

**BOONE COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2013**

*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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Boone County Fiscal Court, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Boone County Fiscal Court's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Boone County Assisted Housing Department which represents the following percentages of assets and revenues – 21.6% of the assets and 67.7% of the revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Boone County Assisted Housing Department, is based on the reports of the other auditors.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

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

### ***Change in Accounting Principle***

As described in the notes to the financial statements, in 2013, the Boone County Fiscal Court adopted new accounting standards, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 11 and 46 through 50 be presented to supplement the basic financial statements. Such information, although not 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 operations, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boone County Fiscal Court's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2015, on our consideration of the Boone County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions and laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Boone County Fiscal Court's internal control over financial reporting and compliance.

*VonLehman & Company Inc.*

**BOONE COUNTY OFFICIALS  
FISCAL YEAR ENDED JUNE 30, 2013**

**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  
For the Year Ended June 30, 2013  
Unaudited**

Management's discussion and analysis (MD&A) of the Boone County's financial performance provides a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2013. In the discussion to follow, management has elected not to factor in the impact of the prior period adjustment as noted in footnote 15, for comparative purpose; as the restatement on the beginning assets is approximately 0.5% and has no influence on the continuing operations of the County. Please read it in conjunction with the County's financial statements that begin on page 12.

**Financial Highlights**

- As of June 30, 2013, Boone County's net position was \$268,351,952, which is an increase of approximately \$14 million or 6% over the prior year. Total current assets of \$37,694,825 increased by \$3,175,005 or 9% and the non-current assets increased by 7,374,380 or 3%.
  - The \$3,175,005 increase in current assets is attributable to an increase in cash within the General and Capital Improvement Funds.
  - Non-current assets increased again this year due to the continued construction of the South Airport Connector Road, approximately \$7.9 of additional capitalized cost, along with an increase in the restricted cash balances associated with Occupation/Business License tax estimated and extension payments. As discussed in the notes to the financial statements, the County posted a prior period adjustment to reflect the cumulative change in an accounting principle and to close out and reallocate unspent capital project funds between the road and bridge and capital improvement funds, the primary impact was to offset the increase in non-current assets as previously noted.
  - Total liabilities decreased approximately \$3.5 million or 6% when compared to the previous year as the construction of the South Airport Connector Road nears completion and the payments against outstanding capital leases and bonds continued.
- Program revenues offset 51% of Boone County's governmental activity expenses, totaling \$49,548,125. 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 approximately \$3.9 million to close out the fiscal year at approximately \$36,767,000 of which \$2,440,511 is due within one year.
- Through budgeted expenditures, grants and in-kind donations, the County capitalized nearly \$11.8 million in long lived assets during 2013. Significant additions include the following:
  - Design of the South Airport Connector Road, a 4-lane highway, was completed and all revenue secured in FY10. All dollars have been secured through federal grants and local public/private funds with project expenditures of approximately \$17.8 million to date, or 93% of the construction in progress dollars at June 30, 2013. This project was substantially completed and opened for public use during the fiscal year; however several minor elements remained incomplete at year-end. As a result this project is classified as construction in progress as of June 30.
  - Operating capital purchased included \$520,348 in Sheriff's vehicles, \$185,896 for heavy equipment for use in Public Works and \$91,142 in light duty equipment for use in various other County departments.
  - As a recipient of approximately \$581,000 through Federal Port Security Grant Program, Water Rescue was able to offset a majority of the \$223,000 spent to purchase a tactical response truck and \$445,000 for a first response water craft to aid in search and rescue efforts.
  - The County accepted several new roads valued at \$1,259,650 from local developers.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013  
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 position 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.

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 12 through 14). 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 position and changes from the prior period. You can think of the County's net position – 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 position are one indicator of whether its financial health is improving or declining. 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 Position and the Statement of Activities, the County is divided into two types of activities: governmental and business.

- **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 internal service fund for 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 51% 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 \$16,278,464 reflecting an increase of 23.5% over the previous year, before prior period adjustment. Revenues increased approximately 1% over the prior year and the expenses decreased by 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.
- **Business-Type Activities** – The County has business-type funds; the Jail Canteen, Assisted Housing, and Golf Course fund. Generally these funds charge a fee to customers to help cover the cost of these services. Current year program revenues covered 94% 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 \$755,000 from the General Fund. The Golf Course's bonds and indebtedness was fully retired in FY13 and it's expected to begin repayment of its General Fund borrowings, as circumstances permit. The total negative change in net position was \$555,723.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013  
Unaudited  
(Continued)**

**Fund Financial Statements**

The fund financial statements (pages 15 through 22) 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, jail, 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. Narrative describing the difference between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are included in the reconciliations on pages 16 and 18.
- Proprietary funds are used to report operations the County treats as business-type activities. The focus is for these funds to be self-sufficient. 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 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 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 Flexible Spending Account.

**Notes to the Financial Statements**

The notes to the financial statements (pages 23 through 45) provide 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.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013  
Unaudited  
(Continued)**

**Required Supplementary Information**

The budgetary comparison schedules (pages 46 through 48) for three major governmental 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 recorded value of the road will not change unless a significant change in condition or use of the road occurs. 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 – Nonmajor Governmental Funds (pages 52 and 53) present the activities of the non-major governmental funds.

The Schedule of Expenditures of Federal Awards (page 54) provides information required pursuant to the Office of Management and Budget (OMB) Circular A-133 of all federal grant money expended 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. In previous years, certain assets such as accounts receivable and certain liabilities such as accounts payable were not recorded in the financial statements, therefore limiting the reader of the full effect of the financial statements. The Boone County budget is adopted on a cash basis of accounting, which is required by the Kentucky Constitution. The schedule on page 49 reconciles the actual results of the cash basis budget and the accrual basis fund statements.

**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.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013  
Unaudited  
(Continued)**

**STATEMENT OF NET POSITION**

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY12</u>	<u>FY13</u>	<u>FY12</u>	<u>FY13</u>	<u>FY12</u>	<u>FY13</u>
Current Assets	\$ 32,809,356	\$ 36,264,145	\$ 1,710,464	\$ 1,430,680	\$ 34,519,820	\$ 37,694,825
Non-Current Assets	274,278,814	281,939,125	3,538,447	3,252,516	277,817,261	285,191,641
Total Assets	307,088,170	318,203,270	5,248,911	4,683,196	312,337,081	322,886,466
Current Liabilities	13,058,113	12,014,698	843,517	209,294	13,901,630	12,223,992
Long-Term Liabilities	39,889,117	37,424,963	4,261,328	4,885,559	44,150,445	42,310,522
Total Liabilities	52,947,230	49,439,661	5,104,845	5,094,853	58,052,075	54,534,514
Invested In Capital, Net	217,383,248	228,900,358	2,838,175	3,232,471	220,221,423	232,132,829
Multi-government Ins Fund	(2,052,983)	(2,052,476)	-	-	(2,052,983)	(2,052,476)
Social Services	-	-	553,185	379,191	553,185	379,191
PPP	4,426,176	4,104,273	-	-	4,426,176	4,104,273
Other Purposes	870,886	228,364	130,756	192,976	1,001,642	421,340
Other Capital Projects	3,489,399	5,509,024	-	-	3,489,399	5,509,024
Health and Welfare	550,518	982,420	-	-	550,518	982,420
Road	4,001,074	1,952,162	-	-	4,001,074	1,952,162
Debt Service	1,379	-	-	-	1,379	-
Unrestricted	25,471,243	29,139,484	(3,378,050)	(4,216,295)	22,093,193	24,923,189
Total Position	\$ <u>254,140,940</u>	\$ <u>268,763,609</u>	\$ <u>144,066</u>	\$ <u>(411,657)</u>	\$ <u>254,285,006</u>	\$ <u>268,351,952</u>

At June 30, 2013, the County's net position exceeded its liabilities by \$213,817,438, an increase of \$17,584,507 or 9%, over the prior year. The majority of the County's total assets (85%) 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 unrestricted net position amount of \$24,923,189 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 Position to the prior year, some other key points to consider are below:

- In governmental activity, current assets increase of 10.5% (\$3,454,789) is attributable to an increase in the cash balance of several major funds.
- Total liabilities under governmental activities decrease by approximately \$3.5 million (6.6%), due to a combination of continued debt service payments on outstanding bonds and South Airfield Connector Road nearing project completion.
- Total assets decreased in the business activities by 10.8% or approximately \$566,000 due to the depreciation of capital assets and a change in the reimbursement practices of the Department of Housing and Urban Development (HUD). The overall cash position of business activities decreased by approximately \$246,000, again HUD has reduced the amount of current funding to local housing programs while instructing them to draw on approved cash reserves.
- In the business activities, a decrease in net assets of approximately \$556,000 is attributable to the change in HUD's reimbursement practice, resulting in Assisted Housing experiencing its first net loss since 2007 of \$278,500, and the Golf Course showing a net loss of \$339,443.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013  
Unaudited  
(Continued)**

**STATEMENT OF ACTIVITIES**

	Governmental Activities		Business Activities		Total	
	FY12	FY13	FY12	FY13	FY12	FY13
<b>Revenues:</b>						
<u>Program Revenues:</u>						
Charges for Services	\$ 6,251,369	\$ 7,232,801	\$ 2,690,394	\$ 2,676,362	\$ 8,941,763	\$ 9,909,163
Operating Grants and Contributions	10,188,401	7,183,214	5,949,947	5,621,988	16,138,348	12,805,202
Capital Grants and Contributions	9,688,395	10,852,465	-	-	9,688,395	10,852,465
Program revenues funded	26,128,165	25,268,480	8,640,341	8,298,350	34,768,506	33,566,830
<u>General Revenue:</u>						
Taxes	36,360,225	37,701,673	-	-	36,360,225	37,701,673
License Fees and Permits	195,944	242,658	-	-	195,944	242,658
Excess Fees	1,026,440	770,396	-	-	1,026,440	770,396
Rental Income	196,595	197,611	-	-	196,595	197,611
Investment Earnings	200,406	120,153	9,193	2,769	209,599	122,922
Gain on Donated Roads/Land	804,975	1,259,650	-	-	804,975	1,259,650
Gain on Sale of Fixed Assets	2,358	23,550	-	-	2,358	23,550
Reimbursements	461,746	182,721	-	-	461,746	182,721
Other	68,344	59,697	-	-	68,344	59,697
<b>Total Revenues</b>	<b>65,445,198</b>	<b>65,826,589</b>	<b>8,649,534</b>	<b>8,301,119</b>	<b>74,094,732</b>	<b>74,127,708</b>
<b>Expenses</b>						
General Government/Administration	18,466,607	12,854,756	-	-	18,466,607	12,854,756
Protection to Persons and Property	18,956,395	22,052,361	-	-	18,956,395	22,052,361
General Health and Sanitation	1,842,203	1,683,816	-	-	1,842,203	1,683,816
Social Services	933,365	1,091,292	-	-	933,365	1,091,292
Recreation and Culture	2,109,232	2,208,295	-	-	2,109,232	2,208,295
Roads	7,336,897	8,379,813	-	-	7,336,897	8,379,813
Capital Improvements	734,488	37,043	-	-	734,488	37,043
Interest on Long-Term Debt	1,886,236	1,240,749	-	-	1,886,236	1,240,749
Jail Canteen Fund	-	-	358,749	397,031	358,749	397,031
Golf Course Fund	-	-	2,479,715	2,557,865	2,479,715	2,557,865
Assisted Housing Fund	-	-	5,915,625	5,901,946	5,915,625	5,901,946
<b>Total Expenses</b>	<b>52,265,423</b>	<b>49,548,125</b>	<b>8,754,089</b>	<b>8,856,842</b>	<b>61,019,512</b>	<b>58,404,967</b>
Change in Net Position	13,179,775	16,278,464	(104,555)	(555,723)	13,075,220	15,722,741
Prior Period Adjustments	-	(1,655,795)	-	-	-	(1,655,795)
Net Position - Beginning Year	240,961,165	254,140,940	248,621	144,066	241,209,786	254,285,006
Net Position -Ending Year	\$ 254,140,940	\$ 268,763,609	\$ 144,066	\$ (411,657)	\$ 254,285,006	\$ 268,351,952

During FY 2013, the year-end net position totaled \$268,763,609 which is 5.8% better than FY12 for governmental activities and ending net assets for business-type activities were a negative \$411,657, a decrease of more than 300%.

While total program revenues continue to decline when compared to previous fiscal periods, total revenues have steadily increased each year since 2011. Total program revenues decreased \$1,201,676 or 3% compared to FY12. Total revenues continue to show annual growth, a very modest \$33,000 over FY12. Governmental activity revenues increased approximately \$381,000 or 1% of the previous period.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013  
Unaudited  
(Continued)**

The County continues efforts to maintain a very conservative approach to budgeting by eliminating most capital projects for which it cannot obtain grants or contributions to offset the cost and expenditures, hiring restrictions, and limiting discretionary spending. These conservative spending efforts have provided the County with adequate reserves and allowed for the investment in 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 decreased by approximately \$2.6 million or 4.3%, resulting in a positive change in net position (actual revenues exceeding actual expenditures) of \$15,722,741.

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 statement 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 for 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 \$1.3 million (3.7%). This reflects an increase of approximately \$689,000 (4.8%) in property taxes and \$656,000 (3.0%) in occupational/payroll taxes. All other taxes remain comparable to prior year collections.
- The business-type activity program revenues as a percentage of total expenditures were approximately 94%.

Program revenues for the governmental activities were 38% of total revenues received. This means that 38% 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 linked to a function.

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, including the Transit Authority of Northern Kentucky (TANK). The other major use of general revenue is the protection to persons and property, which includes emergency management, water rescue, building inspector, Public Safety Communication Center (911 Emergency Dispatch) and support of the Sheriff's Office and Jail.

### **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, Jail, and Capital Improvements. The County's governmental funds reflect a combined fund balance of \$42,314,686, of which approximately 48% is described as, 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 pages 15 through 18. An increase in fund balance in the General Fund of more than \$3.98 million from the previous year is related to the continuing net growth in tax collections and the focus on conservative budgeting and a policy to maintain a minimum 25% emergency reserve in the General Fund; along with additional reserves in all major funds.

The County's proprietary funds' statements are shown on pages 19 through 21 with a total decrease in net position of \$555,723 from FY12.

- The current year's Golf Course's net operating loss was \$339,443. As mentioned earlier concerning governmental funds, the Golf Course also adopted a conservative budgeting approach taken by the County to eliminate most capital projects and expenditures, impose hiring restrictions, and limit discretionary spending with operating expenses. Operating expenses, without depreciation, increased approximately \$88,000 compared to FY12. The primary cause of this year over year increase was the escalating cost of wages and benefits.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013  
Unaudited  
(Continued)**

**Financial Analysis of the County's Funds (Continued)**

- The Golf Courses have liabilities recorded to the General Fund in the amount of \$4,615,118 and \$150,000 to the Capital Improvement Fund, which is an increase of \$755,000. The Golf Course is expected to pay back these funds in future periods, with funds previously used for debt service.
- The Jail Canteen Fund's net position ended with net income of \$62,220. 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 Fund's net position decreased by \$278,500 during the year. Revenues are down approximately \$328,000; expenses held constant at \$5.9 million. The decrease is related to a change in HUD's direct housing assistance program, instructing local housing programs to draw down on approved reserves to cover the decrease in certain reimbursements.

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 22. These monies are restricted and excluded 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 2013 although the County made various line item transfers within the budget to increase/decrease certain line items. Some transfers were inter-fund transfers and have no effect on the budget's bottom line. Throughout the year, general fund revenues collected were over budget by 6%, while reoccurring line item operating expenses were well below budget by 8%.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of Fiscal Year 2013, the government activities of the County had \$265,756,944 invested in a broad range of capital assets, including land, roads, buildings, equipment and vehicles. As shown on the chart to follow, the amount represents a net increase (including additions, retirements and accumulated depreciation) of approximately \$8.4 million, or 3%, on the governmental activities and a decrease of \$285,931, or a negative 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 continues to be 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 \$1,260,000. The construction in progress is road and sidewalk projects within the Capital Improvement Fund that have been funded fully or partially by grants or bonds and are still under construction; the largest project being South Airfield Connector Road with more than \$17.8 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.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013  
Unaudited  
(Continued)**

**STATEMENT OF CAPITAL ASSETS**

**Capital Assets, net of Accumulated Depreciation (PSCC factored into P/Y Numbers)**

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY12</u>	<u>FY13</u>	<u>FY12</u>	<u>FY13</u>	<u>FY12</u>	<u>FY13</u>
Land	\$ 11,825,020	\$ 11,825,020	\$2,396,478	\$2,396,478	\$ 14,221,498	\$ 14,221,498
Roads, modified approach (not depr.)	170,653,070	171,912,720	-	-	170,653,070	171,912,720
Roads	16,598	14,976	-	-	16,598	14,976
Land Improvements	6,675,104	6,281,714	334,863	122,093	7,009,967	6,403,807
Building and Improvements	50,779,219	49,333,265	697,120	632,506	51,476,339	49,965,771
Construction In Progress	11,318,329	19,259,414	-	-	11,318,329	19,259,414
Vehicles, Machinery and Equipment	5,559,753	6,501,839	94,368	94,141	5,654,121	6,595,980
Furniture and Office Equipment	512,460	627,996	15,618	7,298	528,078	635,294
	<u>\$ 257,339,553</u>	<u>\$ 265,756,944</u>	<u>\$ 3,538,447</u>	<u>\$ 3,252,516</u>	<u>\$ 260,878,000</u>	<u>\$ 269,009,460</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 23 through 45.

**Debt**

As of June 30, 2013, the County had \$36,766,999 in outstanding bonds and lease obligations versus \$40,656,577 last year, a decrease of 9.6%, as shown on the chart below. The primary reason this number has continued to decrease is due to the County not borrowing additional dollars to fund capital or special projects.

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY12</u>	<u>FY13</u>	<u>FY12</u>	<u>FY13</u>	<u>FY12</u>	<u>FY13</u>
General Obligation Bonds (backed by the County)	\$ 26,899,374	\$ 24,579,859	\$ -	\$ -	\$ 26,899,374	\$ 24,579,859
General Obligation Bonds (back by specific tax or fee)	2,485,128	2,295,141	670,498	-	3,155,626	2,295,141
Revenue Bonds and Notes (back by specific tax or fee revenues)	10,525,000	9,840,000	-	-	10,525,000	9,840,000
Capital Lease Payable	46,803	31,954	29,774	20,045	76,577	51,999
	<u>\$ 39,956,305</u>	<u>\$ 36,746,954</u>	<u>\$ 700,272</u>	<u>\$ 20,045</u>	<u>\$ 40,656,577</u>	<u>\$ 36,766,999</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 2012 assessment this 2% total direct debt limitation is more than \$250 million dollars, which far exceeds the County's outstanding debt.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013  
Unaudited  
(Continued)**

**Economic Factors and Next Year's Budget**

During the current fiscal year the County's local economy showed continued signs of growth. In particular, revenue sources related to the housing industry improved for a second year; building permit activity, development inspection fees and deed transfer tax (revenue originating from housing sales/transfers), combined, these sources increased 15% over the previous year. Revenue from payroll tax receipts, the county's single largest source of revenue reflected growth of approximately 2% over FY12. Real and personal property tax revenues remain comparable to the prior period. State government continues to experience a decline in revenue which may translate, in part, to reductions in state aid for certain local government programs and services.

The County has steadily emerged from the economic slowdown in 2009 and 2010. During the recession period, difficult, but prudent, decisions were made to reduce the size of the County workforce and carefully control discretionary spending, in lieu of seeking additional revenue. Furthermore, essential public services continued with little or no reduction in quality or effectiveness. The administration is committed to embracing these policy precepts as recurring and sustainable elements of our philosophy in overall governance matters. To that end the administration will continue to endeavor to live within its means and focus on the efficient delivery of mission critical public services. The trend lines of our local economy and operating budget suggest continuing growth and expansion of business activity for the foreseeable future. The budget development guidelines for future periods will continue to employ conservative forecasting and careful control of discretionary spending.

**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 or requests for additional financial information should be addressed to the Boone County Treasurer, PO Box 960 (2950 Washington Street), Burlington, KY 41005.

**BOONE COUNTY FISCAL COURT  
STATEMENT OF NET POSITION  
June 30, 2013**

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 26,044,618	\$ 1,280,213	\$ 27,324,831
Investments	1,039,768	-	1,039,768
Inventory	-	68,892	68,892
Accounts Receivable	8,943,175	81,575	9,024,750
Due from Boone County Golf Course	9,923	-	9,923
Notes Receivable, Due Within One Year	226,661	-	226,661
Total Current Assets	36,264,145	1,430,680	37,694,825
<b>Noncurrent Assets</b>			
Capital Assets, Net of Accumulated Depreciation			
Land	11,825,020	2,396,478	14,221,498
Land Improvements	6,281,714	122,093	6,403,807
Buildings and Building Improvements	49,333,265	632,506	49,965,771
Furniture and Office Equipment	627,996	7,298	635,294
Vehicles and Equipment	6,501,839	94,141	6,595,980
Construction in Progress	19,259,414	-	19,259,414
Infrastructure Assets, Net of Accumulated Depreciation	171,927,696	-	171,927,696
Restricted Cash	6,594,838	-	6,594,838
Due from Boone County Golf Course	4,775,240	-	4,775,240
Notes Receivable, Due in More than One Year	4,301,715	-	4,301,715
Total Noncurrent Assets	281,428,737	3,252,516	284,681,253
Total Assets	317,692,882	4,683,196	322,376,078
<b>Deferred Outflows of Resources</b>			
Discount on Bonds, Net	510,388	-	510,388
Total Assets and Deferred Outflows of Resources	\$ 318,203,270	\$ 4,683,196	\$ 322,886,466
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Compensated Absences Payable, Due Within One Year	\$ 31,401	\$ 53,829	\$ 85,230
Capital Lease, Due Within One Year	15,588	9,923	25,511
Bonds Payable, Due Within One Year	2,415,000	-	2,415,000
Accounts Payable	1,962,433	63,138	2,025,571
Accrued Payroll	555,397	73,655	629,052
Accrued Interest	398,959	334	399,293
Funds Received in Excess of Funds Earned	-	8,415	8,415
Estimated Liability for Claims - HRA Accounts, Due Within One Year	259,083	-	259,083
Accrued Other	6,376,837	-	6,376,837
Total Current Liabilities	12,014,698	209,294	12,223,992
<b>Noncurrent Liabilities</b>			
Compensated Absences Payable, Due in More Than One Year	462,504	16,831	479,335
Due to General Fund	-	4,615,118	4,615,118
Due to Capital Improvements	-	150,000	150,000
Capital Lease, Due in More than One Year	16,366	10,122	26,488
Bonds Payable, Due in More than One Year	34,300,000	-	34,300,000
Estimated Liability for Claims - HRA Accounts, Due in More Than One Year	2,026,073	-	2,026,073
Accrued Other, Due in More Than One Year	-	93,488	93,488
Total Noncurrent Liabilities	36,804,943	4,885,559	41,690,502
Total Liabilities	48,819,641	5,094,853	53,914,494
<b>Deferred Inflows of Resources</b>			
Premium on Bonds, Net	620,020	-	620,020
Total Liabilities and Deferred Inflows of Resources	\$ 49,439,661	\$ 5,094,853	\$ 54,534,514

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF NET POSITION**  
**June 30, 2013**  
**(Continued)**

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	\$ 228,900,358	\$ 3,232,471	\$ 232,132,829
Restricted for			
Multi-Government Self Insurance	(2,052,476)	-	(2,052,476)
Social Services	-	379,191	379,191
Protection of Persons and Property	4,104,273	-	4,104,273
Other Purposes	228,364	192,976	421,340
Other Capital Projects	5,509,024	-	5,509,024
Health and Welfare	982,420	-	982,420
Road Resurfacing and Maintenance	1,952,162	-	1,952,162
Unrestricted	29,139,484	(4,216,295)	24,923,189
<b>Total Net Position</b>	<b>\$ 268,763,609</b>	<b>\$ (411,657)</b>	<b>\$ 268,351,952</b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT  
STATEMENT OF ACTIVITIES  
Fiscal Year Ended June 30, 2013**

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
<b>Governmental Activities</b>							
General Government	\$ 12,854,756	\$ 513,002	\$ 1,013,240	\$ -	\$ (11,328,514)	\$ -	\$ (11,328,514)
Protection to Persons and Property	22,052,361	5,725,266	2,893,712	709,479	(12,723,904)	-	(12,723,904)
General Health and Sanitation	1,683,816	131,084	2,412,858	91,286	951,412	-	951,412
Social Services	1,091,292	11,689	250,000	-	(829,603)	-	(829,603)
Recreation and Culture	2,208,295	477,143	152,551	-	(1,578,601)	-	(1,578,601)
Roads	8,379,813	374,617	401,917	1,976,128	(5,627,151)	-	(5,627,151)
Capital Improvements	37,043	-	58,936	8,075,572	8,097,465	-	8,097,465
Interest on Long-Term Debt	1,240,749	-	-	-	(1,240,749)	-	(1,240,749)
Total Governmental Activities	49,548,125	7,232,801	7,183,214	10,852,465	(24,279,645)	-	(24,279,645)
<b>Business-Type Activities</b>							
Jail Canteen Fund	397,031	458,748	-	-	-	61,717	61,717
Golf Course Fund	2,557,865	2,217,614	-	-	-	(340,251)	(340,251)
Assisted Housing	5,901,946	-	5,621,988	-	-	(279,958)	(279,958)
Total Business-Type Activities	8,856,842	2,676,362	5,621,988	-	-	(558,492)	(558,492)
<b>Total Primary Government</b>	<b>\$ 58,404,967</b>	<b>\$ 9,909,163</b>	<b>\$ 12,805,202</b>	<b>\$ 10,852,465</b>	<b>(24,279,645)</b>	<b>(558,492)</b>	<b>(24,838,137)</b>
<b>General Revenues</b>							
Taxes							
Property Taxes				15,096,676	-	15,096,676	
Occupational Taxes				21,780,380	-	21,780,380	
Franchise Fees				824,617	-	824,617	
Reimbursements				182,721	-	182,721	
License Fees and Permits				242,658	-	242,658	
Excess Fees				770,396	-	770,396	
Rental/Income				197,611	-	197,611	
Unrestricted Investment Earnings				120,153	2,769	122,922	
Donated Assets				1,259,650	-	1,259,650	
Gain on Sale of Fixed Assets				23,550	-	23,550	
Miscellaneous Revenues				59,697	-	59,697	
Total General Revenues				40,558,109	2,769	40,560,878	
Change in Net Position				16,278,464	(555,723)	15,722,741	
Prior Period Adjustments				(1,655,795)	-	(1,655,795)	
<b>Net Position July 1, 2012</b>				<b>254,140,940</b>	<b>144,066</b>	<b>254,285,006</b>	
<b>Net Position June 30, 2013</b>				<b>\$ 268,763,609</b>	<b>\$ (411,657)</b>	<b>\$ 268,351,952</b>	

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2013**

	<b>Major Funds</b>					
	<b>General Fund</b>	<b>Road and Bridge Fund</b>	<b>Public Safety Communications Center</b>	<b>Capital Improvements Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>						
Cash and Cash Equivalents	\$ 13,069,335	\$ 2,030,003	\$ 3,400,889	\$ 3,948,828	\$ 2,571,147	\$ 25,020,202
Investments	1,039,768	-	-	-	-	1,039,768
Notes Receivable	3,429,416	-	-	1,098,960	-	4,528,376
Accounts Receivable	6,943,307	210,760	44,337	480,929	1,263,842	8,943,175
Due from Boone County Golf Course	4,615,118	-	-	170,045	-	4,785,163
Due from Self Insurance Fund	500,000	-	-	-	-	500,000
Restricted Cash	6,594,838	-	-	-	-	6,594,838
<b>Total Assets</b>	<b>\$ 36,191,782</b>	<b>\$ 2,240,763</b>	<b>\$ 3,445,226</b>	<b>\$ 5,698,762</b>	<b>\$ 3,834,989</b>	<b>\$ 51,411,522</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 751,819	\$ 54,084	\$ 436,389	\$ 237,211	\$ 191,194	\$ 1,670,697
Accrued Payroll	264,044	108,549	85,534	-	97,270	555,397
Compensated Absences Payable	226,720	125,968	76,341	-	64,876	493,905
Net Profit Tax Extension Payable	6,376,837	-	-	-	-	6,376,837
<b>Total Liabilities</b>	<b>7,619,420</b>	<b>288,601</b>	<b>598,264</b>	<b>237,211</b>	<b>353,340</b>	<b>9,096,836</b>
<b>Fund Balances</b>						
Non Spendable						
Notes Receivable Long-Term	7,902,796	-	-	1,184,082	-	9,086,878
Restricted						
Other Capital Projects	-	-	-	-	1,231,555	1,231,555
Other Purposes	218,001	-	-	-	10,363	228,364
Protection of Persons and Property	-	-	2,846,962	-	-	2,846,962
Committed						
Health and Welfare	-	-	-	-	982,420	982,420
Assigned						
Debt Service	-	-	-	-	-	-
Other Capital Projects	-	-	-	4,277,469	-	4,277,469
Protection of Persons and Property	-	-	-	-	1,257,311	1,257,311
Road Resurfacing and Maintenance	-	1,952,162	-	-	-	1,952,162
Unassigned	20,451,565	-	-	-	-	20,451,565
<b>Total Fund Balances</b>	<b>28,572,362</b>	<b>1,952,162</b>	<b>2,846,962</b>	<b>5,461,551</b>	<b>3,481,649</b>	<b>42,314,686</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 36,191,782</b>	<b>\$ 2,240,763</b>	<b>\$ 3,445,226</b>	<b>\$ 5,698,762</b>	<b>\$ 3,834,989</b>	<b>\$ 51,411,522</b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
June 30, 2013**

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

Total Fund Balance - Governmental Funds		\$ 42,314,686
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	\$ 297,716,260	
Accumulated Depreciation	<u>31,959,316</u>	
		265,756,944
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.		
		(2,052,476)
Discount on bonds, net are not financial resources and therefore are not reported as an asset in governmental funds.		
		510,388
Premium on bonds, net are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
		(620,020)
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	398,959	
Bonds, Notes and Lease Principal Payments, Due within One Year	2,430,588	
Bonds, Notes and Lease Principal Payments, Due in More than One Year	<u>34,316,366</u>	
		<u>(37,145,913)</u>
<b>Total Net Position - Governmental Activities</b>		<b>\$ <u>268,763,609</u></b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Fiscal Year Ended June 30, 2013**

	Major Funds					
	General Fund	Road and Bridge Fund	Public Safety Communications Center	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 36,289,124	\$ -	\$ -	\$ -	\$ 2,498,319	\$ 38,787,443
In Lieu Tax Payments	257,584	-	-	-	-	257,584
Excess Fees	1,755,465	-	-	-	-	1,755,465
Licenses and Permits	1,481,102	33,933	-	-	-	1,515,035
Intergovernmental	2,013,756	2,178,631	-	7,146,218	5,715,173	17,053,778
Charges for Services	1,327,721	207,091	-	-	206,782	1,741,594
Miscellaneous	522,483	262,455	1,639,391	6,805	237,251	2,668,385
Interest	92,729	6,979	-	709,521	4,064	813,293
<b>Total Revenues</b>	<b>43,739,964</b>	<b>2,689,089</b>	<b>1,639,391</b>	<b>7,862,544</b>	<b>8,661,589</b>	<b>64,592,577</b>
<b>Expenditures</b>						
General Government	4,115,855	-	-	-	-	4,115,855
Protection to Persons and Property	12,311,367	-	2,529,277	-	4,380,921	19,221,565
General Health and Sanitation	565,425	-	-	-	1,068,865	1,634,290
Social Services	107,911	-	-	-	800,019	907,930
Recreation and Culture	2,084,849	-	-	-	-	2,084,849
Roads	-	6,731,502	-	-	87,653	6,819,155
Program Expense	-	-	820,130	-	-	820,130
Capital Projects	-	-	-	8,411,967	-	8,411,967
Administration	8,769,599	1,094,543	746,508	-	1,382,054	11,992,704
Debt Service	830,502	183,010	-	27,890	183,638	1,225,040
<b>Total Expenditures</b>	<b>28,785,508</b>	<b>8,009,055</b>	<b>4,095,915</b>	<b>8,439,857</b>	<b>7,903,150</b>	<b>57,233,485</b>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing (Uses) Sources	14,954,456	(5,319,966)	(2,456,524)	(577,313)	758,439	7,359,092
<b>Other Financing (Uses) Sources</b>						
Bond Principal Payments	(2,219,503)	(228,947)	-	(61,053)	(685,000)	(3,194,503)
Transfers to Other Funds	(11,604,361)	-	-	(2,750,001)	-	(14,354,362)
Transfers from Other Funds	2,850,001	3,500,001	1,750,000	5,244,700	1,009,660	14,354,362
<b>Total Other Financing (Uses) Sources</b>	<b>(10,973,863)</b>	<b>3,271,054</b>	<b>1,750,000</b>	<b>2,433,646</b>	<b>324,660</b>	<b>(3,194,503)</b>
<b>Net Change in Fund Balances</b>	<b>3,980,593</b>	<b>(2,048,912)</b>	<b>(706,524)</b>	<b>1,856,333</b>	<b>1,083,099</b>	<b>4,164,589</b>
Prior Period Adjustment	-	-	-	(1,395,175)	-	(1,395,175)
<b>Fund Balances July 1, 2012</b>	<b>24,591,769</b>	<b>4,001,074</b>	<b>3,553,486</b>	<b>5,000,393</b>	<b>2,398,550</b>	<b>39,545,272</b>
<b>Fund Balances June 30, 2013</b>	<b>\$ 28,572,362</b>	<b>\$ 1,952,162</b>	<b>\$ 2,846,962</b>	<b>\$ 5,461,551</b>	<b>\$ 3,481,649</b>	<b>\$ 42,314,686</b>

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, 2013**

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

Total Net Change in Fund Balances - Governmental Funds	\$	4,164,589
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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	\$ (3,148,750)	
Capital Outlays	<u>10,334,491</u>	7,185,741

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.		3,209,351
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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.		1,259,650
--	--	-----------

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, discounts, and premium on bonds.		(13,374)
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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.		500,507
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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.		<u>(28,000)</u>
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<b>Total Change in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u><u>16,278,464</u></u></b>
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See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**June 30, 2013**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Assisted Housing Fund	Golf Course Fund	Total	Self Insurance Fund
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 192,976	\$ 805,791	\$ 281,446	\$ 1,280,213	\$ 1,024,416
Inventory	-	-	68,892	68,892	-
Accounts Receivable	-	81,575	-	81,575	-
<b>Total Current Assets</b>	<u>192,976</u>	<u>887,366</u>	<u>350,338</u>	<u>1,430,680</u>	<u>1,024,416</u>
<b>Noncurrent Assets</b>					
Land	-	-	2,396,478	2,396,478	-
Land Improvements	-	-	5,523,656	5,523,656	-
Buildings and Building Improvements	-	137,418	2,249,487	2,386,905	-
Vehicles, Machinery and Equipment	-	18,412	162,997	181,409	-
Furniture and Office Equipment	-	154,891	1,119,539	1,274,430	-
	-	310,721	11,452,157	11,762,878	-
Less Accumulated Depreciation	-	187,554	8,322,808	8,510,362	-
<b>Total Noncurrent Assets</b>	<u>-</u>	<u>123,167</u>	<u>3,129,349</u>	<u>3,252,516</u>	<u>-</u>
<b>Total Assets</b>	<u>\$ 192,976</u>	<u>\$ 1,010,533</u>	<u>\$ 3,479,687</u>	<u>\$ 4,683,196</u>	<u>\$ 1,024,416</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Compensated Absences Payable, Due Within One Year	\$ -	\$ 1,870	\$ 51,959	\$ 53,829	\$ -
Capital Lease, Due Within One Year	-	-	9,923	9,923	-
Accounts Payable	-	3,419	59,719	63,138	291,736
Accrued Payroll	-	18,232	55,423	73,655	-
Accrued Interest Payable	-	-	334	334	-
Estimated Liability for Claims - HRA Accounts, Due Within One Year	-	-	-	-	259,083
Funds Received in Excess of Funds Earned	-	8,415	-	8,415	-
<b>Total Current Liabilities</b>	<u>-</u>	<u>31,936</u>	<u>177,358</u>	<u>209,294</u>	<u>550,819</u>
<b>Noncurrent Liabilities</b>					
Compensated Absences Payable, Due in More than One Year	-	16,831	-	16,831	-
Due to General Fund	-	-	4,615,118	4,615,118	500,000
Due to Capital Improvements	-	-	150,000	150,000	-
Capital Lease, Due in More than One Year	-	-	10,122	10,122	-
Estimated Liability for Claims - HRA Accounts, Due in More than One Year	-	-	-	-	2,026,073
Accrued Other - Noncurrent, Due in More than One Year	-	93,488	-	93,488	-
<b>Total Noncurrent Liabilities</b>	<u>-</u>	<u>110,319</u>	<u>4,775,240</u>	<u>4,885,559</u>	<u>2,526,073</u>
<b>Total Liabilities</b>	<u>\$ -</u>	<u>\$ 142,255</u>	<u>\$ 4,952,598</u>	<u>\$ 5,094,853</u>	<u>\$ 3,076,892</u>
<b>Net Position</b>					
Invested in Capital Assets, Net of Related Debt Restricted for	\$ -	\$ 123,167	\$ 3,109,304	\$ 3,232,471	\$ -
Social Services	-	379,191	-	379,191	-
Other Purposes	192,976	-	-	192,976	-
Multi-Governmental Self Insurance	-	-	-	-	(2,052,476)
Unrestricted	-	365,920	(4,582,215)	(4,216,295)	-
<b>Total Net Position</b>	<u>\$ 192,976</u>	<u>\$ 868,278</u>	<u>\$ (1,472,911)</u>	<u>\$ (411,657)</u>	<u>\$ (2,052,476)</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
**Fiscal Year Ended June 30, 2013**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental</b>
	<b>Jail Canteen Fund</b>	<b>Assisted Housing Fund</b>	<b>Golf Course Fund</b>	<b>Total</b>	<b>Activities -</b>
					<b>Internal Service Fund</b>
					<b>Self Insurance Fund</b>
<b>Operating Revenues</b>					
Governmental Grants	\$ -	\$ 5,544,921	\$ -	\$ 5,544,921	\$ -
Canteen Receipts	458,748	-	-	458,748	-
Green Fees	-	-	1,129,580	1,129,580	-
Power Cart Rentals	-	-	434,529	434,529	-
Memberships	-	-	65,710	65,710	-
Commission	-	-	555	555	-
Pro Shop Sales and Pull Cart Rentals	-	-	102,753	102,753	-
Food and Beverage	-	-	377,886	377,886	-
Employer / Employee Contributions	-	-	-	-	5,006,888
Miscellaneous	-	77,067	106,601	183,668	-
<b>Total Operating Revenues</b>	<b>458,748</b>	<b>5,621,988</b>	<b>2,217,614</b>	<b>8,298,350</b>	<b>5,006,888</b>
<b>Operating Expenses</b>					
Cost of Merchandise Sold	397,031	-	85,589	482,620	-
Housing Assistance Payment	-	5,182,995	-	5,182,995	-
Salaries and Wages	-	403,188	867,324	1,270,512	-
Employee Benefits	-	195,597	301,014	496,611	-
Contract Services	-	11,600	29,438	41,038	-
Materials and Supplies	-	-	3,476	3,476	-
Golf Cart Lease	-	-	125,928	125,928	-
Utilities	-	-	199,935	199,935	-
Maintenance and Repairs	-	-	103,248	103,248	-
Fertilizer and Chemicals	-	-	237,771	237,771	-
Petroleum Products	-	-	73,457	73,457	-
Uniforms	-	-	3,963	3,963	-
Food and Beverage	-	-	165,243	165,243	-
Depreciation	-	11,755	308,323	320,078	-
Other Operating Expenses	-	96,811	43,423	140,234	-
Insurance Claims	-	-	-	-	4,509,258
<b>Total Operating Expenses</b>	<b>397,031</b>	<b>5,901,946</b>	<b>2,548,132</b>	<b>8,847,109</b>	<b>4,509,258</b>
<b>Operating Income (Loss)</b>	<b>61,717</b>	<b>(279,958)</b>	<b>(330,518)</b>	<b>(548,759)</b>	<b>497,630</b>
<b>Non-Operating Revenues (Expenses)</b>					
Interest Income	503	1,458	808	2,769	2,877
Interest Expense	-	-	(9,733)	(9,733)	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>503</b>	<b>1,458</b>	<b>(8,925)</b>	<b>(6,964)</b>	<b>2,877</b>
<b>Net Income (Loss)</b>	<b>62,220</b>	<b>(278,500)</b>	<b>(339,443)</b>	<b>(555,723)</b>	<b>500,507</b>
<b>Net Position July 1, 2012</b>	<b>130,756</b>	<b>1,146,778</b>	<b>(1,133,468)</b>	<b>144,066</b>	<b>(2,552,983)</b>
<b>Net Position June 30, 2013</b>	<b>\$ 192,976</b>	<b>\$ 868,278</b>	<b>\$ (1,472,911)</b>	<b>\$ (411,657)</b>	<b>\$ (2,052,476)</b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**Fiscal Year Ended June 30, 2013**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>
	<b>Jail Canteen Fund</b>	<b>Assisted Housing Fund</b>	<b>Golf Course Fund</b>	<b>Totals</b>	<b>Self Insurance Fund</b>
<b>Cash Flows From Operating Activities</b>					
Receipts from Customers	\$ 458,748	\$ -	\$ 2,217,060	\$ 2,675,808	\$ -
Receipts from Commissions	-	-	555	555	-
Receipts from Governmental Grants	-	5,516,925	-	5,516,925	-
Receipts from Employees/Intergovernmental	-	-	-	-	5,006,888
Payments to Suppliers	(397,031)	(5,194,595)	(1,092,725)	(6,684,351)	-
Payments to Employees	-	(598,785)	(1,161,466)	(1,760,251)	-
Payments for Claims	-	-	-	-	(4,393,343)
Other Expenses	-	(33,658)	-	(33,658)	-
Net Cash Provided (Used) by Operating Activities	<u>61,717</u>	<u>(310,113)</u>	<u>(36,576)</u>	<u>(284,972)</u>	<u>613,545</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Purchase of Capital Assets	-	-	(34,146)	(34,146)	-
Proceeds from General Fund Obligation	-	-	755,000	755,000	-
Payments on Bond Obligations	-	-	(670,498)	(670,498)	-
Payments on Capital Lease Obligations	-	-	(9,729)	(9,729)	-
Interest Paid on Capital Lease Obligations	-	-	(4,785)	(4,785)	-
Net Cash Provided by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>35,842</u>	<u>35,842</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>					
Interest Income	<u>503</u>	<u>1,458</u>	<u>808</u>	<u>2,769</u>	<u>2,877</u>
Net Change in Cash	62,220	(308,655)	74	(246,361)	616,422
<b>Cash and Cash Equivalents July 1, 2012</b>	<u>130,756</u>	<u>1,114,446</u>	<u>281,372</u>	<u>1,526,574</u>	<u>407,994</u>
<b>Cash and Cash Equivalents June 30, 2013</b>	<u>\$ 192,976</u>	<u>\$ 805,791</u>	<u>\$ 281,446</u>	<u>\$ 1,280,213</u>	<u>\$ 1,024,416</u>
Reconciliation of Operating Income					
Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 61,717	\$ (279,958)	\$ (330,518)	\$ (548,759)	\$ 497,630
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation	-	17,016	308,323	325,339	-
Change in Assets and Liabilities					
Accounts Receivable	-	27,996	-	27,996	-
Inventory	-	-	(955)	(955)	-
Accounts Payable	-	(855)	(8,190)	(9,045)	91,953
Estimated Liability for Claims - HRA	-	-	-	-	23,962
Accrued Payroll	-	2,425	569	2,994	-
Accrued Other	-	70,332	(12,108)	58,224	-
Compensated Absences Payable	-	(147,069)	6,303	(140,766)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 61,717</u>	<u>\$ (310,113)</u>	<u>\$ (36,576)</u>	<u>\$ (284,972)</u>	<u>\$ 613,545</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
June 30, 2013

	Agency Funds			
	School Board Tax Fund	Jail Prisoners Funds	Motor Vehicle Rental Tax Fund	Flexible Spending Account
<b>Assets</b>				
Cash and Cash Equivalents	\$ 10,694	\$ 301,963	\$ -	\$ 19,382
Accounts Receivable	3,451,819	-	402,330	-
Total Assets	3,462,513	301,963	402,330	19,382
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	3,462,513	301,963	402,330	19,382
<b>Net Position</b>	\$ -	\$ -	\$ -	\$ -

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 Presentation**Government Wide Statements

The government wide financial statements (i.e. the statement of net position 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 County 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. The County'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 County. 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 County 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.

Capital Improvements Fund

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

Nonmajor Funds

The primary government also has the following nonmajor 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 and Bridge 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 are Special Revenue funds that account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

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.

Self Insurance Fund

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

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

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 County 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 1<sup>st</sup>. Taxes are levied and are due and payable on November 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> until paid. After May 1<sup>st</sup> 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 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 County by May 1<sup>st</sup> of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the County by July 1<sup>st</sup>.

The County may change the original budget by transferring appropriations at the activity level; however, the County 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 16 and 18 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 position 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 County 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

Accounting principles 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 Position**

Net position represents the difference between assets and liabilities. Net investment 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 position is 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**

In the governmental fund financial statements, fund balances are classified as follows:

- 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 the County: 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 19.55%.

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 37.60%.

The County's contribution (both withholding and match) for FY13 was \$2,898,171, FY12 was \$2,746,295 and FY11 was \$2,270,356.

**NOTE 2 - EMPLOYEE RETIREMENT SYSTEM (Continued)**

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, 2013, 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 County 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, 2013, 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, 2013, 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	\$ 1,036,719	Various	N/A
Money Market Funds	<u>3,049</u>	N/A	N/A
Total	<u>\$ 1,039,768</u>		

**NOTE 4 - NOTES RECEIVABLE**

The Walton Fire Protection District has a lease/purchase agreement with County 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, 2013 is \$129,900 and the Walton Fire Protection District is in substantial compliance with the terms of the agreement.

The Boone County Water District has a lease/purchase agreement with the County 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, 2013 is \$2,143,323 and the Boone County Water District is in substantial compliance with the terms of the agreement.

**NOTE 4 - NOTES RECEIVABLE (Continued)**

The County 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, 2013 totaled \$1,156,193.

The County 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 County and the various fire districts. The districts have agreed that 25% of one cent of their real property assessments will be sent to the County as payment on the note receivable. As of June 30, 2013, the note receivable balance was \$1,098,960. The note is expected to be paid off by June, 2028.

The remaining maturities on the notes are as follows:

Years Ending June 30,		
2014	\$	216,740
2015		226,590
2016		235,280
2017		244,070
2018		250,630
Thereafter		3,355,066
	\$	4,528,376

**NOTE 5 - ACCOUNTS RECEIVABLE**

Accounts Receivable consists of the following at June 30, 2013:

	Governmental Activities	Business- Type Activities	Total
Taxes – Current	\$ 6,477,930	\$ -	\$ 6,477,930
Taxes – Delinquent	11,369	-	11,369
Excess Fees	305,485	-	305,485
Charges for Service	72,106	-	72,106
Intergovernmental	2,000,943	-	2,000,943
License Fees	53,243	-	53,243
Miscellaneous	22,099	81,575	103,674
	\$ 8,943,175	\$ 81,575	\$ 9,024,750

**NOTE 6 - CAPITAL ASSETS**

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

<u>Governmental Activities</u>	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Capital Assets Not Being Depreciated				
Land	\$ 11,825,020	\$ -	\$ -	\$ 11,825,020
Roads	170,653,070	1,259,650	-	171,912,720
Construction in Progress	<u>11,318,329</u>	<u>8,119,103</u>	<u>178,018</u>	<u>19,259,414</u>
Total Capital Assets Not Being Depreciated	<u>193,796,419</u>	<u>9,378,753</u>	<u>178,018</u>	<u>202,997,154</u>
Depreciable Capital Assets				
Land Improvements	10,234,881	-	-	10,234,881
Buildings and Building Improvements	64,665,040	-	-	64,665,040
Equipment	8,901,285	700,280	-	9,601,565
Furniture and Office Equipment	1,733,029	227,768	-	1,960,797
Vehicles	7,250,611	1,465,358	544,049	8,171,920
Roads	<u>84,903</u>	<u>-</u>	<u>-</u>	<u>84,903</u>
Total Depreciable Capital Assets	<u>92,869,749</u>	<u>2,393,406</u>	<u>544,049</u>	<u>94,719,106</u>
Total Capital Assets at Historical Cost	<u>286,666,168</u>	<u>11,772,159</u>	<u>722,067</u>	<u>297,716,260</u>
Less Accumulated Depreciation				
Land Improvements	3,559,777	393,390	-	3,953,167
Buildings and Building Improvements	13,885,821	1,445,954	-	15,331,775
Equipment	5,096,880	596,697	-	5,693,577
Furniture and Office Equipment	1,220,569	112,232	-	1,332,801
Vehicles	5,495,263	598,855	516,049	5,578,069
Roads	<u>68,305</u>	<u>1,622</u>	<u>-</u>	<u>69,927</u>
Total Accumulated Depreciation	<u>29,326,615</u>	<u>3,148,750</u>	<u>516,049</u>	<u>31,959,316</u>
Depreciable Capital Assets, Net	<u>63,543,134</u>	<u>(755,344)</u>	<u>28,000</u>	<u>62,759,790</u>
Governmental Activities Capital Assets - Net	<u>\$ 257,339,553</u>	<u>\$ 8,623,409</u>	<u>\$ 206,018</u>	<u>\$ 265,756,944</u>

**NOTE 6 - CAPITAL ASSETS (Continued)**

<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	181,409	-	-	181,409
Vehicles, Machinery and Equipment	1,240,284	34,146	-	1,274,430
Totals at Historical Cost	9,332,254	34,146	-	9,366,400
Total Capital Assets at Historical Value	11,728,732	34,146	-	11,762,878
Less Accumulated Depreciation				
Land Improvements	5,188,793	212,770	-	5,401,563
Buildings and Building Improvements	1,689,785	64,614	-	1,754,399
Furniture and Office Equipment	165,791	8,320	-	174,111
Vehicles, Machinery and Equipment	1,145,916	34,373	-	1,180,289
Total Accumulated Depreciation	8,190,285	320,077	-	8,510,362
Depreciable Capital Assets, Net	1,141,969	(285,931)	-	856,038
Business - Type Activities				
Capital Assets - Net	\$ 3,538,447	\$ (285,931)	\$ -	\$ 3,252,516

Depreciation expense was charged to functions of the primary government as follows for the fiscal year ended June 30, 2013:

	<u>June 30, 2013</u>
Governmental Activities	
General Government	\$ 717,519
Protection to Persons and Property	1,471,201
General Health and Sanitation	55,401
Social Services	2,625
Recreation and Culture	195,810
Roads, Including Depreciation of General Infrastructure Assets	706,194
Total Depreciation Expense – Governmental Activities	\$ <u>3,148,750</u>
Business-Type Activities	
Golf Course	\$ 308,322
Assisted Housing	11,755
Total Depreciation Expense – Business-Type Activities	\$ <u>320,077</u>

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable consists of the following at June 30, 2013:

	Governmental Activities	Business- Type Activities	Total
General Government	\$ 395,277	\$ -	\$ 395,277
Protection to Persons and Property	512,417	-	512,417
General Health and Sanitation	48,252	-	48,252
Social Services	102,092	3,419	105,511
Recreation and Culture	49,886	59,719	109,605
Roads	56,091	-	56,091
Capital Projects	237,211	-	237,211
Administration	269,471	-	269,471
Insurance Claims	291,736	-	291,736
	<u>\$ 1,962,433</u>	<u>\$ 63,138</u>	<u>\$ 2,025,571</u>

**NOTE 8 - LONG-TERM DEBT**

The following is a summary of the County's long-term debt transactions for the year ended June 30, 2013:

	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 29,384,502	\$ -	\$ 2,509,502	\$ 26,875,000	\$ 2,095,000
Special Revenue Bonds	10,525,000	-	685,000	9,840,000	320,000
Financing Obligations	46,803	-	14,849	31,954	15,588
Governmental Activities Long-Term Liabilities	<u>\$ 39,956,305</u>	<u>\$ -</u>	<u>\$ 3,209,351</u>	<u>\$ 36,746,954</u>	<u>\$ 2,430,588</u>
<b>Business-Type Activities</b>					
General Obligation Bonds	\$ 670,498	\$ -	\$ 670,498	\$ -	\$ -
Financing Obligations	29,774	-	9,729	20,045	9,923
Business-Type Activities Long-Term Liabilities	<u>\$ 700,272</u>	<u>\$ -</u>	<u>\$ 680,227</u>	<u>\$ 20,045</u>	<u>\$ 9,923</u>

**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, was issued at various interest rates ranging from 4.00% to 4.38%, and were retired in December, 2013.

**Series 2002 - General Fund**

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 1<sup>st</sup> and August 1<sup>st</sup>, with principal payments due August 1<sup>st</sup> 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
2014	\$ 180,113	\$ 205,000
2015	171,713	215,000
2016	163,013	220,000
2017	153,869	230,000
2018	144,175	240,000
2019-2023	548,751	1,380,000
2024-2028	200,815	1,725,000
Total	\$ 1,562,449	\$ 4,215,000

**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 1<sup>st</sup> and December 1<sup>st</sup>, with principal payments due December 1<sup>st</sup> 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
2014	\$ 146,931	\$ 350,000
2015	133,284	365,000
2016	118,387	380,000
2017	102,887	395,000
2018	86,275	410,000
2019-2022	159,057	1,825,000
Total	\$ 746,821	\$ 3,725,000

**NOTE 8 - LONG-TERM DEBT (Continued)**

**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 2006, 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 1<sup>st</sup> and September 1<sup>st</sup>, with principal payments due March 1<sup>st</sup> of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2014	\$ 60,754	\$ 95,000
2015	56,240	100,000
2016	52,542	105,000
2017	48,656	110,000
2018	44,586	110,000
2019-2023	157,250	640,000
2024-2026	<u>34,040</u>	<u>455,000</u>
Total	<u>\$ 454,068</u>	<u>\$ 1,615,000</u>

**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 1<sup>st</sup> and August 1<sup>st</sup>, with principal payments due February 1<sup>st</sup> of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2014	\$ 200,172	\$ 300,000
2015	189,072	315,000
2016	177,416	325,000
2017	165,390	335,000
2018	152,996	350,000
2019-2023	561,478	1,950,000
2024-2027	<u>172,792</u>	<u>1,835,000</u>
Total	<u>\$ 1,619,316</u>	<u>\$ 5,410,000</u>

**NOTE 8 - LONG-TERM DEBT (Continued)**

**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 in September 1, 2012, at 100%. The reacquisition price exceeded the net carrying amount of the old debt by \$540,234. This amount is being amortized over the remaining life of the refunded debt. 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, 2013, are as follows:

Purpose	Interest Rate	Amount
2011 Justice Center Bonds	1.00% - 2.50%	\$ <u>9,840,000</u>

The minimum obligations at June 30, 2013 for debt service of these bonds are as follows:

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2014	\$ 166,282	\$ 320,000
2015	159,682	1,000,000
2016	149,607	1,015,000
2017	138,667	1,020,000
2018	125,050	1,035,000
2019-2023	316,455	5,450,000
Total	\$ 1,055,743	\$ 9,840,000

**NOTE 8 - LONG-TERM DEBT (Continued)**

**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 were retired November, 2012.

**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<sup>th</sup> and November 15<sup>th</sup> with principal payments due by November 15<sup>th</sup> of each year. The first principal payment was due in November, 2013. In 2014 the Federal Government reduced the interest subsidy payments associated with these bonds, allowing the County to exercise the early retirement clause contained in the bond documents and fully retire these bonds in November, 2014. 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
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	32,043	11,214	20,829	80,000
2019-2023	113,329	39,662	73,667	370,000
2024-2026	21,590	7,556	14,034	275,000
Total	\$ <u>324,193</u>	\$ <u>113,460</u>	\$ <u>210,733</u>	\$ <u>990,000</u>

**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 1, 2022. Interest payments are due by October 1<sup>st</sup> and April 1<sup>st</sup> with principal payments due April 1<sup>st</sup> each year. Principal payments are required and scheduled interests for the retirement of the bonds are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
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	257,400	1,190,000
2019-2022	<u>534,800</u>	<u>5,245,000</u>
Total	<u>\$ 2,094,600</u>	<u>\$ 10,920,000</u>

**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 County 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 were retired in November, 2012.

**NOTE 9 - CAPITAL LEASE PURCHASE AGREEMENTS**

**Road and Bridge Fund**

In December, 2007, the 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 \$31,954 as of June 30, 2013.

				Amount
Debt Outstanding July 1, 2012	Additions	Repayments	Debt Outstanding June 30, 2013	Expected to be Paid Within One Year
\$ <u>46,803</u>	\$ <u>-</u>	\$ <u>14,849</u>	\$ <u>31,954</u>	\$ <u>15,588</u>

The following is a schedule of future minimum lease payments as of June 30, 2013:

Years Ending June 30,	Scheduled Principal
2014	\$ 17,184
2015	<u>17,184</u>
Total Minimum Lease Payments	34,368
Less Remaining Interest	<u>2,414</u>
Present Value of Minimum Lease Payments	\$ <u>31,954</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 \$20,045 as of June 30, 2013.

The following is a summary of the Golf Course's capital lease purchase agreement transactions for the fiscal year ended June 30, 2013:

				Amount
Debt Outstanding July 1, 2012	Additions	Repayments	Debt Outstanding June 30, 2013	Expected to be Paid Within One Year
\$ <u>29,774</u>	\$ <u>-</u>	\$ <u>9,729</u>	\$ <u>20,045</u>	\$ <u>9,923</u>

The following is a schedule of future minimum lease payments as of June 30, 2013:

Years Ending June 30,	Scheduled Principal
2014	\$ 10,324
2015	<u>10,324</u>
Total Minimum Lease Payments	20,648
Less Remaining Interest	<u>603</u>
Present Value of Minimum Lease Payments	\$ <u>20,045</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, 2013 was \$226,771. The future minimum lease payments to be received are as follows:

Years Ending <u>June 30,</u>	
2014	\$ 125,471
2015	118,271
2016	53,604
2017	59,604
2018	65,724
Thereafter	<u>435,148</u>
Total Minimum Lease Payments	<u>\$ 857,822</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, 2013 was \$127,477.

**NOTE 11 - INSURANCE**

For the fiscal year ended June 30, 2013, 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, 2013 was \$3,076,892, which includes all departments on the plan (Fiscal Court, Sheriff, County Clerk, Soil Conservation District, and Planning Commission). In the statement of cash flows, the Self Insurance Fund shows a cash balance of \$1,024,416 in the account, but with the liability of the HRA account, the net position on June 30, 2013 is a negative \$2,052,476.

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

In 2013, the County paid out 9.91% of total HRA liability, including the rolled over amounts from 2012, and 77.55% of that year's liability, with no rollover. Another 2.59% was 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 20.59% with rollover amounts, and 45.72% without the rollover.

Cash Balance, Beginning of Year	\$	407,994
Premiums Collected		5,006,888
Interest Earned		2,877
Claims Paid		<u>4,393,343</u>
Cash Balance, End of Year	\$	<u><u>1,024,416</u></u>

**NOTE 13 - INTERFUND TRANSACTIONS**

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

	Total	General Fund	Jail Fund	Road Fund	Capital Improvements Fund	Mental Health Fund	PSCC Fund
	\$ -	\$ (100,000) <sup>2</sup>	\$ -	\$ -	\$ -	\$ 100,000 <sup>2</sup>	\$ -
	-	(3,500,001) <sup>1</sup>	-	3,500,001 <sup>1</sup>	-	-	-
	-	(1,009,660) <sup>1</sup>	1,009,660 <sup>1</sup>	-	-	-	-
	-	(5,244,700) <sup>1</sup>	-	-	5,244,700 <sup>1</sup>	-	-
	-	(1,750,000) <sup>1</sup>	-	-	-	-	1,750,000
	-	2,750,001 <sup>2</sup>	-	-	(2,750,001) <sup>2</sup>	-	-
	<u>-</u>	<u>100,000</u> <sup>2</sup>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(100,000)</u> <sup>2</sup>	<u>-</u>
Total Transfer to Other Funds	\$ <u>(14,454,362)</u>	\$ <u>(11,604,361)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(2,750,001)</u>	\$ <u>(100,000)</u>	\$ <u>-</u>
Total Transfer from Other Funds	\$ <u>14,454,362</u>	\$ <u>2,850,001</u>	\$ <u>1,009,660</u>	\$ <u>3,500,001</u>	\$ <u>5,244,700</u>	\$ <u>100,000</u>	\$ <u>1,750,000</u>

1. To remove resources from the funds recording to the revenue to the funds that will expend them.  
 2. Loan and loan payoffback.

**NOTE 14 - DEFERRED COMPENSATION**

On February 24, 2000, the County voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans 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 - PRIOR PERIOD ADJUSTMENT**

**Change in Accounting Principle**

The Governmental Accounting Standards Board (GASB) has approved GASB No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position; and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Application of these standards requires the County to write off bond issuance costs previously reported as deferred charges in Statement of Net Assets.

**Correction of an Error**

During the previous fiscal period, the Fiscal Court approved the reallocation of the \$7 million General Obligation Public Project Bonds -Series 2007 issued to fund certain capital projects within two of its funds; road and bridge and capital improvement. As a result of the Fiscal Court's action, unspent funds associated with the construction of the fire training facility were transferred out of the capital improvement fund to the road and bridge fund to cover the costs of prior infrastructural maintenance and improvements. However, the note receivable balance due from various fire departments was not adjusted to reflect this allocation; necessitating a restatement of beginning net position of the capital improvements fund.

Application of the above change in accounting principle and the correction of an error require restatement of portions of these financial statements as follows:

	Primary Government	Governmental Funds
Net Position, July 1, 2012 as Previously Reported	\$ 254,140,940	\$ 39,545,272
Expense Bond Issuance Costs Previously Capitalized	(260,620)	-
Note Receivable Adjustment	(1,395,175)	(1,395,175)
Net Position, July 1, 2012, as Restated	\$ 252,485,145	\$ 38,150,097

**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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 34,734,000	\$ 34,734,000	\$ 36,155,285	\$ 1,421,285
In Lieu Tax Payments	150,000	150,000	616,414	466,414
Excess Fees	1,245,400	1,245,400	1,717,734	472,334
Licenses and Permits	1,391,885	1,391,885	1,505,628	113,743
Intergovernmental	2,087,380	2,087,380	2,081,445	(5,935)
Charges for Services	804,560	804,560	828,170	23,610
Miscellaneous	1,123,078	1,123,078	1,274,586	151,508
Interest	112,000	112,000	87,043	(24,957)
<b>Total Revenues</b>	<u>41,648,303</u>	<u>41,648,303</u>	<u>44,266,305</u>	<u>2,618,002</u>
<b>Expenditures</b>				
General Government	4,729,460	4,755,100	4,154,110	600,990
Protection to Persons and Property	12,534,871	12,613,971	12,323,248	290,723
General Health and Sanitation	561,565	582,165	570,719	11,446
Social Services	165,130	165,130	115,121	50,009
Recreation and Culture	2,181,050	2,205,050	2,091,679	113,371
Debt Service	829,834	830,510	830,502	8
Administration	18,591,444	18,441,428	9,528,018	8,913,410
<b>Total Expenditures</b>	<u>39,593,354</u>	<u>39,593,354</u>	<u>29,613,397</u>	<u>9,979,957</u>
<b>Excess of Revenues Over Expenditures</b>	<u>2,054,949</u>	<u>2,054,949</u>	<u>14,652,908</u>	<u>12,597,959</u>
<b>Other Financing Sources (Uses)</b>				
Bond Principal Payments	(2,219,505)	(2,219,505)	(2,219,503)	2
Operating Transfers In	-	-	2,850,001	2,850,001
Operating Transfers Out	(8,435,444)	(8,435,444)	(11,604,361)	(3,168,917)
<b>Total Other Financing Sources (Uses)</b>	<u>(10,654,949)</u>	<u>(10,654,949)</u>	<u>(10,973,863)</u>	<u>(318,914)</u>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>(8,600,000)</u>	<u>(8,600,000)</u>	<u>3,679,045</u>	<u>12,279,045</u>
<b>Fund Balance July 1, 2012</b>	<u>8,600,000</u>	<u>8,600,000</u>	<u>10,404,916</u>	<u>1,804,916</u>
<b>Fund Balance June 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,083,961</u>	<u>\$ 14,083,961</u>

**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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Licenses and Permits	\$ 40,000	\$ 40,000	\$ 24,955	\$ (15,045)
Intergovernmental	3,671,691	3,671,691	2,568,208	(1,103,483)
Charges for Services	155,000	155,000	206,387	51,387
Miscellaneous	227,000	227,000	269,267	42,267
Interest	7,000	7,000	6,979	(21)
<b>Total Revenues</b>	<u>4,100,691</u>	<u>4,100,691</u>	<u>3,075,796</u>	<u>(1,024,895)</u>
<b>Expenditures</b>				
Roads	7,758,610	8,320,610	4,807,728	3,512,882
Debt Service	183,010	183,010	183,010	-
Administration	4,170,908	3,608,908	3,390,321	218,587
<b>Total Expenditures</b>	<u>12,112,528</u>	<u>12,112,528</u>	<u>8,381,059</u>	<u>3,731,469</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>(8,011,837)</u>	<u>(8,011,837)</u>	<u>(5,305,263)</u>	<u>2,706,574</u>
<b>Other Financing Sources (Uses)</b>				
Bond Principal Payment	(228,947)	(228,947)	(228,947)	-
Operating Transfers In	5,340,784	5,340,784	3,500,001	(1,840,783)
Operating Transfers Out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>5,111,837</u>	<u>5,111,837</u>	<u>3,271,054</u>	<u>(1,840,783)</u>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>(2,900,000)</u>	<u>(2,900,000)</u>	<u>(2,034,209)</u>	<u>865,791</u>
<b>Fund Balance July 1, 2012</b>	<u>2,900,000</u>	<u>2,900,000</u>	<u>4,064,213</u>	<u>1,164,213</u>
<b>Fund Balance June 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,030,004</u>	<u>\$ 2,030,004</u>

**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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,350,000	\$ 1,350,000	\$ 1,419,846	\$ 69,846
Intergovernmental	350,000	350,000	475,037	125,037
Miscellaneous	4,000	4,000	7,092	3,092
Interest	18,000	18,000	10,186	(7,814)
<b>Total Revenues</b>	<u>1,722,000</u>	<u>1,722,000</u>	<u>1,912,161</u>	<u>190,161</u>
<b>Expenditures</b>				
Protection to Persons and Property	<u>7,231,000</u>	<u>7,231,000</u>	<u>3,745,645</u>	<u>3,485,355</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>(5,509,000)</u>	<u>(5,509,000)</u>	<u>(1,833,484)</u>	<u>3,675,516</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	1,750,000	1,750,000	1,750,000	-
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>1,750,000</u>	<u>1,750,000</u>	<u>1,750,000</u>	<u>-</u>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>(3,759,000)</u>	<u>(3,759,000)</u>	<u>(83,484)</u>	<u>3,675,516</u>
<b>Fund Balance July 1, 2012</b>	<u>3,759,000</u>	<u>3,759,000</u>	<u>3,484,372</u>	<u>(274,628)</u>
<b>Fund Balance June 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,400,888</u>	<u>\$ 3,400,888</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, 2013**

The 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>
<b>Revenues</b>			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 44,266,305	\$ 3,075,796	\$ 1,912,161
Accounts Receivable June 30, 2012	(6,929,200)	(597,470)	(317,110)
Accounts Receivable June 30, 2013	6,943,307	210,760	44,337
Change in Note Receivable Balance	(190,222)	-	-
Reclass of Reimbursements	<u>(350,226)</u>	<u>3</u>	<u>3</u>
 <b>Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds</b>	 <b><u>\$ 43,739,964</u></b>	 <b><u>\$ 2,689,089</u></b>	 <b><u>\$ 1,639,391</u></b>
 <b>Expenses</b>			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 29,613,397	\$ 8,381,059	\$ 3,745,645
Transfer to Golf Course	(755,000)	-	-
Accounts Payable June 30, 2012	(243,149)	(438,040)	(90,230)
Accounts Payable June 30, 2013	533,818	54,084	436,389
Accrued Payroll June 30, 2012	(253,460)	(98,750)	(80,827)
Accrued Payroll June 30, 2013	264,044	108,549	85,534
Compensated Absences Payable June 30, 2012	(242,900)	(123,820)	(76,937)
Compensated Absences Payable June 30, 2013	226,720	125,968	66,847
Reclass of Reimbursements	<u>(357,962)</u>	<u>5</u>	<u>9,494</u>
 <b>Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds</b>	 <b><u>\$ 28,785,508</u></b>	 <b><u>\$ 8,009,055</u></b>	 <b><u>\$ 4,095,915</u></b>

**BOONE COUNTY FISCAL COURT**  
**NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2013**  
**(Continued)**

	<b>General Fund</b>	<b>Road and Bridge Fund</b>	<b>Public Safety Communications Center</b>
<b>Other Financing Sources (Uses)</b>			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ (10,973,863)	\$ 3,271,054	\$ 1,750,000
<b>Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds</b>	<u>\$ (10,973,863)</u>	<u>\$ 3,271,054</u>	<u>\$ 1,750,000</u>
 <b>Ending Balance</b>			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 14,083,961	\$ 2,030,004	\$ 3,400,888
Notes Receivable	3,429,416	-	-
Accounts Receivable	6,943,307	210,760	44,337
Due from Boone County Golf Course	6,594,838	-	-
Due from Self-Insurance Fund	500,000	-	-
Restricted Cash	4,615,118	-	-
Accounts Payable	(751,819)	(54,084)	(436,389)
Accrued Payroll	(264,044)	(108,549)	(85,534)
Compensated Balances Payable	(226,720)	(125,968)	(76,341)
Net Profit Tax Extension Payable	(6,376,837)	-	-
Beginning Balance Adjustment	7,745	-	-
Rounding Adjustment	(3)	(1)	1
<b>Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds</b>	<u>\$ 28,554,962</u>	<u>\$ 1,952,162</u>	<u>\$ 2,846,962</u>

**BOONE COUNTY FISCAL COURT**  
**CONDITION RATING OF THE COUNTY'S STREET SYSTEM**  
**Fiscal Year Ended June 30, 2013**

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

<b>2013</b>	<b>2012</b>	<b>2011</b>
92%	98%	97%

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

<b>2013</b>	<b>2012</b>	<b>2011</b>
8%	2%	3%

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

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Bridge			
Needed	\$ -	\$ -	\$ -
Actual	-	-	-
Roads			
Needed	736,920	670,000	762,000
Actual	553,570	582,477	500,456
Subdivision			
Needed	2,947,690	2,680,000	3,048,000
Actual	2,214,280	2,329,906	2,001,824

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, 2013**

	<u>Jail Fund</u>	<u>Local Government Economic Assistance Fund</u>	<u>Federal Grants Fund</u>	<u>TIF District #1 Fund</u>	<u>Mental Health Fund</u>	<u>Earl Parker Robinson Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>							
Cash and Cash Equivalents	\$ 871,269	\$ 12,370	\$ 30,195	\$ 826,806	\$ 491,493	\$ 339,014	\$ 2,571,147
Accounts Receivable	<u>598,346</u>	<u>-</u>	<u>30,111</u>	<u>65,735</u>	<u>569,650</u>	<u>-</u>	<u>1,263,842</u>
<b>Total Assets</b>	<u>\$ 1,469,615</u>	<u>\$ 12,370</u>	<u>\$ 60,306</u>	<u>\$ 892,541</u>	<u>\$ 1,061,143</u>	<u>\$ 339,014</u>	<u>\$ 3,834,989</u>
<b>Liabilities and Fund Balances</b>							
<b>Balances Liabilities</b>							
Accounts Payable	\$ 50,158	\$ 2,007	\$ 60,306	\$ -	\$ 78,723	\$ -	\$ 191,194
Accrued Payroll	97,270	-	-	-	-	-	97,270
Compensated Absences Payable	<u>64,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,876</u>
Total Liabilities	<u>212,304</u>	<u>2,007</u>	<u>60,306</u>	<u>-</u>	<u>78,723</u>	<u>-</u>	<u>353,340</u>
<b>Fund Balances</b>							
Restricted							
Other Capital Projects	-	-	-	892,541	-	339,014	1,231,555
Other Purposes	-	10,363	-	-	-	-	10,363
Committed							
Health and Welfare	-	-	-	-	982,420	-	982,420
Assigned							
Other Capital Projects	<u>1,257,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,257,311</u>
Total Fund Balances	<u>1,257,311</u>	<u>10,363</u>	<u>-</u>	<u>892,541</u>	<u>982,420</u>	<u>339,014</u>	<u>3,481,649</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,469,615</u>	<u>\$ 12,370</u>	<u>\$ 60,306</u>	<u>\$ 892,541</u>	<u>\$ 1,061,143</u>	<u>\$ 339,014</u>	<u>\$ 3,834,989</u>

**BOONE COUNTY FISCAL COURT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Fiscal Year Ended June 30, 2013**

	<b>Jail Fund</b>	<b>Local Government Economic Assistance Fund</b>	<b>Federal Grants Fund</b>	<b>TIF District #1 Fund</b>	<b>Mental Health Fund</b>	<b>JAG Recovery Grant Fund</b>	<b>Earl Parker Robinson Fund</b>	<b>Public Properties Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>									
Taxes	\$ -	\$ -	\$ -	\$ 280,350	\$ 2,217,969	\$ -	\$ -	\$ -	\$ 2,498,319
Intergovernmental	4,523,765	74,149	250,000	-	-	-	867,259	-	5,715,173
Charges for Services	206,782	-	-	-	-	-	-	-	206,782
Miscellaneous	225,562	-	-	-	11,689	-	-	-	237,251
Interest	1,025	42	-	(32)	1,865	65	1,099	-	4,064
<b>Total Revenues</b>	<b>4,957,134</b>	<b>74,191</b>	<b>250,000</b>	<b>280,318</b>	<b>2,231,523</b>	<b>65</b>	<b>1,099</b>	<b>867,259</b>	<b>8,661,589</b>
<b>Expenditures</b>									
Protection to Persons and Property	4,262,678	-	-	-	-	118,243	-	-	4,380,921
General Health and Sanitation	-	-	-	-	1,068,865	-	-	-	1,068,865
Social Services	-	-	250,000	-	550,019	-	-	-	800,019
Roads	-	87,653	-	-	-	-	-	-	87,653
Administration	1,201,317	-	-	-	180,737	-	-	-	1,382,054
Debt Service	-	-	-	-	-	-	-	183,638	183,638
<b>Total Expenditures</b>	<b>5,463,995</b>	<b>87,653</b>	<b>250,000</b>	<b>-</b>	<b>1,799,621</b>	<b>118,243</b>	<b>-</b>	<b>183,638</b>	<b>7,903,150</b>
(Deficiency) Excess of Revenues Over Expenditures Before Transfers and Financing (Uses) Sources	(506,861)	(13,462)	-	280,318	431,902	(118,178)	1,099	683,621	758,439
<b>Other Financing Sources (Uses)</b>									
Bond Principal Payments	-	-	-	-	-	-	-	(685,000)	(685,000)
Transfers from Other Funds	1,009,660	-	-	-	-	-	-	-	1,009,660
<b>Total Other Financing Sources (Uses)</b>	<b>1,009,660</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(685,000)</b>	<b>324,660</b>
<b>Net Change in Fund Balances</b>	<b>502,799</b>	<b>(13,462)</b>	<b>-</b>	<b>280,318</b>	<b>431,902</b>	<b>(118,178)</b>	<b>1,099</b>	<b>(1,379)</b>	<b>1,083,099</b>
<b>Fund Balances July 1, 2012</b>	<b>754,512</b>	<b>23,825</b>	<b>-</b>	<b>612,223</b>	<b>550,518</b>	<b>118,178</b>	<b>337,915</b>	<b>1,379</b>	<b>2,398,550</b>
<b>Fund Balances June 30, 2013</b>	<b>\$ 1,257,311</b>	<b>\$ 10,363</b>	<b>\$ -</b>	<b>\$ 892,541</b>	<b>\$ 982,420</b>	<b>\$ -</b>	<b>\$ 339,014</b>	<b>\$ -</b>	<b>\$ 3,481,649</b>

**BOONE COUNTY FISCAL COURT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Fiscal Year Ended June 30, 2013**

<u>Federal Grants/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Direct Program			
Section Eight Housing Rental Assistance Program	14.871		\$ 5,544,921
Passed-Through Department for Local Government			
Community Development Block Grant			
-Kentucky Recovery Grant - Year 5			
-Brighton Center (Operating)	14.228	10-125	<u>250,000</u>
Total U.S. Department of Housing and Urban Development			<u>5,794,921</u>
<b><u>U.S. Department of Justice</u></b>			
Direct Program			
Recovery Act - Edward Byrne Memorial Justice Asst.	16.607	OMB#1121-0235	<u>145,245</u>
<b><u>U.S. Federal Emergency Management Agency</u></b>			
Passed-Through State Department of Military Affairs			
-Emergency Management Assistance Program			
Support Emergency Preparedness	97.042	PON2 095 080007930 1	<u>123,629</u>
<b><u>U.S. Department of Homeland Security</u></b>			
Passed-Through Larry D. Allen, LLC			
Port Security Grant Program - Water Rescue	97.056	2009PUT9K016	486,252
Port Security Grant Program - Water Rescue	97.056	2010PUT0K020	<u>216,286</u>
Total U.S. Department of Homeland Security			<u>702,538</u>
<b><u>U.S. Department of Transportation</u></b>			
Passed-Through Kentucky Transportation Cabinet			
Highway Planning and Construction			
-South Airfield Road Bypass Connect KY 18 to Turfway Road and the Greater Cincinnati Airport in Boone County	20.205	600004103	6,863,234
Highway Planning and Construction			
-Burlington Elementary - KY 18 SRTS Project	20.205	SRTS 5228 006	219,137
Highway Planning and Construction			
-Burlington Sidewalk Phase III	20.205	STPE 3002 223	<u>11,454</u>
Total U.S. Department of Transportation			<u>7,093,825</u>
<b>Total Cash Expenditures of Federal Awards</b>			<b>\$ <u><u>13,860,158</u></u></b>

**BOONE COUNTY FISCAL COURT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 19, 2015.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. 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 corrected on a timely basis. *A significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

#### **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*.

**Purpose of this Report**

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

*VonLehman & Company Inc.*

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

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

**Report on Compliance for Each Major Federal Program**

We have audited Boone County, Kentucky's (the County) compliance with the types of compliance requirements described in *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 year ended June 30, 2013. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

***Opinion on Each Major Federal Program***

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, 2013.

***Report on Internal Control Over Compliance***

Management of the County is responsible for establishing and maintaining effective internal control over compliance with types of compliance referred to above. In planning and performing our audit of compliance, 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 that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on 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. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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, 2013**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

<b>FINANCIAL STATEMENTS</b>	
Type of Financial Statement Opinion	Unmodified
Were there any material weaknesses reported at the financial statements level (GAGAS)?	No
Were there any control deficiencies identified, not considered to be material weaknesses, reported at the financial statement level (GAGAS)?	None Reported
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<b>FEDERAL AWARDS</b>	
Were there any material weaknesses reported for the major federal programs?	No
Were there any control deficiencies identified, not considered to be material weaknesses reported for major programs?	None Reported
Type of Major Programs Compliance Opinion	Unmodified
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] Port Authority Grant Program [CFDA 97.056]; 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, 2013**

**PRIOR YEAR - FINANCIAL STATEMENT FINDINGS**

NONE

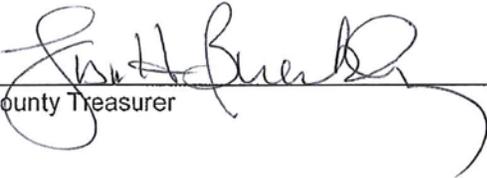
**PRIOR YEAR - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

NONE

**CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
BOONE COUNTY FISCAL COURT  
FOR THE YEAR ENDED JUNE 30, 2013**

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