2,200,000 General Obligation Multi-Purpose Public Project Bond, Series 2006 to complete improvements to the Petersburg Fire Protection Firehouse and apparatus bays (the "Project"). The Petersburg Fire Protection District has determined to operate and maintain the Project and to make certain annual payments to the County. These annual payments equal Petersburg Fire District's portion of principal and interest due on these bonds. The receivables balance on the lease agreement at June 30, 2012 totaled \$1,220,625.

The Boone County Fiscal Court has agreed to use a portion of the \$7,000,000 General Obligation Public Project Bonds, Series 2007 to complete construction of a fire training facility to be used by numerous fire districts in Boone County. An inter-local agreement was signed by the Boone County Fiscal Court and the various fire districts. The districts have agreed that 25% of one cent of their real property assessments will be sent to the fiscal court as payment on the note receivable. As of June 30, 2012, the note receivable balance was \$2,566,087. The note is expected to be paid off by June, 2028.

The remaining maturities on the notes are as follows:

Years Ending June 30,		
2013	\$	320,000
2014		266,770
2015		277,400
2016		292,800
2017		303,780
Thereafter		4,724,975
	\$	6,185,725

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts Receivable consists of the following at June 30, 2012:

	Governmental Activities	Business Type Activities	Total
Taxes – Current	\$ 6,513,692	\$ -	\$ 6,513,692
Taxes – Delinquent	18,845	-	18,845
Excess Fees	267,754	-	267,754
Charges for Service	111,246	-	111,246
Intergovernmental	3,732,870	-	3,732,870
License Fees	28,104	-	28,104
Miscellaneous	135,760	109,571	245,331
	\$ 10,808,271	\$ 109,571	\$ 10,917,842

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

Governmental Activities	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Capital Assets Not Being Depreciated				
Land	\$ 11,825,020	\$ -	\$ -	\$ 11,825,020
Roads	169,848,095	804,975	-	170,653,070
Construction in Progress	5,718,560	5,599,769	-	11,318,329
Total Capital Assets Not Being Depreciated	<u>187,391,675</u>	<u>6,404,744</u>	<u>-</u>	<u>193,796,419</u>
Depreciable Capital Assets				
Land Improvements	10,234,881	-	-	10,234,881
Buildings and Building Improvements	64,659,735	5,305	-	64,665,040
Equipment	11,393,652	340,958	2,833,325	8,901,285
Furniture and Office Equipment	1,709,334	23,695	-	1,733,029
Vehicles	7,164,110	813,626	727,125	7,250,611
Roads	84,903	-	-	84,903
Total Depreciable Capital Assets	<u>95,246,615</u>	<u>1,183,584</u>	<u>3,560,450</u>	<u>92,869,749</u>
Total Capital Assets at Historical Cost	<u>282,638,290</u>	<u>7,588,328</u>	<u>3,560,450</u>	<u>286,666,168</u>
Less Accumulated Depreciation				
Land Improvements	3,164,487	395,290	-	3,559,777
Buildings and Building Improvements	12,440,400	1,445,421	-	13,885,821
Equipment	7,424,129	506,076	2,833,325	5,096,880
Furniture and Office Equipment	1,119,763	100,806	-	1,220,569
Vehicles	5,631,186	559,935	695,858	5,495,263
Roads	66,684	1,621	-	68,305
Total Accumulated Depreciation	<u>29,846,649</u>	<u>3,009,149</u>	<u>3,529,183</u>	<u>29,326,615</u>
Depreciable Capital Assets, Net	<u>65,399,966</u>	<u>(1,825,565)</u>	<u>31,267</u>	<u>63,543,134</u>
Governmental Activities Capital Assets - Net	<u>\$ 252,791,641</u>	<u>\$ 4,579,179</u>	<u>\$ 31,267</u>	<u>\$ 257,339,553</u>

NOTE 6 – CAPITAL ASSETS

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 2,396,478	\$ -	\$ -	\$ 2,396,478
Depreciable Capital Assets				
Land Improvements	5,523,656	-	-	5,523,656
Buildings and Building Improvements	2,386,905	-	-	2,386,905
Furniture and Office Equipment	154,891	26,518	-	181,409
Vehicles, Machinery and Equipment	1,240,284	-	-	1,240,284
Totals at Historical Cost	9,305,736	26,518	-	9,332,254
Total Capital Assets at Historical Value	11,702,214	26,518	-	11,728,732
Less Accumulated Depreciation				
Land Improvements	4,976,024	212,769	-	5,188,793
Buildings and Building Improvements	1,625,171	64,614	-	1,689,785
Furniture and Office Equipment	126,978	38,813	-	165,791
Vehicles, Machinery and Equipment	1,144,994	922	-	1,145,916
Total Accumulated Depreciation	7,873,167	317,118	-	8,190,285
Depreciable Capital Assets, Net	1,432,569	(290,600)	-	1,141,969
Business - Type Activities				
Capital Assets - Net	\$ 3,829,047	\$ (290,600)	\$ -	\$ 3,538,447

Depreciation expense was charged to functions of the primary government as follows for the fiscal year ended June 30, 2012:

	<u>June 30, 2012</u>
Governmental Activities	
General Government	\$ 925,762
Protection to Persons and Property	1,384,018
General Health and Sanitation	57,051
Social Services	2,625
Recreation and Culture	197,279
Roads, Including Depreciation of General Infrastructure Assets	442,414
Total Depreciation Expense – Governmental Activities	\$ 3,009,149
Business-Type Activities	
Golf Course	\$ 300,102
Assisted Housing	17,016
Total Depreciation Expense – Business-Type Activities	\$ 317,118

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable consists of the following at June 30, 2012:

	Governmental Activities	Business Type Activities	Total
General Government	\$ 107,246	\$ -	\$ 107,246
Protection to Persons and Property	203,484	-	203,484
General Health and Sanitation	46,364	-	46,364
Social Services	39,016	2,577	41,593
Recreation and Culture	66,972	80,017	146,989
Roads	438,035	-	438,035
Capital Projects	1,165,041	-	1,165,041
Administration	925,068	-	925,068
Insurance Claims	199,783	-	199,783
	\$ 3,191,009	\$ 82,594	\$ 3,273,603

NOTE 8 - LONG-TERM DEBT

The following is a summary of the County's long-term debt transactions for the year ended June 30, 2012:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 31,278,708	\$ -	\$ (1,894,206)	\$ 29,384,502	\$ 3,049,736
Special Revenue Bonds	10,455,000	9,840,000	(9,770,000)	10,525,000	144,766
Financing Obligations	60,945	-	(14,142)	46,803	14,848
	\$ 41,794,653	\$ 9,840,000	\$ (11,678,348)	\$ 39,956,305	\$ 3,209,350
Business-Type Activities					
General Obligation Bonds	\$ 1,391,169	\$ -	\$ (720,671)	\$ 670,498	\$ 670,498
Financing Obligations	39,312	-	(9,538)	29,774	9,729
	\$ 1,430,481	\$ -	\$ (730,209)	\$ 700,272	\$ 680,227

NOTE 8 - LONG-TERM DEBT (Continued)

Series 2001 - General Fund

The County issued General Obligation Bonds for the purpose of discharging the outstanding amount of the Boone County Public Properties Corporation Multiple Projects Revenue Bonds, Series 1992. The Series 2001, dated June 1, 2001, were issued at various interest rates ranging from 4.00% to 4.38%, and will be retired by December 1, 2012. Interest payments are due by June 1st and December 1st, with principal payments due December 1st of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Year Ending June 30,	Scheduled Interest	Scheduled Principal
2013	\$ <u>10,281</u>	\$ <u>470,000</u>

Series 2002 - General Fund

The County issued General Obligation Bonds for the purpose of building a Public Safety Complex. The series 2002 dated April 18, 2002, were issued at various interest rates ranging from 3.00% to 5.00% and will be retired by April 1, 2022. Interest payments are due April 1st and October 1st, with principal payments due April 1st of each year. This was refunded in 2011 by the Series 2010C. Net of the proceeds from the Series 2010C Bonds, the County made final payment in April, 2012.

The County issued General Obligation Bonds for the purpose of installing a water system. The series 2002, dated October 2, 2002, were issued at various interest rates ranging from 3.50% to 4.50% and will be retired by August 1, 2027. Interest payments are due February 1st and August 1st, with principal payments due August 1st of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2013	\$ 188,113	\$ 195,000
2014	180,113	205,000
2015	171,713	215,000
2016	163,013	220,000
2017	153,869	230,000
2018-2022	608,551	1,320,000
2023-2027	276,752	1,650,000
2028	<u>8,438</u>	<u>375,000</u>
Total	\$ <u>1,750,562</u>	\$ <u>4,410,000</u>

NOTE 8 - LONG-TERM DEBT (Continued)

Series 2003C - General Fund

The County issued General Obligation Bonds for the purpose of the construction of the Law Enforcement and Detention Center. The series 2003C, dated October, 2005, was issued at various interest rates ranging from 2.75% to 4.25%, and will be retired by December 1, 2021. Interest payments are due by June 1st and December 1st, with principal payments due December 1st of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2013	\$ 159,137	\$ 335,000
2014	146,931	350,000
2015	133,287	365,000
2016	118,387	380,000
2017	102,887	395,000
2018-2022	245,332	2,235,000
Total	\$ 905,961	\$ 4,060,000

Series 2006 - General Fund

The County issued General Obligation Multi-Purpose Public Project Bonds for the purpose of financing a fire station, library, and community center in Petersburg, Kentucky. The series, dated March 1, 2006, were issued with an interest rate of 3.70% and will be retired by March 1, 2026. Interest payments are due by March 1st and September 1st, with principal payments due March 1st of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2013	\$ 63,084	\$ 90,000
2014	59,754	95,000
2015	56,240	100,000
2016	52,542	105,000
2017	48,656	110,000
2018-2022	179,820	610,000
2023-2027	56,056	595,000
Total	\$ 516,152	\$ 1,705,000

NOTE 8 - LONG-TERM DEBT (Continued)

Series 2007 - Public Works and Capital Improvements Fund

The County issued General Obligation Bonds for the purpose of construction of a fire training center and renovations to the public works facility in the amount of \$7,000,000. The series 2007, dated February 27, 2007, was issued at an interest rate of 3.70% and will be retired by February 1, 2027. Interest payments are due by February 1st and August 1st, with principal payments due February 1st of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2013	\$ 210,900	\$ 290,000
2014	200,172	300,000
2015	189,072	315,000
2016	177,416	325,000
2017	165,390	335,000
2018-2022	631,040	1,880,000
2023-2027	256,230	2,255,000
Total	\$ 1,830,220	\$ 5,700,000

Special Revenue Bonds - Public Properties

The County has issued bonds where the County pledges income derived from the acquired, or constructed assets, to pay debt service.

Defeased Bond

Due to favorable interest rates, during fiscal year 2012, \$9,840,000 of Series 2011 First Mortgage Revenue Refunding Bonds were issued to refund \$9,110,000 of the County's previously issued and outstanding Series 2001 First Mortgage Revenue Refunding Bonds. The Series 2001 First Mortgage Revenue Refunding Bonds will be called on September 1, 2012, respectively, at 100%. As a result of this issuance, \$9,110,000 of the obligation is considered to be defeased and the liability for these bonds has been removed from the County's financial statements. As a result of the refunding, the County reduced its aggregate debt service payments to maturity by \$1,149,112 and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$1,102,193.

Revenue bonds outstanding at June 30, 2012, are as follows:

Purpose	Interest Rate	Amount
2001 Justice Center Bonds	4.00% - 5.13%	\$ 685,000
2011 Justice Center Bonds	1.00% - 2.50%	9,840,000
Total Special Revenue Bonds		\$ 10,525,000

NOTE 8 - LONG-TERM DEBT (Continued)

The minimum obligations at June 30, 2012 for debt service of these bonds are as follows:

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2013	\$ 199,392	\$ 685,000
2014	166,282	320,000
2015	159,682	1,000,000
2016	149,607	1,015,000
2017	138,667	1,020,000
2018-2022	427,307	5,350,000
2023	14,188	1,135,000
Total	\$ 1,255,125	\$ 10,525,000

Series 2010A - General Obligation Refunding Bonds

The County issued General Obligation Bonds for the purpose of refunding the outstanding amount of the General Obligation Public Project Bonds, Series 1999. The series 2010, dated May 6, 2010, were issued at various interest rates ranging from .5% to 1.25% and will be retired November, 2012. Interest payments are due by May 15th and November 15th with principal payments due November 15th each year. Principal payments are required and scheduled interests for the retirement of the bonds are as follows:

Year Ending June 30,	Scheduled Interest	Scheduled Principal
2013	\$ 403	\$ 64,502

Series 2010B - Build America Bonds

The County issued General Obligation Bonds for the purpose of funding the energy savings performance project. These particular bonds are known as Build America Bonds (BAB) and were allowed by the American Recovery and Reinvestment Act of 2009 (ARRA). The BAB provide for a federal subsidy paid to state or local government issuers in an amount equal to 35% of the total coupon interest payable to investors. The series, dated May 6, 2010, were issued at various interest rates ranging from 4.05% to 5.05% and will be retired November, 2025. Interest payments are due by May 15 and November 15 with principal payments due by November 15 of each year. In November, 2013 the County exercised their optional redemption clause and paid off the entire principal balance and accrued interest. See Subsequent Event note for more details. Principal payments are required and scheduled interests for the retirement of the bonds are as follows:

Years Ending June 30,	Total Interest	Government Interest Subsidy	County Interest	Scheduled Principal
2013	\$ 44,395	\$ 15,538	\$ 28,857	\$ -
2014	43,180	15,112	28,068	60,000
2015	40,751	14,262	26,489	60,000
2016	38,118	13,341	24,777	70,000
2017	35,182	12,313	22,869	75,000
2018-2022	129,465	45,309	84,156	370,000
2023-2026	37,497	13,123	24,374	355,000
Total	\$ 368,588	\$ 128,998	\$ 239,590	\$ 990,000

NOTE 8 - LONG-TERM DEBT (Continued)

Series 2010C - General Obligation Refunding Bonds

The County issued General Obligation Bonds for the purpose of refunding the outstanding amount of the General Obligation Public Project Bonds, Series 2002. The series 2010C, dated November 16, 2010, were issued at various interest rates ranging from 2.0% to 4.0% and will be retired on April 1st, 2022. Interest payments are due by October 1st and April 1st with principal payments due April 1st each year. Principal payments are required and scheduled interests for the retirement of the bonds are as follows:

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2013	\$ 279,950	\$ 1,065,000
2014	358,650	1,085,000
2015	336,950	1,110,000
2016	314,750	1,135,000
2017	292,050	1,155,000
2018-2022	792,200	6,435,000
Total	\$ 2,374,550	\$ 11,985,000

Revenue Refunding Bonds - Golf Course

In June, 1998, the Golf Course sold \$8,060,000 of its Revenue Refunding Bonds for the purpose of refunding, in advance of maturity, the Golf Course's outstanding Certificates of Participation dated April 1, 1992, in the principal amount of \$8,100,000. The Series 1998, dated June 1, 1998, were issued at various interest rates ranging from 3.80% to 4.80% and were retired by June, 2012. These bonds were refinanced during FY10.

In May 2010, the Boone County Fiscal Court issued General Obligation Refunding Bonds for the purpose of refinancing outstanding bonds of the Golf Course and the Walton Fire Station. Of the \$2,305,000 bonds issued, the Golf Course was allocated \$2,192,717 to refinance its Revenue Refunding Bonds dated in June, 1998. The Series 2010A, dated May 6, 2010, were issued at various interest rates ranging from .5% to 1.25%, and will be retired by November, 2012. Principal payments are required, and scheduled interest for the retirement of the bonds is as follows:

Year Ending June 30,	Scheduled Interest	Scheduled Principal
2013	\$ 4,191	\$ 670,498

Note Payable - General Fund

In May 2006, the County entered into an assistance agreement with the Kentucky Infrastructure Authority (KIA) for the acquisition and construction of certain water facilities and to improve the County's water service system, in the amount of \$2,506,118, and bears an interest rate of 2.71%, commencing on December 1, 2007. The loan term for this agreement is 30 years and principal and interest payments are due on June 1st and December 1st. Principal payments are due following the last draw of funds. As of June 30, 2009, the County had borrowed \$2,506,118. On July 1, 2010, the County entered into an agreement with the Boone County Water District (BCWD). As part of the agreement the BCWD assumed the legal and financial obligation of the outstanding principal of \$2,236,206 and in return the County transferred certain water facilities to the BCWD.

NOTE 9 - CAPITAL LEASE PURCHASE AGREEMENTS

Road and Bridge Fund

In December 2007, Boone County entered into a lease-purchase agreement for a rubber tire loader for the Public Works Department. The lease term for this agreement is 7 years. The total balance of the agreement is \$46,803 as of June 30, 2012.

Debt Outstanding July 1, 2011	Additions	Repayments	Debt Outstanding June 30, 2012	Amount Expected to be Paid Within One Year
\$ <u>60,945</u>	\$ <u>-</u>	\$ <u>14,142</u>	\$ <u>46,803</u>	\$ <u>14,848</u>

The following is a schedule of future minimum lease payments as of June 30, 2012:

Years Ending June 30,	Scheduled Principal
2013	\$ 17,183
2014	17,184
2015	<u>17,183</u>
Total Minimum Lease Payments	51,550
Less Remaining Interest	<u>4,747</u>
Present Value of Minimum Lease Payments	\$ <u>46,803</u>

Golf Course

During 2010, the Golf Course entered into a lease purchase agreement for equipment with the Capital Improvement Fund. The lease term for this agreement is 5 years. The balance of the agreement is \$29,774 as of June 30, 2012.

The following is a summary of the Golf Course's capital lease purchase agreement transactions for the fiscal year ended June 30, 2012:

Debt Outstanding July 1, 2011	Additions	Repayments	Debt Outstanding June 30, 2012	Amount Expected to be Paid Within One Year
\$ <u>39,312</u>	\$ <u>-</u>	\$ <u>9,538</u>	\$ <u>29,774</u>	\$ <u>9,729</u>

The following is a schedule of future minimum lease payments as of June 30, 2012:

Years Ending June 30,	Scheduled Principal
2013	\$ 10,324
2014	10,324
2015	<u>10,324</u>
Total Minimum Lease Payments	30,972
Less Remaining Interest	<u>1,198</u>
Present Value of Minimum Lease Payments	\$ <u>29,774</u>

NOTE 10 - OPERATING LEASES

The County owns various buildings throughout Boone County that are leased to organizations, accounted for under an operating lease. Seven leases renew annually, one expiring in March, 2015, one expiring in January, 2021 and the other one expiring in December, 2023. Rental income for the fiscal year ended June 30, 2012 was \$221,484. The future minimum lease payments to be received are as follows:

Years Ending <u>June 30,</u>	
2013	\$ 162,840
2014	101,604
2015	101,604
2016	101,604
2017	44,404
Thereafter	<u>395,476</u>
Total Minimum Lease Payments	<u>\$ 907,532</u>

The County leases various equipment and office space accounted for under operating leases. The leases are month-to-month and annual renewals. The County may also rent equipment on an as-needed basis. Rental expense for the fiscal year ended June 30, 2012 was \$137,267.

NOTE 11 - INSURANCE

For the fiscal year ended June 30, 2012, Boone County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a Self-Insurance Fund, and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a Self-Insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

NOTE 12 - GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND

Self-Insurance Fund

The Self Insurance Fund was established in 1999 to cover all health insurance cost, including medical and dental claims, prescriptions and any fixed administrative cost related to health insurance. In fiscal year 2007, in an effort to decrease insurance costs to the County's health insurance, and increase reserves in the account, a Health Reimbursement Arrangement (HRA) was set up for each employee on the plan to coincide with a higher deductible plan. These dollars are to reimburse any covered persons' out of pocket deductible or co-insurance expenses. Each single plan was given \$1,000 and all other plans \$2,000 in January, 2009.

The total liability of these HRA dollars at the fiscal year ended June 30, 2012 was \$2,960,977, which includes all departments on the plan (Fiscal Court, Sheriff, County Clerk, and Planning Commission). In the statement of cash flows, the Self Insurance Fund shows a cash balance of \$407,994 in the account, but with the liability of the HRA account, our net assets on June 30, 2012 is a negative \$2,552,983.

NOTE 12 - GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND (Continued)

In 2012, the County paid out 10.37% of total HRA liability, including the rolled over amounts from 2011, and 43.48% of that year's liability, with no rollover. There were no amounts forfeited, either through waiving the health plan or leaving employment. Through studies conducted, the Kentucky Government Block (employers with similar HRA programs), the average amount of claims paid as a percentage of total liability is 18.54% with rollover amounts, and 60.47% without the rollover.

Cash Balance, Beginning of Year	\$	48,631
Premiums Collected		5,523,589
Interest Earned		2,267
Claims Paid		<u>5,166,493</u>
 Cash Balance, End of Year	 \$	 <u><u>407,994</u></u>

NOTE 13 – INTERFUND TRANSACTIONS

The following is a list of interfund transactions as of June 30, 2012:

	<u>Total</u>	<u>General Fund</u>	<u>Road Fund</u>	<u>Capital Improvements Fund</u>	<u>Public Safety Communications Center</u>	<u>Mental Health Fund</u>
\$	-	\$ (450,000) ²	\$ -	\$ -	\$ -	\$ 450,000 ¹
	-	(5,600,000) ¹	5,600,000 ¹	-	-	-
	-	(1,677,683) ¹	-	1,677,683 ¹	-	-
	-	-	1,295,601 ¹	(1,295,601) ¹	-	-
	-	450,000 ¹	-	-	-	(450,000) ¹
	-	91,937 ²	(91,937) ²	-	-	-
	<u>-</u>	<u>(2,029,375)¹</u>	<u>-</u>	<u>-</u>	<u>2,029,375¹</u>	<u>-</u>
 Total Transfer to Other Funds	 \$ <u>(11,594,596)</u>	 \$ <u>(9,757,058)</u>	 \$ <u>(91,937)</u>	 \$ <u>(1,295,601)</u>	 \$ <u>-</u>	 \$ <u>(450,000)</u>
 Total Transfer from Other Funds	 \$ <u>11,594,596</u>	 \$ <u>541,937</u>	 \$ <u>6,895,601</u>	 \$ <u>1,677,683</u>	 \$ <u>2,029,375</u>	 \$ <u>450,000</u>

1. To remove resources from the funds recording to the revenue to the funds that will expen

2. Loan and loan payback.

NOTE 14 – DEFERRED COMPENSATION

On February 24, 2000, the Boone County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 1 8A .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 permits 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 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862 or by telephone at (502) 573-7925.

NOTE 15 – CONTINGENCIES

The Boone County Fiscal Court is a party to various legal actions and administrative proceedings and subject to various claims. The County believes that their insurance coverage will be sufficient to pay potential liabilities, if any.

NOTE 16 – SUBSEQUENT EVENT

Management has evaluated subsequent events through July 10, 2014, which is the date on which the financial statements were available to be issued.

In November, 2013, the County exercised their optional redemption clause on the General Obligation Build America Bonds, Series 2010B. Prior to the issuance of these financial statements, the entire outstanding principal balance plus any accrued interest was paid by the County using excess reserve funds.

REQUIRED SUPPLEMENTARY INFORMATION

BOONE COUNTY FISCAL COURT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 33,455,000	\$ 33,455,000	\$ 34,600,504	\$ 1,145,504
In Lieu Tax Payments	150,000	150,000	101,875	(48,125)
Excess Fees	1,275,250	1,275,250	2,278,925	1,003,675
Licenses and Permits	1,372,740	1,372,740	1,517,876	145,136
Intergovernmental	2,495,060	2,495,060	2,184,467	(310,593)
Charges for Services	748,201	748,201	821,223	73,022
Miscellaneous	1,006,503	1,006,503	1,033,554	27,051
Interest	130,010	130,010	112,228	(17,782)
Total Revenues	40,632,764	40,632,764	42,650,652	2,017,888
Expenditures				
General Government	4,600,777	4,600,777	3,866,621	734,156
Protection to Persons and Property	11,847,670	11,847,670	11,588,190	259,480
General Health and Sanitation	529,500	529,500	528,495	1,005
Social Services	159,610	159,610	148,774	10,836
Recreation and Culture	2,066,418	2,066,418	1,911,498	154,920
Debt Service	1,194,319	1,194,319	1,194,313	6
Administration	14,647,189	14,647,189	9,487,995	5,159,194
Total Expenditures	35,045,483	35,045,483	28,725,886	6,319,597
Excess of Revenues Over Expenditures	5,587,281	5,587,281	13,924,766	8,337,485
Other Financing Sources (Uses)				
Bond Principal Payments	(1,863,681)	(1,863,681)	(1,863,679)	2
Operating Transfers In	1,000,000	1,000,000	541,937	(458,063)
Operating Transfers Out	(8,473,600)	(8,473,600)	(9,757,058)	(1,283,458)
Total Other Financing Sources (Uses)	(9,337,281)	(9,337,281)	(11,078,800)	(1,741,519)
Deficit of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(3,750,000)	(3,750,000)	2,845,966	6,595,966
Fund Balance July 1, 2011	3,750,000	3,750,000	7,558,950	3,808,950
Fund Balance June 30, 2012	\$ -	\$ -	\$ 10,404,916	\$ 10,404,916

BOONE COUNTY FISCAL COURT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Licenses and Permits	\$ 25,000	\$ 25,000	\$ 44,021	\$ 19,021
Intergovernmental	2,592,638	2,592,638	2,942,747	350,109
Charges for Services	153,000	153,000	289,849	136,849
Miscellaneous	275,000	275,000	198,984	(76,016)
Interest	6,000	6,000	6,618	618
Total Revenues	3,051,638	3,051,638	3,482,219	430,581
Expenditures				
Roads	8,899,600	8,899,600	6,951,994	1,947,606
Debt Service	126,170	126,170	126,170	-
Administration	1,865,868	1,865,868	975,918	889,950
Total Expenditures	10,891,638	10,891,638	8,054,082	2,837,556
Excess (Deficit) of Revenues Over Expenditures	(7,840,000)	(7,840,000)	(4,571,863)	3,268,137
Other Financing Sources (Uses)				
Bond Principal Payment	(160,000)	(160,000)	(160,000)	-
Operating Transfers In	5,600,000	5,600,000	6,895,601	1,295,601
Operating Transfers Out	-	-	(91,937)	(91,937)
Total Other Financing Sources (Uses)	5,440,000	5,440,000	6,643,664	1,203,664
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(2,400,000)	(2,400,000)	2,071,801	4,471,801
Fund Balance July 1, 2011	2,400,000	2,400,000	1,992,412	(407,588)
Fund Balance June 30, 2012	\$ -	\$ -	\$ 4,064,213	\$ 4,064,213

BOONE COUNTY FISCAL COURT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PUBLIC SAFETY COMMUNICATIONS CENTER
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,423,973	\$ 23,973
Intergovernmental	335,000	335,000	335,934	934
Miscellaneous	2,500	2,500	4,544	2,044
Interest	22,300	22,300	18,056	(4,244)
Total Revenues	1,759,800	1,759,800	1,782,507	22,707
Expenditures				
Protection to Persons and Property	6,209,175	6,209,175	3,230,485	2,978,690
Total Expenditures	6,209,175	6,209,175	3,230,485	2,978,690
Excess (Deficit) of Revenues Over Expenditures	(4,449,375)	(4,449,375)	(1,447,978)	3,001,397
Other Financing Sources (Uses)				
Operating Transfers In	2,579,375	2,579,375	2,029,375	(550,000)
Operating Transfers Out	(550,000)	(550,000)	-	550,000
Total Other Financing Sources (Uses)	2,029,375	2,029,375	2,029,375	-
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(2,420,000)	(2,420,000)	581,397	3,001,397
Fund Balance July 1, 2011	2,420,000	2,420,000	2,902,973	482,973
Fund Balance June 30, 2012	\$ -	\$ -	\$ 3,484,370	\$ 3,484,370

BOONE COUNTY FISCAL COURT
NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012

The Boone County budget is adopted on a cash basis of accounting according to the laws of Kentucky. The fund statements are presented on a modified accrual basis of accounting, as required by generally accepted accounting principles. The following schedule reconciles the actual results of the two statements:

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Public Safety Communications Center</u>
Revenues			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 42,650,652	\$ 3,482,219	\$ 1,782,507
Accounts Receivable June 30, 2011	(6,944,003)	(476,655)	(205,672)
Accounts Receivable June 30, 2012	6,929,201	597,467	317,110
Change in Note Receivable Balance	(239,273)	-	-
Reclass of Reimbursements	<u>17,644</u>	<u>-</u>	<u>9,069</u>
Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	<u>\$ 42,414,221</u>	<u>\$ 3,603,031</u>	<u>\$ 1,903,014</u>
Expenses			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 28,725,886	\$ 8,054,082	\$ 3,230,485
Bond and Capital Lease Principal Payments	1,863,679	160,000	-
Transfer to Golf Course	(600,000)	-	-
Transfer to Self Insurance Fund	(500,000)	-	-
Accounts Payable June 30, 2011	(222,102)	(291,313)	(81,554)
Accounts Payable June 30, 2012	256,869	438,035	90,230
Accrued Payroll June 30, 2011	(208,363)	(86,831)	(63,347)
Accrued Payroll June 30, 2012	253,455	98,745	80,827
Compensated Absences Payable June 30, 2011	(240,042)	(134,930)	(66,857)
Compensated Absences Payable June 30, 2012	242,897	123,824	76,937
Reclass of Reimbursements	<u>248</u>	<u>2</u>	<u>9,069</u>
Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	<u>\$ 29,572,527</u>	<u>\$ 8,361,614</u>	<u>\$ 3,275,790</u>

BOONE COUNTY FISCAL COURT
NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Fiscal Year Ended June 30, 2012
(Continued)

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Public Safety Communications Center</u>
Other Financing Sources (Uses)			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ (11,078,800)	\$ 6,643,664	\$ 2,029,375
Bond Principal Payments	<u>1,863,679</u>	<u>160,000</u>	<u>-</u>
 Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	 <u>\$ (9,215,121)</u>	 <u>\$ 6,803,664</u>	 <u>\$ 2,029,375</u>
 Ending Balance			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 10,404,916	\$ 4,064,213	\$ 3,484,370
Notes Receivable	3,619,638	-	-
Accounts Receivable	6,929,201	597,467	317,110
Due from Boone County Golf Course	6,295,945	-	-
Due from Self-Insurance Fund	500,000	-	-
Restricted Cash	3,860,118	-	-
Accounts Payable	(1,090,209)	(438,035)	(90,230)
Accrued Payroll	(253,455)	(98,745)	(80,827)
Compensated Balances Payable	(242,897)	(123,824)	(76,937)
Net Profit Tax Extension Payable	(5,448,884)	-	-
Beginning Balance Adjustment	17,443	-	-
Rounding Adjustment	<u>(47)</u>	<u>(2)</u>	<u>-</u>
 Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	 <u>\$ 24,591,769</u>	 <u>\$ 4,001,074</u>	 <u>\$ 3,553,486</u>

**BOONE COUNTY FISCAL COURT
CONDITION RATING OF THE COUNTY'S STREET SYSTEM
Fiscal Year Ended June 30, 2012**

**Percentage of Lane-Miles in
Good or Better Condition**

2012	2011	2010
98%	97%	98%

**Percentage of Lane-Miles in
Substandard Condition**

2012	2011	2010
2%	3%	2%

**Comparison of Needed-to-Actual
Maintenance/Preservation**

	2012	2011	2010
Bridge			
Needed	\$ -	\$ -	\$ -
Actual	-	-	-
Roads			
Needed	670,000	762,000	507,600
Actual	582,477	500,456	412,237
Subdivision			
Needed	2,680,000	3,048,000	2,030,400
Actual	2,329,906	2,001,824	1,648,949

Note: The condition of road pavement is measured using the Stantec Pavement Management System, which is based on the deterioration potential of the pavement of each road. This pavement management system uses a measurement scale based on a Pavement Quality Index (PQI) ranging from 2.0 for a failed pavement, to 10.0 for perfect conditions. The County has established a minimum PQI for collector roads to be 7.0 and local roads to be 6.0. When a road is scheduled to fall below minimum PQI in a given fiscal year, the road will be scheduled to be rehabilitated in that year.

SUPPLEMENTARY INFORMATION

BOONE COUNTY FISCAL COURT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Jail Fund	Local Government Economic Assistance Fund	Federal Grants Fund	TIF District #1 Fund	Mental Health Fund	JAG Recovery Grant Fund	Earl Parker Robinson Fund	Public Properties Fund	Total Nonmajor Governmental Funds
Assets									
Cash and Cash Equivalents	\$ 498,068	\$ 3	\$ -	\$ 508,417	\$ 105,486	\$ 118,178	\$ 337,915	\$ -	\$ 1,568,067
Investments	-	-	-	-	-	-	-	1,379	1,379
Notes Receivable	-	-	-	-	-	-	-	-	-
Accounts Receivable	489,464	23,822	33,996	103,806	537,204	-	-	-	1,188,292
Restricted Cash	-	-	-	-	-	-	-	-	-
Total Assets	\$ 987,532	\$ 23,825	\$ 33,996	\$ 612,223	\$ 642,690	\$ 118,178	\$ 337,915	\$ 1,379	\$ 2,757,738
Liabilities and Fund Balances									
Balances Liabilities									
Accounts Payable	\$ 81,543	-	\$ 33,996	\$ -	\$ 92,172	\$ -	\$ -	\$ -	\$ 207,711
Accrued Payroll	94,278	-	-	-	-	-	-	-	94,278
Compensated Absences Payable	57,199	-	-	-	-	-	-	-	57,199
Total Liabilities	233,020	-	33,996	-	92,172	-	-	-	359,188
Fund Balances									
Restricted									
Net Profit Extensions	-	-	-	-	-	-	-	-	-
Other Capital Projects	-	-	-	612,223	-	-	337,915	-	950,138
Other Purposes	-	23,825	-	-	-	-	-	-	23,825
Protection of Persons and Property	-	-	-	-	-	118,178	-	-	118,178
Committed									
Health and Welfare	-	-	-	-	550,518	-	-	-	550,518
Assigned									
Debt Service	-	-	-	-	-	-	-	1,379	1,379
Other Capital Projects	754,512	-	-	-	-	-	-	-	754,512
Unassigned									
	-	-	-	-	-	-	-	-	-
Total Fund Balances	754,512	23,825	-	612,223	550,518	118,178	337,915	1,379	2,398,550
Total Liabilities and Fund Balances	\$ 987,532	23,825	\$ 33,996	\$ 612,223	\$ 642,690	\$ 118,178	\$ 337,915	\$ 1,379	\$ 2,757,738

BOONE COUNTY FISCAL COURT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2012

	Jail Fund	Local Government Economic Assistance Fund	Federal Grants Fund	TIF District #1 Fund	Mental Health Fund	JAG Recovery Grant Fund	Earl Parker Robinson Fund	Public Properties Fund	Total Nonmajor Governmental Funds
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ 265,271	\$ 2,154,897	\$ -	\$ -	\$ -	\$ 2,420,168
In Lieu Tax Payments	-	-	-	-	-	-	-	-	-
Excess Fees	-	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-	-
Intergovernmental	4,256,255	118,256	193,890	-	-	-	-	1,003,815	5,572,216
Charges for Services	183,818	-	-	-	-	-	-	-	183,818
Miscellaneous	157,420	-	-	-	-	-	-	-	157,420
Interest	5,123	72	-	32	2,264	70	1,886	-	9,447
Total Revenues	<u>4,602,616</u>	<u>118,328</u>	<u>193,890</u>	<u>265,303</u>	<u>2,157,161</u>	<u>70</u>	<u>1,886</u>	<u>1,003,815</u>	<u>8,343,069</u>
Expenditures									
General Government	18,167	-	-	-	-	-	-	-	18,167
Protection to Persons and Property	4,174,557	-	-	-	-	(256)	-	-	4,174,301
General Health and Sanitation	-	-	-	-	1,227,939	-	-	-	1,227,939
Social Services	-	-	193,890	-	586,323	-	-	-	780,213
Recreation and Culture	-	-	-	-	-	-	-	-	-
Roads	-	122,485	-	-	-	-	-	-	122,485
Program Expenses	-	-	-	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-	-	-	-
Administration	1,093,033	-	-	-	211,953	-	-	1,250	1,306,236
Debt Service	-	-	-	-	-	-	-	1,003,815	1,003,815
Total Expenditures	<u>5,285,757</u>	<u>122,485</u>	<u>193,890</u>	<u>-</u>	<u>2,026,215</u>	<u>(256)</u>	<u>-</u>	<u>1,005,065</u>	<u>8,633,156</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>(683,141)</u>	<u>(4,157)</u>	<u>-</u>	<u>265,303</u>	<u>130,946</u>	<u>326</u>	<u>1,886</u>	<u>(1,250)</u>	<u>(290,087)</u>
Other Financing Sources (Uses)									
Bond Principal Payments	-	-	-	-	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	(450,000)	-	-	-	(450,000)
Transfers from Other Funds	-	-	-	-	450,000	-	-	-	450,000
Bond Proceeds	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(683,141)</u>	<u>(4,157)</u>	<u>-</u>	<u>265,303</u>	<u>130,946</u>	<u>326</u>	<u>1,886</u>	<u>(1,250)</u>	<u>(290,087)</u>
Fund Balances July 1, 2011	<u>1,437,653</u>	<u>27,982</u>	<u>-</u>	<u>346,920</u>	<u>419,572</u>	<u>117,852</u>	<u>336,029</u>	<u>2,629</u>	<u>2,688,637</u>
Fund Balances June 30, 2012	<u>\$ 754,512</u>	<u>\$ 23,825</u>	<u>\$ -</u>	<u>\$ 612,223</u>	<u>\$ 550,518</u>	<u>\$ 118,178</u>	<u>\$ 337,915</u>	<u>\$ 1,379</u>	<u>\$ 2,398,550</u>

**BOONE COUNTY FISCAL COURT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2012**

<u>Federal Grants/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program			
Section Eight Housing Rental Assistance Program	14.871		\$ 5,908,577
Passed-Through Department for Local Government			
Community Development Block Grant			
-Kentucky Recovery Grant - Year 4			
-Brighton Center (Operating)	14.228	10-125	<u>193,890</u>
Total U.S. Department of Housing and Urban Development			<u>6,102,467</u>
<u>U.S. Department of Justice</u>			
Direct Program			
Bulletproof Vest Partnership Program Grant	16.607	OMB#1121-0235	<u>10,783</u>
<u>U.S. Federal Emergency Management Agency</u>			
Passed-Through State Department of Military Affairs			
-Emergency Management Assistance Program			
Support Emergency Preparedness	97.042	PON2 095 080007930 1	94,078
Passed-Through State Department of Military Affairs			
-Kentucky Emergency Mgmt. - Severe Storms, Tornados and Flooding (FEMA -1976DR-KY)	97.036	FY2012	<u>199,340</u>
Total US Federal Emergency Management Agency			<u>293,418</u>
<u>U.S. Department of Homeland Security</u>			
Port Authority Grant - Domestic Preparedness			
-Water Rescue	97.056	2009PUT9K016	<u>110,539</u>
<u>U.S. Department of Agriculture</u>			
Natural Resources Conservation Service			
-Emergency Watershed Protection Program			
Garrison Creek	10.923	68-5C16-11-070	15,516
-Emergency Watershed Protection Program			
Garrison Creek	10.923	68-5C16-12-025	<u>37,404</u>
Total U.S. Department of Agriculture			<u>52,920</u>
<u>U.S. Department of Transportation</u>			
Passed-Through Kentucky Transportation Cabinet			
-South Airfield Road Bypass Connect KY 18 to Turfway Road and the Greater Cincinnati Airport in Boone County	20.205	600004103	<u>4,938,087</u>
Total Cash Expenditures of Federal Awards			<u>\$ 11,508,214</u>

**BOONE COUNTY FISCAL COURT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Boone County, and is presented on the basis of accounting described in the Summary of Significant Accounting Policies note to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

NOTE 2 - SECTION EIGHT HOUSING RENTAL ASSISTANCE PROGRAM

As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities, shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

**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**

Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Boone County, Kentucky (the County) as of and for the fiscal year ended June 30, 2012, which collectively comprise the County's basic financial statements, as listed in the table of contents, and have issued our report thereon dated July 10, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 correct on a timely basis.

Our consideration of the 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 over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, county commissioners, Department for Local Government and others within the County, and is not intended to be, and should not be, used by anyone other than these specified parties.

VonLehman & Company Inc.

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

Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court

Compliance

We have audited Boone County, Kentucky (the County)'s compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the fiscal year ended June 30, 2012. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 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 County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County 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 fiscal year ended June 30, 2012.

Internal Control Over Compliance

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

Our consideration of the 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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, county commissioners, others within the County and federal awarding agencies, and is not intended to be, and should not be, used by anyone other than these specified parties.

VonLehman & Company Inc.

**BOONE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2012**

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS	
Type of Financial Statement Opinion	Unqualified
Material weakness(es) identified?	No
Control deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Material weakness (es) identified?	No
Control deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Are there any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510?	No
Major Programs (list):	Section Eight Housing Rental Assistance Program [CFDA 14.871]; Highway Planning and Construction (ARRA) – South Airfield Road Bypass [CFDA 20.205]
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
Low Risk Auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

**BOONE COUNTY FISCAL COURT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2012**

PRIOR YEAR - FINANCIAL STATEMENT FINDINGS

NONE

PRIOR YEAR - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

**CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BOONE COUNTY FISCAL COURT
FOR THE YEAR ENDED JUNE 30, 2012**

The Boone 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