

BOONE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2002

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REPORT*

**BOONE COUNTY
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INDEPENDENT AUDITORS' REPORT

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flannery, Secretary, Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Gary W. Moore, Boone County Judge/Executive

Members of the Boone County Fiscal Court

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Boone County as of June 30, 2002, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Boone County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Boone County Public Safety Communications Center and Boone County Assisted Housing Department. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Boone County Public Safety Communications Center and Boone County Assisted Housing Department, is based on the report of the other auditors.

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

As described in Note 1, Boone County prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group on a general long-term debt group of accounts.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flannery, Secretary, Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court
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In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions as of June 30, 2002 of Boone County, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated December 5, 2002 on our consideration of Boone County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of Boone County taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Boone County. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

VonLehman & Company Inc.

Fort Mitchell, Kentucky
December 5, 2002

BOONE COUNTY OFFICIALS

Fiscal Year Ended June 30, 2002

Fiscal Court Members:

Gary W. Moore
Cathy H. Flaig
Dr. Tim Hamilton
Charles E. Kenner, DMD

County Judge/Executive
Commissioner
Commissioner
Commissioner

Other Elected Officials:

Larry J. Crigler
Edward Prindle
Marilyn K. Rouse
Pat Gutzeit
Michael A. Helmig
Ronald N. Burch
Douglas M. Stith

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

Appointed Personnel:

William Neil Spencer
Lisa H. Buerkley
Gregory V. Sketch

County Treasurer
Finance Officer
County Engineer

**BOONE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS**

June 30, 2002

	Governmental Fund Types			Totals (memo only) Primary Government
	General	Special Revenue	Capital Projects	
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 15,036,416	\$ 3,987,877	\$ 184,042	\$ 19,208,335
Investments	24,801,033	962,293	-	25,763,326
Notes Receivable	320,000	-	-	320,000
Restricted Cash				
Payroll Revolving Account	89	-	-	89
Special Tax Revolving Account	272	-	-	272
Accounts Payable - Cash	932	-	-	932
Payroll Tax Clearing - Cash	9	-	-	9
Flexible Benefits - Cash	2,003	-	-	2,003
Employee Benefits - Cash	927,436	-	-	927,436
Total Assets	41,088,190	4,950,170	184,042	46,222,402
<u>Other Resources</u>				
Amounts to be Provided for in Future Years:				
Capital Lease	510,000	2,644,870	-	3,154,870
Bond Payments	28,835,000	-	-	28,835,000
Total Other Resources	29,345,000	2,644,870	-	31,989,870
Total Assets and Other Resources	\$ 70,433,190	\$ 7,595,040	\$ 184,042	\$ 78,212,272

See accompanying notes.

BOONE COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS
(Continued)
June 30, 2002

	<u>Governmental Fund Types</u>			Totals (memo only) Primary Government
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Payable to Boone County Board of Board of Education	\$ -	\$ 119,445	\$ -	\$ 119,445
Capital Lease	510,000	2,644,870	-	3,154,870
General Obligation Bonds	28,835,000	-	-	28,835,000
Restricted Cash				
Payroll Revolving Account	89	-	-	89
Special Tax Revolving	272	-	-	272
Accounts Payable	932	-	-	932
Payroll Tax Clearing	9	-	-	9
Flexible Benefits	2,003	-	-	2,003
Employee Benefits	927,436	-	-	927,436
Total Liabilities	<u>30,275,741</u>	<u>2,764,315</u>	<u>-</u>	<u>33,040,056</u>
<u>Equity</u>				
Fund Balances:				
Reserved	-	4,830,725	184,042	5,014,767
Unreserved	40,157,449	-	-	40,157,449
Total Equity	<u>40,157,449</u>	<u>4,830,725</u>	<u>184,042</u>	<u>45,172,216</u>
Total Liabilities and Equity	<u>\$ 70,433,190</u>	<u>\$ 7,595,040</u>	<u>\$ 184,042</u>	<u>\$ 78,212,272</u>

See accompanying notes.

**BOONE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES**

Fiscal Year Ended June 30, 2002

	General Fund Types				
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund	Local Government Economic Assistance Fund
<u>Cash Receipts</u>					
Schedule of Operating Revenue	\$ 44,100,320	\$ 30,287,990	\$ 1,939,311	\$ 1,740,816	\$ 120,482
Other Financing Sources:					
Transfers In	4,606,883	250,000	4,006,883	350,000	-
Borrowed Money	19,687,455	19,687,455	-	-	-
Tax Anticipation Note	<u>1,365,000</u>	<u>-</u>	<u>1,365,000</u>	<u>-</u>	<u>-</u>
Total Cash Receipts	<u>69,759,658</u>	<u>50,225,445</u>	<u>7,311,194</u>	<u>2,090,816</u>	<u>120,482</u>
<u>Cash Disbursements</u>					
Comparative Schedule of Final Budget and Budgeted Expenditures	43,465,012	26,474,288	5,309,933	2,066,242	120,316
Other Financing Uses:					
Transfers Out:					
Public Properties	4,623,172	4,623,172	-	-	-
Golf Course	50,000	50,000	-	-	-
Other	4,606,883	4,606,883	-	-	-
Bonds:					
Principal Paid	855,000	855,000	-	-	-
Capital Lease Principal	614,172	71,000	-	-	-
Tax Anticipation Note Repaid	<u>1,365,000</u>	<u>-</u>	<u>1,365,000</u>	<u>-</u>	<u>-</u>
Total Cash Disbursements	<u>55,579,239</u>	<u>36,680,343</u>	<u>6,674,933</u>	<u>2,066,242</u>	<u>120,316</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	14,180,419	13,545,102	636,261	24,574	166
Cash and Investment Balance - July 1, 2001	<u>30,791,242</u>	<u>24,858,608</u>	<u>574,271</u>	<u>54,574</u>	<u>143,893</u>
Cash and Investment Balance - June 30, 2002	<u>\$ 44,971,661</u>	<u>\$ 38,403,710</u>	<u>\$ 1,210,532</u>	<u>\$ 79,148</u>	<u>\$ 144,059</u>

See accompanying notes.

BOONE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
(Continued)
Fiscal Year Ended June 30, 2002

	Special Revenue Fund Types			
	Federal Fund	Park Fund	Local Law Enforcement Fund	Mental Health/ Mental Retardation Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 40,000	\$ 6,361	\$ 19,013	\$ 1,733,474
Other Financing Sources:				
Transfers In	-	-	-	-
Borrowed Money	-	-	-	-
Tax Anticipation Note	-	-	-	-
Total Cash Receipts	40,000	6,361	19,013	1,733,474
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	40,000	15,670	55,468	1,972,445
Other Financing Uses:				
Transfers Out:				
Public Properties	-	-	-	-
Golf Course	-	-	-	-
Other	-	-	-	-
Bonds:				
Principal Paid	-	-	-	-
Capital Lease Principal	-	-	-	-
Tax Anticipation Note Repaid	-	-	-	-
Total Cash Disbursements	40,000	15,670	55,468	1,972,445
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	-	(9,309)	(36,455)	(238,971)
Cash and Investment Balance - July 1, 2001	-	11,565	40,607	1,848,777
Cash and Investment Balance - June 30, 2002	\$ -	\$ 2,256	\$ 4,152	\$ 1,609,806

See accompanying notes.

BOONE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
(Continued)
Fiscal Year Ended June 30, 2002

	Special Revenue Fund Types			
	Revolving Loan Fund	School Board Tax Fund	Public Safety Fund	Vehicle Rental License Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 2,376	\$ 4,773,765	\$ 1,864,167	\$ 1,518,600
Other Financing Sources:				
Transfers In	-	-	-	-
Borrowed Money	-	-	-	-
Tax Anticipation Note	-	-	-	-
Total Cash Receipts	<u>2,376</u>	<u>4,773,765</u>	<u>1,864,167</u>	<u>1,518,600</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	-	4,741,150	1,044,342	1,519,655
Other Financing Uses:				
Transfers Out:				
Public Properties	-	-	-	-
Golf Course	-	-	-	-
Other	-	-	-	-
Bonds:				
Principal Paid	-	-	-	-
Capital Lease Principal	-	-	543,172	-
Tax Anticipation Note Repaid	-	-	-	-
Total Cash Disbursements	<u>-</u>	<u>4,741,150</u>	<u>1,587,514</u>	<u>1,519,655</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	2,376	32,615	276,653	(1,055)
Cash and Investment Balance - July 1, 2001	<u>78,949</u>	<u>86,830</u>	<u>1,621,754</u>	<u>1,121</u>
Cash and Investment Balance - June 30, 2002	<u>\$ 81,325</u>	<u>\$ 119,445</u>	<u>\$ 1,898,407</u>	<u>\$ 66</u>

See accompanying notes.

BOONE COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
(Continued)
Fiscal Year Ended June 30, 2002

	Special Revenue Fund Types		Capital Projects Fund Type
	Scattered Sewer Fund	Earl Parker Robinson Fund	Economic Development Fund
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$ 31,376	\$ 7,794	\$ 14,795
Other Financing Sources:			
Transfers In	-	-	-
Borrowed Money	-	-	-
Tax Anticipation Note	-	-	-
	31,376	7,794	14,795
Total Cash Receipts	31,376	7,794	14,795
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	5,750	-	99,753
Other Financing Uses:			
Transfers Out:			
Public Properties	-	-	-
Golf Course	-	-	-
Other	-	-	-
Bonds:			
Principal Paid	-	-	-
Capital Lease Principal	-	-	-
Tax Anticipation Note Repaid	-	-	-
	5,750	-	99,753
Total Cash Disbursements	5,750	-	99,753
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	25,626	7,794	(84,958)
Cash and Investment Balance - July 1, 2001	942,374	258,919	269,000
Cash and Investment Balance - June 30, 2002	\$ 968,000	\$ 266,713	\$ 184,042

See accompanying notes.

**BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial statements of Boone County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, management has included the Boone County Assisted Housing Department, the Public Properties Corporation of Boone County, Boone County Public Safety Communications Center, and the Boone County Public Properties Golf Course as part of the reporting entity. The financial statements of Boone County Assisted Housing Department and Boone County Public Safety Communications Center were audited by other auditors whose reports have been furnished to us. All of these financial statements are included as Appendices B, C, D and E.

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.

Fund Accounting

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

General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Boone County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and the Local Government Economic Assistance Fund (LGEA).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Boone County Special Revenue Fund Type includes the following county funds:

Federal Grants Fund, Parks Fund, Local Law Enforcement Grant Fund, Mental Health/Mental Retardation Tax Fund, Revolving Loan Fund, School Board Tax Fund, Public Safety Fund, Vehicle Rental License Fund, Scattered Sewer Fund and Earl Parker Robinson Fund.

Capital Projects Fund Type

Capital Projects Fund Type accounts for financial resources to be used for acquisition of major capital facilities. The Economic Development Fund of the Fiscal Court is reported as a Capital Projects Fund Type.

Basis of Accounting

For all fund types, the County utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

Legal Compliance - Budget

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

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

Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), 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).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Related Organizations**

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

NOTE 2 – EMPLOYEE RETIREMENT SYSTEM

The County has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The County's contribution rate for nonhazardous employees was 6.41 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The County's contribution rate for hazardous employees was 16.28 percent.

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

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.

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, 2002, 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.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments

The County's investments are categorized below to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered or the securities are held by the County or by the County's agent in the County's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the County's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the County's name.

Types of Investments	Category			Carrying Amount	Market Value
	1	2	3		
Treasury Fund	\$ -	\$ -	\$25,763,326	\$25,763,326	\$25,829,730

NOTE 4 – RECEIVABLE

The Walton Fire Protection District has a lease/purchase agreement with Boone County Fiscal Court for the construction of a single-level firehouse. The final yearly payments of principal and interest are due in October, 2018. The receivable balance on the lease/purchase agreement at June 30, 2002 is \$320,000 and the Walton Fire Protection District is in substantial compliance with the terms of the agreement.

NOTE 5 – LONG-TERM DEBT

Series 1999-General Fund

The County issued General Obligation Public Project Bonds for the purpose of acquiring and financing certain improvements and to retire outstanding Bond Anticipation Notes. These bonds were dated April 1, 1999. These bonds were issued at interest rates ranging from 3.25% to 4.85%, and will be retired by November 1, 2019. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Year Ended June 30,	Scheduled Interest	Scheduled Principal
2003	\$ 164,505	\$ 545,000
2004	144,101	565,000
2005	122,539	585,000
2006	100,133	610,000
2007	76,095	630,000
2008-2012	100,888	1,390,000
2013-2017	26,051	110,000
2018-2022	<u>2,424</u>	<u>50,000</u>
Totals	\$ <u>736,736</u>	\$ <u>4,485,000</u>

NOTE 5 – LONG-TERM DEBT (Continued)**Series 2001-General Fund**

The County issued General Obligation Bonds for the purpose of discharging the outstanding amount of the Boone County Public Properties Corporation Multiple Projects Revenue Bonds, Series 1992. The series 2001 dated June 1, 2001, were issued at various interest rates ranging from 4.0% to 4.375%, and will be retired by December 1, 2012. Interest payments are due by June 1 and December 1, with principal payments due December 1 of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 170,712	\$ 335,000
2004	157,012	350,000
2005	142,812	360,000
2006	128,012	380,000
2007	113,012	370,000
2008-2012	323,998	2,085,000
2013	<u>10,281</u>	<u>470,000</u>
Totals	<u>\$1,045,839</u>	<u>\$4,350,000</u>

Series 2002-General Fund

The County issued General Obligation Bonds for the purpose of building a Public Safety Complex. The series 2002 dated April 18, 2002, were issued at various interest rates ranging from 3.0% to 5.0% and will be retired by April 1, 2022. Interest payments are due April 1 and October 1, with principal payments due April 1 of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 856,636	\$ 685,000
2004	836,086	705,000
2005	814,936	725,000
2006	792,280	750,000
2007	766,968	775,000
2008-2012	3,354,998	4,340,000
2013-2017	2,360,002	5,345,000
2018-2022	<u>1,020,076</u>	<u>6,675,000</u>
Totals	<u>\$10,801,982</u>	<u>\$20,000,000</u>

Total principal of the General Obligation Bonds is \$28,835,000 at June 30, 2002.

NOTE 6 – CAPITAL LEASE PURCHASE AGREEMENTS

General Fund

The County entered into a lease-purchase agreement for the Point Pleasant Fire Department. The lease term for this agreement is 20 years with the balance to be paid in full January 20, 2011. The total balance of the agreement is \$510,000 as of June 30, 2002.

The following is a schedule of future minimum lease payments as of June 30, 2002:

<u>Year</u>	<u>Point Pleasant Fire Department</u>
2003	\$ 72,148
2004	71,741
2005	71,236
2006	70,633
2007	70,910
2008-2012	<u>275,132</u>
Total Minimum Lease Payment	631,800
Less Interest	<u>(121,800)</u>
Present Value of Minimum Lease Payments	<u>\$ 510,000</u>

Public Safety Fund

1. The County entered into a lease-purchase agreement for \$500,000 to lease-purchase a computer aided dispatch system. The lease term is for 60 months with balance to be paid in full September 1, 2003. The balance of the agreement is \$136,396 as of June 30, 2002.
2. The County entered into a lease-purchase agreement for \$500,000 to lease-purchase a 911 communications system. The lease term is for 60 months with balance to be paid in full November 15, 2004. The balance of the agreement is \$265,510 as of June 30, 2002.
3. The County entered into a general obligation lease-purchase agreement for \$2,750,000 to lease-purchase a Mobile Data Terminal Project. The lease term is for 7 years with balance to be paid in full November 15, 2007. The balance of the agreement is \$2,242,964 as of June 30, 2002.

NOTE 6 – CAPITAL LEASE PURCHASE AGREEMENTS (Continued)

The following is a schedule of future minimum lease payments as of June 30, 2002:

Public Safety

<u>Year</u>	<u>Computer Aided Dispatch System</u>	<u>911 Communications System</u>	<u>Mobile Data Terminal Project</u>	<u>Total</u>
2003	\$ 113,076	\$ 114,353	\$ 476,008	\$ 703,437
2004	28,269	114,353	476,008	618,630
2005	-	57,176	476,008	533,184
2006	-	-	476,008	476,008
2007	-	-	476,008	476,008
2008-2012	-	-	238,005	238,005
Total Minimum Lease Payment	\$ 141,345	\$ 285,882	\$2,618,045	\$3,045,272
Less Interest	<u>(4,949)</u>	<u>(20,372)</u>	<u>(375,081)</u>	<u>(400,402)</u>
Present Value of Minimum Lease Payments	<u>\$ 136,396</u>	<u>\$ 265,510</u>	<u>\$2,242,964</u>	<u>\$2,644,870</u>

NOTE 7 – INSURANCE

For the fiscal year ended June 30, 2002, 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 8 – SELF INSURANCE

Boone County maintains a health self-insurance fund to provide health and dental insurance for its employees. The balance in the employee benefits account as of June 30, 2002 was \$927,436.

NOTE 9 – FLEXIBLE SPENDING ACCOUNT

Boone County maintains a flexible spending account to provide tax-sheltered deductions for dependent childcare and medical expenses. The balance in the flexible benefits account as of June 30, 2002 was \$2,003.

NOTE 10 – 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. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

The Boone County Jail Canteen Fund had receipts of \$147,592, less disbursements \$123,106, leaving a net increase of \$24,486. The balance in the Jail Commissary account as of June 30, 2002, was \$26,679. All profit expenditures were for the benefit and/or recreation of the inmates.

NOTE 11 – CONTINGENT LIABILITIES

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's attorney, there are two lawsuits in the discovery phase that if won by the plaintiffs, could yield a substantial verdict against the County.

**BOONE COUNTY
COMPARATIVE SCHEDULE OF BUDGET TO ACTUAL
OPERATING REVENUE**

Fiscal Year Ended June 30, 2002

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 29,663,779	\$ 30,287,990	\$ 624,211
Road Fund	1,821,041	1,939,311	118,270
Jail Fund	1,574,090	1,740,816	166,726
Local Government Economic Assistance Fund	125,000	120,482	(4,518)
<u>Special Revenue Fund Type</u>			
Federal Fund	872,425	40,000	(832,425)
Parks Fund	6,500	6,361	(139)
Local Law Enforcement Grant Fund	1,000	19,013	18,013
Mental Health/Mental Retardation Fund	1,810,000	1,733,474	(76,526)
Revolving Loan Fund	5,000	2,376	(2,624)
School Board Tax fund	4,770,000	4,773,765	3,765
Public Safety Fund	1,127,507	1,864,167	736,660
Vehicle Rental License Fund	1,807,000	1,518,600	(288,400)
Scattered Sewer Fund	90,000	31,376	(58,624)
Earl Parker Robinson Fund	15,000	7,794	(7,206)
<u>Capital Projects Fund Type</u>			
Economic Development Fund	-	14,795	14,795
Totals	<u>\$ 43,688,342</u>	<u>\$ 44,100,320</u>	<u>\$ 411,978</u>

Reconciliation

Total Budgeted Operating Revenue Above	43,688,342
Add: Budgeted Prior Year Surplus and Borrowings	<u>50,403,100</u>

Total Operating Budget Per Comparative Schedule of Final Budget and Budgeted Expenditures	<u>\$ 94,091,442</u>
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**BOONE COUNTY
SCHEDULE OF OPERATING REVENUE**

Fiscal Year Ended June 30, 2002

Revenue Categories	Governmental Fund Types			
	Totals (Memorandum only)	General Fund Type	Special Revenue Fund Type	Capital Projects Fund Type
Taxes	\$ 31,722,958	\$ 22,840,495	\$ 8,882,463	\$ -
In Lieu Tax Payments	48,488	48,488	-	-
Excess Fees	913,833	913,833	-	-
License and Permits	1,407,451	1,407,451	-	-
Intergovernmental Revenues	7,398,195	6,458,210	939,985	-
Charges for Services	587,707	587,707	-	-
Miscellaneous Revenues	1,146,467	1,124,580	12,817	9,070
Interest Earned	875,221	707,835	161,661	5,725
Total Operating Revenue	\$ 44,100,320	\$ 34,088,599	\$ 9,996,926	\$ 14,795

BOONE COUNTY
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30,2002

Expenditure Categories	General Fund Type		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 3,755,140	\$ 3,251,461	\$ 503,679
Protection to Persons and Property	9,400,505	8,940,487	460,018
General Health and Sanitation	429,861	414,016	15,845
Social Services	1,215,712	1,065,687	150,025
Recreation and Culture	1,365,150	1,289,219	75,931
Roads	6,536,924	5,414,346	1,122,578
Debt Service	458,910	405,213	53,697
Capital Projects	38,297,421	2,867,112	35,430,309
Administration	14,623,287	10,323,238	4,300,049
 Total Operating Budget- All General Fund Types	 76,082,910	 33,970,779	 42,112,131
 Other Financing Uses:			
General Obligation Bonds - Principal	855,000	855,000	-
 Borrowed Money - Tax Anticipation Note - Principal	1,400,000	1,365,000	35,000
 Transfers to Public Properties Corporation Fund	-	4,623,172	(4,623,172)
 Capital Lease Agreement Principal on Lease	71,000	71,000	-
 Total Budget - All General Fund Types	 \$ 78,408,910	 \$ 40,884,951	 \$ 37,523,959

BOONE COUNTY
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES
(Continued)
Fiscal Year Ended June 30,2002

Expenditure Categories	Special Revenue Fund Type		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 2,195,068	\$ 939,545	\$ 1,255,523
General Health and Sanitation	2,215,425	1,297,422	918,003
Social Services	623,000	612,080	10,920
Recreation and Culture	17,500	15,670	1,830
Debt Service	160,267	160,265	2
Capital Projects	1,254,000	5,750	1,248,250
Administration	8,405,100	6,363,748	2,041,352
 Total Operating Budget- All Special Revenue Fund Types	 14,870,360	 9,394,480	 5,475,880
 Other Financing Uses: Capital Lease Agreement Principal on Lease	 543,172	 543,172	 -
 Total Budget - Special Revenue Fund Types	 \$ 15,413,532	 \$ 9,937,652	 \$ 5,475,880

BOONE COUNTY
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES
(Continued)
Fiscal Year Ended June 30,2002

Expenditure Categories	Capital Projects Fund Type		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Capital Projects	\$ 269,000	\$ 99,753	\$ 169,247
Total Operating Budget- All Capital Projects Fund Types	269,000	99,753	169,247
Total Budget - Capital Project Fund Types	\$ 269,000	\$ 99,753	\$ 169,247

BOONE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2002

<u>Federal Grants/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Direct Program:			
Section Eight Housing Rental Assistance Program	14.871	KY135-CE-0012	\$ 3,707,622
Passed-Through State Department for Local Government:			
Emergency Shelter Grants Program	14.231	S01-DC21-0001	10,000
Community Development Block Grant	14.228	B-98-DC-21-0001	<u>40,000</u>
Total U.S. Department of Housing and Urban Development			\$ <u>3,757,622</u>
 U.S. Department of the Interior			
Passed-Through the Kentucky Heritage Council:			
Historic Preservation Fund Grant			
Federal Survey and Planning Grant	15.904	01-00-CLG-211	\$ <u>9,000</u>
 U.S. Department of Justice			
Passed-Through State Justice Cabinet:			
Local Law Enforcement Block Grant			
Criminal Investigation Equipment	16.597	00-LB-VX-2253	\$ 6,941
Police Equipment	16.597	01-LB-VX-7436	16,693
Bulletproof Vest Partnership Program	16.607	99002720	<u>2,605</u>
Total U.S. Department of Justice			\$ <u>26,239</u>

BOONE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
Fiscal Year Ended June 30, 2002

<u>Federal Grants/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Transportation			
Passed-Through State Justice Cabinet: State and Community Highway Safety Program (Traffic Alcohol Program)	20.600	PT-01-03	\$ <u>7,021</u>
U.S. Federal Emergency Management Agency			
Passed-Through State Department of Military Affairs: Disaster and Emergency Assistance Grants - Coordinator Salary	83.503	B0111-44-01	\$ <u>12,670</u>
Total Cash Expenditures of Federal Awards			\$ <u><u>3,812,552</u></u>

BOONE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2002

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 Note 1 of 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 COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flannery, Secretary, Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court

We have audited the financial statements of Boone County as of and for the year ended June 30, 2002, and have issued our report thereon dated December 5, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether Boone County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Boone County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

VonLehman & Company Inc.

Fort Mitchell, Kentucky
December 5, 2002



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

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flannery, Secretary, Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court

Compliance

We have audited the compliance of Boone County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2002. Boone County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Boone County's management. Our responsibility is to express an opinion on Boone County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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 Boone County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Boone County's compliance with those requirements.

In our opinion, Boone County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Boone County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Boone County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flannery, Secretary, Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court
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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the Organization, county commissioners 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.

Fort Mitchell, Kentucky
December 5, 2002

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2002

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS	
Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statements level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	None Reported
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
FEDERAL AWARDS	
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable conditions identified, not considered to be material weaknesses reported for major programs?	None Reported
Type of Major Programs Compliance Opinion	Unqualified
Are there any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510?	No
Major Programs (list):	Section 8 Housing Choice Vouchers [CFDA 14.871]
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: > all others
Low Risk Auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters to be reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters to be reported.

BOONE COUNTY
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2002

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

No matters were reported.

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.