

**BOONE COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2009**

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'  
REPORT*



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Boone County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Boone County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison schedules and the condition rating of the County's street system on pages 2 through 14, 47 through 51 and 52 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boone County, Kentucky's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the

basic financial statements of Boone County. The combining non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010, on our consideration of Boone County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
December 17, 2010

**BOONE COUNTY OFFICIALS**  
**Fiscal Year Ended June 30, 2009**

**Fiscal Court Members:**

Gary W. Moore	County Judge/Executive
Cathy H. Flaig	Commissioner
Terri Moore	Commissioner
Charles E. Kenner, DMD	Commissioner

**Other Elected Officials:**

Robert D. Neace	County Attorney
Edward Prindle	Jailer
Rena Ping	County Clerk
Dianne Murray	Circuit Court Clerk
Michael A. Helmig	Sheriff
Cindy Rich	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, 2009  
Unaudited**

Our management's discussion and analysis (MD&A) of Boone County's financial performance provides this narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the County's financial statements that begin on page 15.

**Financial Highlights**

- As of June 30, 2009, Boone County's net assets were \$223,635,172, which is a 5.3% increase from prior year. Total current assets of \$26,303,835 increased by \$1,546,570 or 6.2% and the fixed assets increased by 2.5% or \$6,111,352.
  - The \$1,546,570 current asset increase is mainly related to the cash and investment accounts: the funds increased their cash balances by nearly \$1.4 million. This is due to many cut backs in capital items, salary decreases and hiring freezes, and limited travel/training and discretionary spending.
  - The non current asset increase is a result of infrastructure increase in donated subdivision streets of more than \$5.5 million. With the exception of Construction in Progress which increased by more than \$1.5 million for completion of the ongoing various projects explained later, all other capital items decreased. All other capital items decreased due to the small amount of capital purchased during cut backs. The restricted cash increase is a direct result of net profit extension payments made to the county by the April 15<sup>th</sup> due date but held as a liability until the company files the complete return by October 15<sup>th</sup>.
  - Current and long term liabilities decrease of 5.9% or \$3.959 million is basically due to the principal payoff of debt and no new debt issued.
- Program revenues offset 37% of Boone County's governmental activity expenses, totaling \$46,645,006. These revenues consist of grants, contributions and charges for services that the County is collecting in order to compliment using tax revenue. Last year's percentage was 35%, which basically means 2% less tax revenues were needed to fund certain expenditures.
- Boone County's total indebtedness at the close of the fiscal year was \$52,483,485, of which \$3,921,790 is short term (to be paid within one year).
- The County, through budgeted expenditures or grants received, spent nearly \$3.6 million on capital projects; including the following.
  - Land acquisition payment for eighty five acres purchased in fiscal year 2004 for Valley Orchards Park in the amount of \$160,797. This land payment is in year 6 of 7 and will be paid completely in May, 2010.
  - Two sidewalk projects began in fiscal year 2009 and both projects should end in the beginning of the fiscal year 2011 budget:
    - Safe Routes to School federal grant sidewalk project for the Conner Campus area. This project is estimated to cost \$341,937 for which the County received a grant for \$243,000. Design expenditures for the current year were \$16,879.

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- Transportation Enhancement federal grant (TE Grant) for the Hebron Business District which connects to the Conner Campus sidewalks are estimated at \$372,092 and will be reimbursed through the TE Grant at 80% up to \$206,200. Design expenditures for the current year were \$18,043.
- Engineering design and construction continues for Industrial Road Improvements (Phase II) at the cost of \$36,167 for fiscal year 2009.
- Design was completed in fiscal year 2010 and more revenues were secured for South Airport Connector Road (design complete in 2010 and projected bid solicitations in early 2011 after state and federal highway reviews are complete). Total estimated cost of this 4 lane highway is nearly \$17,000,000. Substantial monies have been secured through federal and state grants.
- Two major road renovations were completed in fiscal year 2009:
  - Ryle Road major slip was secured at the cost of \$287,852 with the majority of expenditures in fiscal year 2009 budget of \$171,225. The County received Emergency Road Aid money to help with this project in the amount of \$210,000.
  - The expansion of Longbranch Road was a joint project between the Boone County Board of Education and Boone County to accommodate the opening of the new Randall Cooper High School at a total net cost to the county of \$580,515.
- The County purchased 64 E-Scan voting machines to upgrade the outdated election machines to a paper ballot system. These machines were paid through a federal HAVA (Help America Vote Act) Grant in the amount of \$261,000. The grant covered 91% of the cost of the machines.
- Renovations continue on the Public Works Complex and the construction of the Fire Training Center with expenditures totaling \$866,344 and \$171,225 respectively. Both projects should be complete within the 2010 fiscal year.
- Operating capital purchased included \$304,650 in Sheriff's vehicles.

**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:

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Government Wide Financial Statements**

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

The primary government includes the following legal entities:

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

The component unit presentation includes the following legal entity:

- Boone County Public Safety Communication Center

The financial information of the County "as a whole" is reported in the two government wide financial statements (pages 15 through 16). One of the most important questions to ask is whether the County is in better financial shape as a result of the year's activities. The two government wide financial statements will help answer this question. These two statements report the County's net assets and changes in them. You can think of the County's net assets – the difference between assets and liabilities – as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the roads and other infrastructure, to assess the overall health of the County.

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

- **Governmental Activities** - Most of the County's basic services are reported in this section, including police protection, roads and public works, parks, jail, emergency management, water rescue, building inspection, animal care and control, and social services. The proprietary fund of Self Insurance is also included in the governmental activities totals. Governmental activities also include the general administration of the County, all capital projects and mental health, mental retardation and aging programs. These programs and services are funded 37% by program revenues which include charges for services and federal, state and local operating and capital grants. These activities show a positive change in net assets of \$11,137,475, even though the revenues were down from fiscal year 2008 by 8.5%. The expenses were down 9.8%.
- **Business-Type Activities** – The County has business-type funds; the jail canteen, assisted housing, and golf course fund. Each of these funds charges a fee to customers to help cover the cost of these services. In fiscal year 2008, the program revenues covered 102%, which proves they are self sufficient and ended the year with a positive net change in assets of \$196,940.
- **Component Unit Activities** – Although the Public Safety Communications Center (PSCC) is a separate legal entity, the financial statements include its activities as a separate component unit since the County is financially accountable. PSCC is governed by a separate Board appointed by County and City officials. Boone County and the City of Florence fund any operating deficits of this entity at a 75% - 25% ratio, respectively. The capital is funded at 100% by a 911 surcharge levied by the County.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Fund Financial Statements**

The fund financial statements (pages 17 and 19) 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 eleven governmental funds and adopts a budget for each except Public Properties, self insurance and HRA accounts. These funds provide the reader with information to help determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the difference between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation on pages 18 and 20.
- Proprietary funds are used to report operations the County treats as business type activities. The focus is to earn a profit or at least break even. The County charges either outside customers or other units of government for services reported in these funds. The County currently has three proprietary funds; Jail Canteen Fund, Assisted Housing Fund, and 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 five fiduciary funds; Jail Prisoners Cash Fund, School Board Tax Fund, Waterline Fund, Motor Vehicle Rental Tax Fund, and Flexible Spending Account.

**Notes to the Financial Statements**

The notes to the financial statements (pages 25 through 46) 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.

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**Required Supplementary Information**

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

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

**Supplementary Information**

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

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

**Basis of Accounting**

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

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**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.

**Statement of Net Assets**

	Governmental Activities		Business Activities		Total	
	FY08	FY09	FY08	FY09	FY08	FY09
Current Assets	\$ 23,449,852	\$ 24,114,040	\$ 1,307,413	\$ 2,189,795	\$ 24,757,265	\$ 26,303,835
Non-Current Assets	249,388,623	256,149,057	5,434,374	4,502,592	254,822,997	260,651,649
Total Assets	272,838,475	280,263,097	6,741,787	6,692,387	279,580,262	286,955,484
Current Liabilities	9,856,732	9,146,433	1,221,194	960,217	11,077,926	10,106,650
Long-Term Liabilities	51,097,498	48,094,944	5,104,081	5,118,718	56,201,579	53,213,662
Total Liabilities	60,954,230	57,241,377	6,325,275	6,078,935	67,279,505	63,320,312
Net Assets:						
Invested in Capital Assets, Net of Related Debt	188,396,672	198,679,958	1,315,068	1,602,774	189,711,740	200,282,732
Restricted	-	-	456,431	539,196	456,431	539,196
Unrestricted	23,487,573	24,341,762	(1,354,987)	(1,528,518)	22,132,586	22,813,244
<b>Total Net Assets</b>	\$ 211,884,245	\$ 223,021,720	\$ 416,512	\$ 613,452	\$ 212,300,757	\$ 223,635,172

At June 30, 2009, the County's net assets exceeded its liabilities by \$223,635,172, an increase of 5.3%, or \$11,334,415, from the prior year. The majority of the County's total assets (90%) 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 asset amount of \$22,813,244 (an increase of 3.1% from the prior year) represents the amount the County must use to operate on a day-to-day basis to provide basic services, all operating expenses and any capital construction. The restricted amount under business activities of \$539,196 is the Assisted Housing Reserve which represents an 18.1% increase from fiscal year 2008. These dollars are set aside for specific projects determined by the Assisted Housing Department and the Department of Housing and Urban Development (HUD).

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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In comparing the Statement of Net Assets to the prior year, some other key points to consider are below:

- In governmental activity, an increase in current assets of 2.8% was based on two main reasons; cash and investments increased by 10% over fiscal year 2008 mainly due to the current economic conditions a very conservative approach was taken by the County to eliminate most all capital projects and expenditures, employee salary freezes and hiring, and limiting training and discretionary spending.
- An increase in governmental capital assets of 2.7%, or \$6,443,646, is due to approximately \$5.6 million in donated subdivision streets and land during fiscal year 2009 and other capital projects completed as explained in the financial highlights section.
- Total liabilities under governmental activities demonstrated a decrease to the current and non-current debt payables of \$3,712,853 or 6% and accounts payable decreasing by nearly \$589,000, or 34%. Even with these large decreases, the total liabilities only decreased by 6.1% due to the full liability reserved for the Boone County's Health Reimbursement Arrangement (HRA) and the Net Profit Extension accrual, which holds all net profit extension dollars until the tax form is filed, jointly increasing by approximately \$831,000.
- In the business activity, an increase in net assets of 47.3% or approximately \$197,000 is predominantly due to the Jail Canteen Fund and Golf Course showing net incomes of \$61,152 and \$41,027, respectively compared to net losses of \$8,381 and \$237,940 in fiscal year 2008.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Statement of Activities**

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY08</u>	<u>FY09</u>	<u>FY08</u>	<u>FY09</u>	<u>FY08</u>	<u>FY09</u>
<b>Revenues</b>						
<b><u>Program Revenues:</u></b>						
Charges for Services	\$ 4,685,493	\$ 4,843,655	\$ 2,993,252	\$ 3,033,284	\$ 7,678,745	\$ 7,876,939
Operating Grants and Contributions	10,001,410	9,965,009	5,485,611	5,609,923	15,487,021	15,574,932
Capital Grants and Contributions	3,275,994	2,432,541	-	-	3,275,994	2,432,541
Program Revenues Funded	<u>17,962,897</u>	<u>17,241,205</u>	<u>8,478,863</u>	<u>8,643,207</u>	<u>26,441,760</u>	<u>25,884,412</u>
<b><u>General Revenue:</u></b>						
Taxes	33,549,866	33,612,723	-	-	33,549,866	33,612,723
License Fees and Permits	217,456	247,416	-	-	217,456	247,416
Excess Fees	711,795	669,143	-	-	711,795	669,143
Rental Income	168,368	149,708	-	-	168,368	149,708
Investment Earnings	785,738	249,981	49,927	22,864	835,665	272,845
Gain on Donated Roads/Land	5,663,725	5,561,007	-	-	5,663,725	5,561,007
Gain on Sale of Fixed Assets	29,273	3,258	-	-	29,273	3,258
Reimbursements	3,575,090	42,065	-	-	3,575,090	42,065
Other	30,451	5,975	-	-	30,451	5,975
Total Revenues	<u>62,694,659</u>	<u>57,782,481</u>	<u>8,528,790</u>	<u>8,666,071</u>	<u>71,223,449</u>	<u>66,448,552</u>
<b>Expenses</b>						
General Government/Administration	5,205,793	4,914,066	-	-	5,205,793	4,914,066
Protection to Persons and Property	18,411,508	16,386,219	-	-	18,411,508	16,386,219
General Health and Sanitation	1,969,719	1,830,923	-	-	1,969,719	1,830,923
Social Services	1,211,651	1,395,352	-	-	1,211,651	1,395,352
Recreation and Culture	1,751,079	2,022,398	-	-	1,751,079	2,022,398
Roads	6,678,158	5,021,860	-	-	6,678,158	5,021,860
Capital Improvements	1,597,233	262,051	-	-	1,597,233	262,051
Administration	12,858,933	12,882,031	-	-	12,858,933	12,882,031
Interest on Long-Term Debt	2,002,108	1,930,106	-	-	2,002,108	1,930,106
Jail Canteen Fund	-	-	439,293	380,100	439,293	380,100
Golf Course Fund	-	-	2,814,376	2,558,342	2,814,376	2,558,342
Assisted Housing Fund	-	-	5,459,979	5,530,689	5,459,979	5,530,689
Total Expenses	<u>51,686,182</u>	<u>46,645,006</u>	<u>8,713,648</u>	<u>8,469,131</u>	<u>60,399,830</u>	<u>55,114,137</u>
Change in Net Assets	<u>11,008,477</u>	<u>11,137,475</u>	<u>(184,858)</u>	<u>196,940</u>	<u>10,823,619</u>	<u>11,334,415</u>
Net Assets - Beginning Year	200,875,768	211,884,245	601,370	416,512	201,477,138	212,300,757
<b>Net Assets - Ending Year</b>	<u><u>\$211,884,245</u></u>	<u><u>\$223,021,720</u></u>	<u><u>\$ 416,512</u></u>	<u><u>\$ 613,452</u></u>	<u><u>\$212,300,757</u></u>	<u><u>\$223,635,172</u></u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2009  
Unaudited  
(Continued)**

During fiscal year 2009, the year end net assets totaled \$223,021,720 which was 5% greater than fiscal year 2008 for governmental activities and ending net assets for business-type activities were \$613,452, an increase of 47%.

Due to a downturn in economic conditions, decreases in federal and state grants and interest rates, total revenues for governmental activities decreased by 7.8% or \$4,912,178.

As stated earlier, a very conservative budgeting approach was taken by the County to eliminate most capital projects and expenditures, employee salary freezes, hiring restrictions, and limiting training and discretionary spending. These efforts resulted in a decrease in expenditures of 9.8% which left a positive change in net assets (actual revenues exceeding actual expenditures) of \$11,137,475, or 1.2% greater than fiscal year 2008. Significant changes compared to the prior year are listed below:

- Donated roads and land to the County totaled \$5,561,007, a small decrease of 1.8%.
- Total taxes, including real estate, personal property, payroll and net profit, for fiscal year 2009 increased by only \$62,857 or 0.2%. The County still illustrated a small increase but previous years have commonly increased between 6% - 14%.
- The largest decrease in revenues occurred in investment earnings and reimbursements in the amounts of \$535,757 and \$3,533,025, respectively.
- Decreases in expenditures were over \$5.2 million primarily due to the following:
  - A major reduction in protection to persons and property primarily due to the contribution to the Sheriff's Office declined by more than \$1,650,000. This was possible due to the same conservative approach taken by the Sheriff in expenditure cut backs.
  - Roads decreased immensely by nearly 60%, or 4.0 million. This occurred due to over 1.6 million capitalized to infrastructure for the major upgrade or building of paved roads and decreases in contracted services by \$839,500, equipment purchases by \$395,280 and salaries in the amount of more than \$150,000.
- The business-type activity charges for services and operating gains increased for all three funds from 97% to 102% totaling \$8,643,207.
  - The funds ended the year with a positive net income of \$196,940, or an increase from fiscal year 2008 of 206.5%.

Program revenues for the governmental activities were 37% of total revenue received. This explains that 37% of the revenues collected went directly to funding specific programs and offset the amount of general revenue needed for these programs. General revenues consist of all taxes, excess fees, borrowed money, donated roads and investment earnings, which cannot be directly traced to a function. The program revenues for governmental activity increased 2% for the fiscal year due primarily to expenditure reductions versus revenue increases.

Administration and Protection to Persons and Property's activities is the largest user of the general revenue category. The administrative function includes all departments' fringe benefits, liability insurance and all contractual agreements, such as TANK and the Public Safety Communication Center. The other major user of general revenue is the protection to persons and property, which include the sheriff, jail, emergency management and building inspection departments.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2009  
Unaudited  
(Continued)**

**Financial Analysis of the County's Funds**

Fund financial statements generally distinguish between major and non-major funds with major funds presented individually. The County has four major funds; general, road and bridge, jail, and capital improvements. The County's governmental funds reflect a combined fund balance of \$26,341,305, of which \$20,621,002 is termed unreserved but these dollars are used for day-to-day operational expenses for the following years budget. The fund financial statements for the governmental funds can be found on pages 17 – 19. An increase in fund balance of nearly \$1.2 million from the previous year is mainly due to a policy put in place to maintain a minimum 10% emergency reserve in the General, Public Works and Jail Funds. The Capital Improvements Fund decreased due the capital projects being completed and construction dollars depleted.

The County's proprietary funds' statements are shown on pages 21 through 23 with a total net asset increase of \$196,940 from fiscal year 2008.

- The current year's Golf Courses net operating gain of \$245,065 was a significant difference of fiscal year 2008's net loss of \$13,327. As mentioned earlier concerning governmental funds, this is due to the conservative budgeting approach taken by the County to eliminate most all capital projects and expenditures, employee salary freezes, hiring restrictions, and limiting training and discretionary spending. Although the revenues increased by only \$28,342 there was a significant decrease in expenditures of more than 9%.
- The Golf Courses still maintain a total net asset deficit of \$695,050 largely due to the non-current liabilities of bonds payable and dollars due to the General Fund. The \$2,610,118 due to the General Fund and the \$150,000 to the Capital Improvement Fund is documented and booked as a liability each year. The Golf Course will begin to pay back both funds beginning in fiscal year 2013 after the current bonds are paid in full.
- The jail canteen fund's net assets ended with a net operating income of \$61,152. This amount fluctuates from year to year depending on the expenditures taken from this account.
- Assisted Housing's fund with a net operating gain of \$94,761 is due to federal dollars being more in line with vouchers.

The County has four fiduciary funds; School Board Tax Fund, Jail Prisoners' Fund, Waterline Fund, and Flexible Spending Account, for which the statements are shown on page 24. These monies are restricted and we exclude them from the other statements because the County cannot use these assets to finance operations.

**General Budgetary Highlights**

There were no amendments to Boone County's budget in fiscal year 2009 although the County made various line item transfers within the budget to increase/decrease certain line items. Some transfers were inter-fund transfers but have no effect on the budget's bottom line. Throughout the year, general fund revenues collected were under budget by 3.2% as were operating expenses by a much larger 14.0%.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2009  
Unaudited  
(Continued)**

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2009, the government activities of the County had \$248,477,369 invested in a broad range of capital assets, including land, roads, water lines, buildings, equipment and vehicles. As shown on the chart to follow, the amount represents a net increase (including additions and deductions) of approximately \$6.4 million, or 3%, on the governmental activities and a decrease of \$332,294, or a negative 7%, on the business activities from the previous year. The governmental activities' increase is largely the product of more than \$5.56 million in donated roads and land to the County. Due to the elimination of most capital purchases throughout the year, the only capital assets that increased were construction in progress and office equipment. The construction in progress are road, sidewalk and building renovation projects within the Capital Improvements Fund that have been funded fully or partially by grants or bonds and are still under construction. The office equipment increase was for the purchase of the E-Scan voting machines which were funded by a federal HAVA Grant.

The business activities continue to show a decrease due to the Golf Course and Assisted Housing having very limited capital budgets.

**Capital Assets, Net of Accumulated Depreciation**

	<b>Governmental Activities</b>		<b>Business Activities</b>		<b>Total</b>	
	<b>FY08</b>	<b>FY09</b>	<b>FY08</b>	<b>FY09</b>	<b>FY08</b>	<b>FY09</b>
Land	\$ 11,822,219	\$ 11,394,576	\$ 2,396,478	\$ 2,396,478	\$ 14,218,697	\$ 13,791,054
Roads, Modified Approach (not depr.)	159,244,200	166,385,681	-	-	159,244,200	166,385,681
Roads	24,706	21,463	-	-	24,706	21,463
Land Improvements	11,409,987	10,872,788	1,173,489	912,838	12,583,476	11,785,626
Building and Improvements	46,246,472	45,548,315	975,376	868,406	47,221,848	46,416,721
Construction In Progress	6,095,991	7,641,127	-	-	6,095,991	7,641,127
Vehicles, Machinery and Equipment	6,604,385	5,863,382	-	8,286	6,604,385	5,871,668
Furniture and Office Equipment	585,763	750,037	75,799	102,840	661,562	852,877
	<u>\$ 242,033,723</u>	<u>\$ 248,477,369</u>	<u>\$ 4,621,142</u>	<u>\$ 4,288,848</u>	<u>\$ 246,654,865</u>	<u>\$ 252,766,217</u>

A more detailed breakdown of the capital assets and depreciation can be found in Note 6 of the Notes to the Financial Statements, pages 35 through 37.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2009  
Unaudited  
(Continued)**

**Debt**

At June 30, 2009, the County had \$52,483,485 in bonds, leases and notes payable outstanding versus \$56,943,125 last year, a decrease of 7.83% - as shown on the chart below. The primary reason this number has continued to decrease is due to the County not borrowing additional dollars due to limited capital projects.

**Outstanding Debt at Year-End**

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY08</u>	<u>FY09</u>	<u>FY08</u>	<u>FY09</u>	<u>FY08</u>	<u>FY09</u>
General Obligation Bonds (backed by the County)	\$ 33,497,386	\$ 30,938,238	\$ -	\$ -	\$ 33,497,386	\$ 30,938,238
General Obligation Bonds (back by specific tax or fee)	4,367,614	4,201,762	-	-	4,367,614	4,201,762
Revenue Bonds and Notes (back by specific tax or fee revenues)	12,270,000	11,695,000	3,280,000	2,670,000	15,550,000	14,365,000
Notes Payable (backed by the County)	951,594	480,797	-	-	951,594	480,797
Capital Lease Payable	99,465	87,245	26,074	16,074	125,539	103,319
KIA Loan	2,450,992	2,394,369	-	-	2,450,992	2,394,369
	<u>\$ 53,637,051</u>	<u>\$ 49,797,411</u>	<u>\$ 3,306,074</u>	<u>\$ 2,686,074</u>	<u>\$ 56,943,125</u>	<u>\$ 52,483,485</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 2009 assessment this 2% total direct debt limitation is more than \$259 million dollars, which far exceeds the County's outstanding debt.

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

Fiscal year 2009 witnessed the county's local economy beginning to experience evidence of the economic slowdown underway in our country. In particular, revenue sources related to the housing industry began to illustrate evidence of slippage. Revenue totals from building permit activity, development inspection fees and deed transfer tax (revenue originating from housing sales/transfers) all showed noticeable decline and overall reduced activity. Revenue from payroll tax receipts, the county's single largest source of revenue, was flat as demonstrated by a growth rate of less than 1.0% over the prior fiscal period. This rate of increase was noticeably low compared with a much larger rate of increase over the preceding five year period. Real and personal property tax revenue continued to post increases and represented the strongest area of General Fund tax receipts. State government has also experienced a significant decline in revenue which will translate, in part, to reduced state aid for certain local government programs and services.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2009  
Unaudited  
(Continued)**

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

**Requests for Information**

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

**BOONE COUNTY FISCAL COURT  
STATEMENT OF NET ASSETS**

June 30, 2009

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 8,516,506	\$ 1,864,971	\$ 10,381,477	\$ 2,185,792
Investments	4,939,073	-	4,939,073	2,002,083
Inventory	-	57,765	57,765	-
Accounts Receivable	7,703,950	193,776	7,897,726	213,588
Deferred Charges	20,000	73,283	93,283	-
Due from Boone County Golf Course	2,760,118	-	2,760,118	-
Notes Receivable, Due Within One Year	174,393	-	174,393	-
<b>Total Current Assets</b>	<b>24,114,040</b>	<b>2,189,795</b>	<b>26,303,835</b>	<b>4,401,463</b>
<b>Non-current Assets</b>				
Capital Assets, Net of Accumulated Depreciation				
Land	11,394,576	2,396,478	13,791,054	-
Land Improvements	10,872,788	912,838	11,785,626	-
Buildings and Building Improvements	45,548,315	868,406	46,416,721	54,889
Furniture and Office Equipment	750,037	102,840	852,877	432,252
Vehicles and Equipment	5,863,382	8,286	5,871,668	-
Construction in Progress	7,641,127	-	7,641,127	225,742
Infrastructure Assets, Net of Accumulated Depreciation				
Depreciation	166,407,144	-	166,407,144	-
Restricted Cash	3,134,334	-	3,134,334	-
Deferred Charges	89,448	213,744	303,192	-
Notes Receivable, Due in More than One Year	4,447,906	-	4,447,906	-
<b>Total Non-current Assets</b>	<b>256,149,057</b>	<b>4,502,592</b>	<b>260,651,649</b>	<b>712,883</b>
<b>Total Assets</b>	<b>280,263,097</b>	<b>6,692,387</b>	<b>286,955,484</b>	<b>5,114,346</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Compensated Absences Payable, Due Within One Year	28,696	1,157	29,853	1,076
Capital Lease, Due Within One Year	12,830	10,000	22,830	588,939
Bonds Payable, Due Within One Year	2,725,000	635,000	3,360,000	-
Note Payable, Due Within One Year	538,960	-	538,960	-
Accrued Payroll	327,356	48,945	376,301	50,670
Accrued Interest	506,872	15,735	522,607	6,301
Accounts Payable	1,722,945	249,380	1,972,325	33,137
Estimated Liability for Claims - HRA				
Accounts, Due Within One Year	254,671	-	254,671	-
Accrued Other	3,029,103	-	3,029,103	-
<b>Total Current Liabilities</b>	<b>9,146,433</b>	<b>960,217</b>	<b>10,106,650</b>	<b>680,123</b>
<b>Non-current Liabilities</b>				
Compensated Absences Payable, Due in More Than One Year	408,869	73,742	482,611	62,188
Due to General Fund	-	2,610,118	2,610,118	-
Due to Capital Improvements	-	150,000	150,000	-
Capital Lease, Due in More than One Year	74,415	6,074	80,489	1,565,200
Bonds Payable, Due in More than One Year	44,110,000	2,035,000	46,145,000	-
Note Payable, Due in More than One Year	2,336,206	-	2,336,206	-
Estimated Liability for Claims - HRA				
Accounts, Due in More Than One Year	1,165,454	-	1,165,454	-
Accrued Other, Due in More Than One Year	-	243,784	243,784	-
<b>Total Non-current Liabilities</b>	<b>48,094,944</b>	<b>5,118,718</b>	<b>53,213,662</b>	<b>1,627,388</b>
<b>Total Liabilities</b>	<b>57,241,377</b>	<b>6,078,935</b>	<b>63,320,312</b>	<b>2,307,511</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	198,679,958	1,602,774	200,282,732	(1,441,256)
Restricted	-	539,196	539,196	-
Unrestricted	24,341,762	(1,528,518)	22,813,244	4,248,091
<b>Total Net Assets</b>	<b>\$ 223,021,720</b>	<b>\$ 613,452</b>	<b>\$ 223,635,172</b>	<b>\$ 2,806,835</b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT  
STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2009

Functions	Expenses	Program Revenues Received			Net (Disbursements) Receipts and Changes in Net Assets			Component Unit
		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	\$ 4,914,066	\$ 634,276	\$ 866,991	\$ 261,000	\$ (3,151,799)	\$ -	\$ (3,151,799)	
Protection to Persons and Property	16,386,219	3,336,671	3,341,997	10,169	(9,697,382)	-	(9,697,382)	
General Health and Sanitation	1,830,923	135,356	1,558,412	-	(137,155)	-	(137,155)	
Social Services	1,395,352	42,902	1,167,726	56,987	(127,737)	-	(127,737)	
Recreation and Culture	2,022,398	348,049	177,954	6,123	(1,490,272)	-	(1,490,272)	
Roads	5,021,860	314,233	1,086,721	2,063,340	(1,557,566)	-	(1,557,566)	
Capital Improvements	262,051	-	-	34,922	(227,129)	-	(227,129)	
Administration	12,882,031	32,168	417,727	-	(12,432,136)	-	(12,432,136)	
Interest on Long-Term Debt	1,930,106	-	1,347,481	-	(582,625)	-	(582,625)	
Total Governmental Activities	46,645,006	4,843,655	9,965,009	2,432,541	(29,403,801)	-	(29,403,801)	
<b>Business-Type Activities</b>								
Jail Canteen Fund	380,100	439,973	-	-	-	59,873	59,873	
Golf Course Fund	2,558,342	2,593,311	-	-	-	34,969	34,969	
Assisted Housing	5,530,689	-	5,609,923	-	-	79,234	79,234	
Total Business-Type Activities	8,469,131	3,033,284	5,609,923	-	-	174,076	174,076	
<b>Total Primary Government</b>	<b>\$ 55,114,137</b>	<b>\$ 7,876,939</b>	<b>\$ 15,574,932</b>	<b>\$ 2,432,541</b>	<b>(29,403,801)</b>	<b>174,076</b>	<b>(29,229,725)</b>	
<b>Component Unit</b>								
Public Safety Communication Center	\$ 3,653,948	\$ 1,890,349	\$ 2,402,392	\$ -				\$ 638,793
			<b>General Revenues</b>					
			Taxes					
			Property Taxes		13,518,376	-	13,518,376	-
			Occupational Taxes		18,380,223	-	18,380,223	-
			Franchise Fees		1,714,124	-	1,714,124	-
			Reimbursements		42,065	-	42,065	1,603
			License Fees and Permits		247,416	-	247,416	-
			Excess Fees		669,143	-	669,143	-
			Rental/Income		149,708	-	149,708	-
			Unrestricted Investment Earnings		249,981	22,864	272,845	44,285
			Donated Assets		5,561,007	-	5,561,007	-
			Gain on Sale of Fixed Assets		3,258	-	3,258	-
			Miscellaneous Revenues		5,975	-	5,975	1,300
			Total General Revenues		40,541,276	22,864	40,564,140	47,188
			Change in Net Assets		11,137,475	196,940	11,334,415	685,981
			<b>Net Assets July 1, 2008 (Restated)</b>		<b>211,884,245</b>	<b>416,512</b>	<b>212,300,757</b>	<b>2,120,854</b>
			<b>Net Assets June 30, 2009</b>		<b>\$ 223,021,720</b>	<b>\$ 613,452</b>	<b>\$ 223,635,172</b>	<b>\$ 2,806,835</b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2009

	<b>Major Funds</b>					<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Road and Bridge Fund</b>	<b>Jail Fund</b>	<b>Capital Improvements Fund</b>	<b>Nonmajor Governmental Funds</b>	
<b>Assets</b>						
Cash and Cash Equivalents	\$ 4,777,580	\$ 1,336,458	\$ 962,009	\$ 481,374	\$ 878,780	\$ 8,436,201
Investments	30	-	-	4,936,421	2,622	4,939,073
Notes Receivable	1,836,762	-	-	2,785,537	-	4,622,299
Accounts Receivable	6,176,197	339,899	469,151	35,276	559,330	7,579,853
Due from Boone County Golf Course	2,610,118	-	-	150,000	-	2,760,118
Restricted Cash	3,134,334	-	-	-	-	3,134,334
<b>Total Assets</b>	<b>\$ 18,535,021</b>	<b>\$ 1,676,357</b>	<b>\$ 1,431,160</b>	<b>\$ 8,388,608</b>	<b>\$ 1,440,732</b>	<b>\$ 31,471,878</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 343,299	\$ 55,253	\$ 82,836	\$ 745,021	\$ 110,140	\$ 1,336,549
Accrued Payroll	183,168	69,716	74,472	-	-	327,356
Compensated Absences Payable	250,569	130,429	56,567	-	-	437,565
Net Profit Tax Extension Payable	3,029,103	-	-	-	-	3,029,103
<b>Total Liabilities</b>	<b>3,806,139</b>	<b>255,398</b>	<b>213,875</b>	<b>745,021</b>	<b>110,140</b>	<b>5,130,573</b>
<b>Fund Balances</b>						
Reserved for:						
Debt Service	30	-	-	27	-	57
Other Accounts	-	-	-	5,720,246	-	5,720,246
Unreserved						
General Fund	14,728,852	-	-	-	-	14,728,852
Special Revenue Funds	-	1,420,959	1,217,285	-	1,327,970	3,966,214
Capital Projects Fund	-	-	-	1,923,314	-	1,923,314
Debt Service	-	-	-	-	2,622	2,622
<b>Total Fund Balances</b>	<b>14,728,882</b>	<b>1,420,959</b>	<b>1,217,285</b>	<b>7,643,587</b>	<b>1,330,592</b>	<b>26,341,305</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 18,535,021</b>	<b>\$ 1,676,357</b>	<b>\$ 1,431,160</b>	<b>\$ 8,388,608</b>	<b>\$ 1,440,732</b>	<b>\$ 31,471,878</b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
June 30, 2009**

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

Total Fund Balance - Governmental Funds		\$ 26,341,305
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	\$ 270,057,196	
Accumulated Depreciation	<u>21,579,827</u>	
		248,477,369
Cost associated with the issuance of bonds are shown as expenditures in the fund statements. For the governmental statements these costs are capitalized and amortized over the life of the bond.		
		109,448
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.		
		(1,602,119)
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	506,872	
Bonds, Notes and Lease Principal Payments, Due within One Year	3,276,790	
Bonds, Notes and Lease Principal Payments, Due in More than One Year	<u>46,520,621</u>	
		<u>(50,304,283)</u>
<b>Total Net Assets - Governmental Activities</b>		<b>\$ <u>223,021,720</u></b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
Year Ended June 30, 2009

	<b>Major Funds</b>				<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Road and Bridge Fund</b>	<b>Jail Fund</b>	<b>Capital Improvements Fund</b>		
<b>Revenues</b>						
Taxes	\$ 32,672,993	\$ -	\$ -	\$ -	\$ 1,980,915	\$ 34,653,908
In Lieu Tax Payments	96,639	-	-	-	-	96,639
Excess Fees	1,278,739	-	-	-	-	1,278,739
Licenses and Permits	1,277,148	30,627	-	-	-	1,307,775
Intergovernmental	2,577,826	2,355,234	4,188,388	1,009,448	1,677,685	11,808,581
Charges for Services	1,023,425	146,602	287,510	-	-	1,457,537
Miscellaneous	927,745	224,320	157,927	14,097	13,532	1,337,621
Interest	145,167	8,275	6,019	114,672	18,282	292,415
<b>Total Revenues</b>	<b>39,999,682</b>	<b>2,765,058</b>	<b>4,639,844</b>	<b>1,138,217</b>	<b>3,690,414</b>	<b>52,233,215</b>
<b>Expenditures</b>						
General Government	3,949,415	-	-	286,020	-	4,235,435
Protection to Persons and Property	11,863,340	-	3,710,598	-	-	15,573,938
General Health and Sanitation	510,326	-	-	-	1,291,188	1,801,514
Social Services	451,479	-	-	-	935,580	1,387,059
Recreation and Culture	1,806,405	-	-	-	-	1,806,405
Roads	-	4,872,195	-	-	78,094	4,950,289
Capital Projects	-	-	-	2,915,623	56,987	2,972,610
Administration	11,243,045	20,652	894,996	-	285,696	12,444,389
Debt Service	4,229,845	287,820	-	212,300	1,157,094	5,887,059
<b>Total Expenditures</b>	<b>34,053,855</b>	<b>5,180,667</b>	<b>4,605,594</b>	<b>3,413,943</b>	<b>3,804,639</b>	<b>51,058,698</b>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	5,945,827	(2,415,609)	34,250	(2,275,726)	(114,225)	1,174,517
<b>Other Financing Sources (Uses)</b>						
Transfers to Other Funds	(4,945,340)	(355,501)	-	(27,621)	-	(5,328,462)
Transfers from Other Funds	327,621	3,794,000	401,318	805,523	-	5,328,462
<b>Total Other Financing (Uses) Sources</b>	<b>(4,617,719)</b>	<b>3,438,499</b>	<b>401,318</b>	<b>777,902</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>1,328,108</b>	<b>1,022,890</b>	<b>435,568</b>	<b>(1,497,824)</b>	<b>(114,225)</b>	<b>1,174,517</b>
<b>Fund Balances July 1, 2008</b>	<b>13,400,774</b>	<b>398,069</b>	<b>781,717</b>	<b>9,141,411</b>	<b>1,444,817</b>	<b>25,166,788</b>
<b>Fund Balances June 30, 2009</b>	<b>\$ 14,728,882</b>	<b>\$ 1,420,959</b>	<b>\$ 1,217,285</b>	<b>\$ 7,643,587</b>	<b>\$ 1,330,592</b>	<b>\$ 26,341,305</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  
Year Ended June 30, 2009**

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

Total net change in fund balances - governmental funds	\$	1,174,517
<p>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.</p>		
Depreciation Expense	\$	(2,661,578)
Capital Outlays		<u>3,555,959</u>
		894,381
<p>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.</p>		
		3,839,641
<p>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.</p>		
		5,561,007
<p>The cost from the issuance of bonds are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over the life of the bond as annual amortization in the statement of activities.</p>		
		(14,782)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is a result of the change in accrued interest on bonds.</p>		
		132,095
<p>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.</p>		
		(437,642)
<p>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.</p>		
		<u>(11,742)</u>
<b>Total Change in Net Assets - Governmental Activities</b>	<b>\$</b>	<b><u><u>11,137,475</u></u></b>

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF NET ASSETS**  
June 30, 2009

	Business-Type Activities - Enterprise Funds				Governmental
	Jail Canteen Fund	Assisted Housing Fund	Golf Course Fund	Totals	Activities - Internal Service Fund
					Self Insurance Fund
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 121,965	\$ 1,061,295	\$ 681,711	\$ 1,864,971	\$ 80,305
Inventory	-	-	57,765	57,765	-
Accounts Receivable	-	193,776	-	193,776	124,097
Deferred Charges	-	-	73,283	73,283	-
Total Current Assets	<u>121,965</u>	<u>1,255,071</u>	<u>812,759</u>	<u>2,189,795</u>	<u>204,402</u>
<b>Non-current Assets</b>					
Land	-	-	2,396,478	2,396,478	-
Land Improvements	-	-	5,523,656	5,523,656	-
Buildings and Building Improvements	-	217,280	2,249,488	2,466,768	-
Vehicles, Machinery and Equipment	-	18,412	1,162,421	1,180,833	-
Furniture and Office Equipment	-	75,028	-	75,028	-
Less Accumulated Depreciation	-	<u>310,720</u>	<u>11,332,043</u>	<u>11,642,763</u>	-
Net Capital Assets	-	211,607	4,077,241	4,288,848	-
Restricted Cash	-	-	-	-	-
Deferred Charges	-	-	213,744	213,744	-
Total Non-current Assets	<u>-</u>	<u>211,607</u>	<u>4,290,985</u>	<u>4,502,592</u>	<u>-</u>
Total Assets	<u>121,965</u>	<u>1,466,678</u>	<u>5,103,744</u>	<u>6,692,387</u>	<u>204,402</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Bonds Payable, Due Within One Year	-	-	635,000	635,000	-
Capital Lease Payable, Due Within One Year	-	-	10,000	10,000	-
Accounts Payable	-	120	249,260	249,380	386,396
Accrued Payroll	-	13,107	35,838	48,945	-
Accrued Interest Payable	-	-	15,735	15,735	-
Estimated Liability for Claims - HRA Accounts	-	-	-	-	1,420,125
Compensated Absences Payable, Due Within One Year	-	1,157	-	1,157	-
Total Current Liabilities	<u>-</u>	<u>14,384</u>	<u>945,833</u>	<u>960,217</u>	<u>1,806,521</u>
<b>Non-current Liabilities</b>					
Compensated Absences Payable	-	21,973	51,769	73,742	-
Due to General Fund	-	-	2,610,118	2,610,118	-
Due to Capital Improvements	-	-	150,000	150,000	-
Capital Lease Payable, Due in More than One Year	-	-	6,074	6,074	-
Bonds Payable, Due in More than One Year	-	-	2,035,000	2,035,000	-
Accrued Other - Non-Current	-	243,784	-	243,784	-
Total Non-current Liabilities	<u>-</u>	<u>265,757</u>	<u>4,852,961</u>	<u>5,118,718</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>280,141</u>	<u>5,798,794</u>	<u>6,078,935</u>	<u>1,806,521</u>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	-	211,607	1,391,167	1,602,774	-
Restricted	-	539,196	-	539,196	-
Unrestricted	121,965	435,734	(2,086,217)	(1,528,518)	(1,602,119)
Total Net Assets	<u>\$ 121,965</u>	<u>\$ 1,186,537</u>	<u>\$ (695,050)</u>	<u>\$ 613,452</u>	<u>\$ (1,602,119)</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**Year Ended June 30, 2009**

	<u>Business-Type Activities - Enterprise Funds</u>				<b>Governmental Activities - Internal Service Fund</b>
	<u>Jail Canteen Fund</u>	<u>Assisted Housing Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>	<u>Self Insurance Fund</u>
<b>Operating Revenues</b>					
Governmental Grants	\$ -	\$ 5,543,427	\$ -	\$ 5,543,427	\$ -
Canteen Receipts	439,973	-	-	439,973	-
Green Fees	-	-	1,409,347	1,409,347	-
Power Cart Rentals	-	-	598,036	598,036	-
Memberships	-	-	117,804	117,804	-
Commission	-	-	8,385	8,385	-
Pro Shop Sales and Pull Cart Rentals	-	-	127,777	127,777	-
Food and Beverage	-	-	324,760	324,760	-
Employer / Employee Contributions	-	-	-	-	4,228,337
Miscellaneous	-	66,496	7,202	73,698	-
	<u>439,973</u>	<u>5,609,923</u>	<u>2,593,311</u>	<u>8,643,207</u>	<u>4,228,337</u>
<b>Total Operating Revenues</b>					
<b>Operating Expenses</b>					
Cost of Merchandise Sold	352,914	-	89,295	442,209	-
Educational and Recreational	27,186	-	-	27,186	-
Housing Assistance Payment	-	4,878,558	-	4,878,558	-
Salaries and Wages	-	377,915	811,588	1,189,503	-
Employee Benefits	-	141,016	214,805	355,821	-
Contract Services	-	11,000	21,687	32,687	-
Materials and Supplies	-	-	2,625	2,625	-
Golf Cart Lease	-	-	133,267	133,267	-
Utilities	-	-	201,844	201,844	-
Maintenance and Repairs	-	-	52,097	52,097	-
Fertilizer and Chemicals	-	-	235,039	235,039	-
Petroleum Products	-	-	59,210	59,210	-
Uniforms	-	-	4,023	4,023	-
Food and Beverage	-	-	153,360	153,360	-
Depreciation	-	32,883	324,676	357,559	-
Other Operating Expenses	-	89,317	44,730	134,047	-
Insurance Claims	-	-	-	-	4,674,117
	<u>380,100</u>	<u>5,530,689</u>	<u>2,348,246</u>	<u>8,259,035</u>	<u>4,674,117</u>
<b>Total Operating Expenses</b>					
Operating (Loss) Income	<u>59,873</u>	<u>79,234</u>	<u>245,065</u>	<u>384,172</u>	<u>(445,780)</u>
<b>Non-Operating Revenues (Expenses)</b>					
Interest Income	1,279	15,527	6,058	22,864	8,138
Interest Expense	-	-	(210,096)	(210,096)	-
	<u>1,279</u>	<u>15,527</u>	<u>(204,038)</u>	<u>(187,232)</u>	<u>8,138</u>
<b>Total Non-Operating Revenues</b>					
Net Income (Loss)	61,152	94,761	41,027	196,940	(437,642)
<b>Net Assets July 1, 2008</b>	<u>60,813</u>	<u>1,091,776</u>	<u>(736,077)</u>	<u>416,512</u>	<u>(1,164,477)</u>
<b>Net Assets June 30, 2009</b>	<u>\$ 121,965</u>	<u>\$ 1,186,537</u>	<u>\$ (695,050)</u>	<u>\$ 613,452</u>	<u>\$ (1,602,119)</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT  
STATEMENT OF CASH FLOWS**

Year Ended June 30, 2009

	<u>Business-Type Activities - Enterprise Funds</u>				<b>Governmental Activities - Internal Service Fund</b>
	<u>Jail Canteen Fund</u>	<u>Assisted Housing Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>	<u>Self Insurance Fund</u>
<b>Cash Flows From Operating Activities</b>					
Receipts from Customers	\$ 439,973	\$ -	\$ 2,584,926	\$ 3,024,899	\$ -
Receipts from Commissions	-	-	8,385	8,385	-
Receipts from Governmental Grants	-	5,675,929	-	5,675,929	-
Receipts from Employees/Intergovernmental	-	-	-	-	4,231,563
Payments to Suppliers	(380,100)	(5,035,243)	(975,012)	(6,390,355)	-
Payments to Employees	-	(513,915)	(1,021,192)	(1,535,107)	-
Payments for Claims	-	-	-	-	(4,404,922)
Other Receipts (Expenses)	-	14,678	-	14,678	-
Net Cash (Used) Provided by Operating Activities	<u>59,873</u>	<u>141,449</u>	<u>597,107</u>	<u>798,429</u>	<u>(173,359)</u>
<b>Cash Flows from Non Capital Financing Activities</b>					
Proceeds from Other Funds	-	-	400,000	400,000	-
Payments to Other Funds	-	-	-	-	-
Net Cash Provided by Non Capital Financing Activities	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Purchase of Capital Assets	-	(23,315)	(1,950)	(25,265)	-
Decrease of Restricted Cash	-	525,209	996	526,205	-
Payments on Bond Obligations	-	-	(610,000)	(610,000)	-
Payments on Capital Lease Obligations	-	-	(10,000)	(10,000)	-
Interest Paid on Bond Obligations	-	-	(139,544)	(139,544)	-
Interest Paid on Capital Lease Obligations	-	-	(700)	(700)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>501,894</u>	<u>(761,198)</u>	<u>(259,304)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>					
Interest Income	<u>1,279</u>	<u>15,527</u>	<u>6,058</u>	<u>22,864</u>	<u>8,138</u>
Net Change in Cash	61,152	658,870	241,967	961,989	(165,221)
<b>Cash and Cash Equivalents July 1, 2008</b>	<u>60,813</u>	<u>402,425</u>	<u>439,744</u>	<u>902,982</u>	<u>245,526</u>
<b>Cash and Cash Equivalents June 30, 2009</b>	<u>\$ 121,965</u>	<u>\$ 1,061,295</u>	<u>\$ 681,711</u>	<u>\$ 1,864,971</u>	<u>\$ 80,305</u>
 Reconciliation of Operating Income					
Net Cash Provided by Operating Activities					
Operating (Loss) Income	\$ 59,873	\$ 79,234	\$ 245,065	\$ 384,172	\$ (445,780)
 Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation	-	32,883	324,676	357,559	-
Change in Assets and Liabilities					
Accounts Receivable	-	80,684	-	80,684	3,226
Inventory	-	-	(1,077)	(1,077)	-
Accounts Payable	-	(464)	23,243	22,779	(45,603)
Estimated Liability for Claims - HRA	-	-	-	-	314,798
Accrued Payroll	-	2,165	2,731	4,896	-
Accrued Other	-	(55,904)	-	(55,904)	-
Compensated Absences Payable	-	2,851	2,469	5,320	-
<b>Net Cash (Used) Provided by Operating Activities</b>	<u>\$ 59,873</u>	<u>\$ 141,449</u>	<u>\$ 597,107</u>	<u>\$ 798,429</u>	<u>\$ (173,359)</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT  
STATEMENT OF FIDUCIARY NET ASSETS  
June 30, 2009**

	<b>Agency Funds</b>				
	<b>School Board Tax Fund</b>	<b>Jail Prisoners Funds</b>	<b>Waterline Fund</b>	<b>Motor Vehicle Rental Tax Fund</b>	<b>Flexible Spending Account</b>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 529,177	\$ 292,600	\$ 22,600	\$ 79	\$ 2,291
Accounts Receivable	<u>1,709,636</u>	<u>-</u>	<u>-</u>	<u>422,440</u>	<u>-</u>
Total Assets	2,238,813	292,600	22,600	422,519	2,291
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	<u>2,238,813</u>	<u>292,600</u>	<u>22,600</u>	<u>422,519</u>	<u>2,291</u>
<b>Net Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 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 units are 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)****Discretely Presented Component Unit**

The Boone County Public Safety Communications Center (PSCC) was created by an inter-governmental agreement between Boone County and three cities to consolidate the communications systems and the police files and records of the County and cities. Complete financial statements for the component unit that issues them may be obtained at the entity's administrative office as follows:

Boone County Public Safety Communications Center  
Accounting Department  
8100 Ewing Blvd.  
Florence, KY 41042

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

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

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

Fund Financial Statements

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

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

The government reports the following major government funds:

General Fund

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

Road 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 Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund

The primary purpose of this fund is to account for the jail expenses of the County. The primary sources of revenue for this fund are reimbursements from the state and federal government, and other counties for housing prisoners and transfers from the General Fund. The Department of Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Capital Improvements Fund

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

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 Fiscal Court in a purely custodial nature.

Waterline Fund

The Waterline Fund is an agency fund that accounts for deposits of Boone County residents involved in the Rural Water Project.

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 though 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 nonoperating 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 nonoperating 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. Taxes are levied and are due and payable on November 1 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 of the year following the year in which the taxes were levied. Delinquent real property taxes bear interest at the rate of one and one-half percent 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 one and one-half percent per month from April 1 until paid. After May 1 of each year and following proper procedures, a court order may be issued to seize and sell the property.

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

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

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

**Legal Compliance—Budget**

The Boone County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 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.

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 page 44 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 (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).

**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 district-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government wide statement of net assets and in the respective funds.

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

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

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

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

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

**Net Assets**

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

**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. Non-hazardous covered employees are required to contribute 5 percent of their salary to the plan. The County's contribution rate for nonhazardous employees was 13.50 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 29.50 percent.

Benefits fully vest on reaching five years of service for hazardous and non-hazardous 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.

The County's required contributions (both withholding and match) for pension obligations to CERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$2,055,670 (composed of \$1,543,216 from the County and \$512,454 from the employees), \$2,397,273 and \$2,026,363, respectively; 100% has been contributed for fiscal years 2009, 2008, and 2007.

**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, 2009, the County's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County's agent in the County's name, or provided surety bond which named the County as beneficiary/obligee on the bond.

**Investments**

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

Interest Rate Risk

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

**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**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.

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 twenty percent 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 ten percent of the county's total investment portfolio shall be invested in a single security type or with a single financial institution.

**NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**

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, 2009, 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, 2009, the County's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Corporate Bonds	\$ 894,413	Weighted Average Maturity of 6 months	AAA and Aaa
Certificates of Deposit	1,786,998	Various	N/A
Money Market Funds	73,173	N/A	N/A
U.S. Treasuries	<u>2,184,489</u>	N/A	N/A
Total	<u>\$ 4,939,073</u>		

**NOTE 4 – NOTES RECEIVABLE**

The Walton Fire Protection District has a lease/purchase agreement with Boone County Fiscal Court for the construction of a single-level firehouse. Principal payments are due yearly with interest due semi-annually. The note matures in October, 2018. The receivable balance on the lease/purchase agreement at June 30, 2009 is \$215,000 and the Walton Fire Protection District is in substantial compliance with the terms of the agreement.

The Boone County Health Taxing District has a lease/purchase agreement with Boone County Fiscal Court for the construction of a building. Principal payments are due yearly with interest due semi-annually. The note matures in December, 2012. The receivables balance on the lease agreement at June 30, 2009 is \$215,000 and the Boone County Health Taxing District is in substantial compliance with the terms of the agreement.

The Boone County Fiscal Court has agreed to use a portion of the \$2,200,000 General Obligation Multi-Purpose Public Project Bond, Series 2006 to complete improvements to the Petersburg Fire Protection Firehouse and apparatus bays (the "Project"). The Petersburg Fire Protection District has determined to operate and maintain the Project and to make certain annual payments to the County. These annual payments equal Petersburg Fire District's portion of principal and interest due on these bonds. The receivables balance on the lease agreement at June 30, 2009 totaled \$1,406,762.

The Boone County Fiscal Court has agreed to use a portion of the \$7,000,000 General Obligation Public Project Bonds, Series 2007 to complete construct a fire training facility to be used by numerous fire districts in Bone County. An inter-local agreement was signed by the Boone County Fiscal Court and the various fire districts. The districts have agreed that 25% of one cent of their real property assessments will be sent to the fiscal court as payment on the note receivable. As of June 30, 2009, the note receivable balance was \$2,785,537. The note is expected to be paid off by June 2028.

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

The remaining maturities on the notes are as follows:

Years Ending <u>June 30,</u>	
2010	\$ 174,393
2011	245,852
2012	259,432
2013	269,432
2014	218,012
Thereafter	<u>3,455,178</u>
	<u>\$ 4,622,299</u>

**NOTE 5 – ACCOUNTS RECEIVABLE**

Accounts Receivable consists of the following at June 30, 2009:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Taxes – Current	\$ 5,337,932	\$ -	\$ 5,337,932
Taxes – Delinquent	2,897	-	2,897
Excess Fees	254,369	-	254,369
Charges for Service	167,688	-	167,688
Intergovernmental	1,672,314	-	1,672,314
License Fees	197,984	-	197,984
Miscellaneous	<u>70,766</u>	<u>193,776</u>	<u>264,542</u>
	<u>\$ 7,703,950</u>	<u>\$ 193,766</u>	<u>\$ 7,897,726</u>

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2009</u>
Capital Assets Not Being Depreciated				
Land	\$ 11,822,219	\$ 37,413	\$ 465,056	\$ 11,394,576
Roads	159,244,200	7,141,481	-	166,385,681
Construction in Progress	<u>6,095,991</u>	<u>1,545,136</u>	<u>-</u>	<u>7,641,127</u>
Total Capital Assets Not Being Depreciated	<u>177,162,410</u>	<u>8,724,030</u>	<u>465,056</u>	<u>185,421,384</u>
Depreciable Capital Assets				
Land Improvements	13,535,933	-	-	13,535,933
Buildings and Building Improvements	55,465,827	267,322	2,000	55,731,149
Equipment	6,272,683	-	-	6,272,683
Furniture and Office Equipment	1,170,593	286,020	-	1,456,613
Vehicles	7,556,998	304,650	307,117	7,554,531
Roads	<u>84,903</u>	<u>-</u>	<u>-</u>	<u>84,903</u>
Total Depreciable Capital Assets	<u>84,086,937</u>	<u>857,992</u>	<u>309,117</u>	<u>84,635,812</u>
Total Capital Assets at Historical Cost	<u>261,249,347</u>	<u>9,582,022</u>	<u>774,173</u>	<u>270,057,196</u>
Less Accumulated Depreciation				
Land Improvements	2,125,946	537,199	-	2,663,145
Buildings and Building Improvements	9,219,355	964,737	1,258	10,182,834
Equipment	1,721,784	403,108	-	2,124,892
Furniture and Office Equipment	584,830	121,746	-	706,576
Vehicles	5,503,512	631,545	296,117	5,838,940
Roads	<u>60,197</u>	<u>3,243</u>	<u>-</u>	<u>63,440</u>
Total Accumulated Depreciation	<u>19,215,624</u>	<u>2,661,578</u>	<u>297,375</u>	<u>21,579,827</u>
Depreciable Capital Assets, Net	<u>64,871,313</u>	<u>(1,803,586)</u>	<u>11,742</u>	<u>63,055,985</u>
Governmental Activities Capital Assets - Net	<u>\$ 242,033,723</u>	<u>\$ 6,920,444</u>	<u>\$ 476,798</u>	<u>\$ 248,477,369</u>

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

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

<b>Business-Type Activities</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
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	131,576	23,315	-	154,891
Vehicles, Machinery and Equipment	1,178,883	1,950	-	1,180,833
Totals at Historical Cost	9,221,020	25,265	-	9,246,285
Total Capital Assets at Historical Value	11,617,498	25,265	-	11,642,763
Less Accumulated Depreciation				
Land Improvements	4,361,192	249,626	-	4,610,818
Buildings and Building Improvements	1,426,402	92,097	-	1,518,499
Furniture and Office Equipment	39,897	12,154	-	52,051
Vehicles, Machinery and Equipment	1,168,865	3,682	-	1,172,547
Total Accumulated Depreciation	6,996,356	357,559	-	7,353,915
Depreciable Capital Assets, Net	2,224,664	(332,294)	-	1,892,370
Business - Type Activities Capital Assets - Net	\$ 4,621,142	\$ (332,294)	\$ -	\$ 4,288,848

<b>Component Unit</b>	<b>Balance June 30, 2008</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2009</b>
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 143,490	\$ 82,252	\$ -	\$ 225,742
Depreciable Capital Assets				
Computer Equipment and Software	4,680,935	4,950	-	4,685,885
Office Furniture and Equipment	153,483	-	-	153,483
Vehicles	9,910	-	-	9,910
Buildings/Infrastructure	59,298	-	-	59,298
Totals at Historical Cost	4,903,626	4,950	-	4,908,576
Total Capital Assets at Historical Value	5,047,116	87,202	-	5,134,318
Less Accumulated Depreciation				
Computer Equipment and Software	3,706,651	554,387	-	4,261,038
Office Furniture and Equipment	141,322	4,756	-	146,078
Vehicles	9,910	-	-	9,910
Buildings/Infrastructure	74	4,335	-	4,409
Total Accumulated Depreciation	3,857,957	563,478	-	4,421,435
Depreciable Capital Assets, Net	1,189,159	(476,276)	-	712,883
Capital Assets - Net	\$ 1,189,159	\$ (476,276)	\$ -	\$ 712,883

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

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

	<u>June 30, 2009</u>
Governmental Activities	
General Government	\$ 964,651
Protection to Persons and Property	1,116,931
General Health and Sanitation	29,409
Social Services	8,293
Recreation and Culture	215,993
Roads, Including Depreciation of General Infrastructure Assets	<u>326,301</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 2,661,578</u>
 Business-Type Activities	
Golf Course	\$ 324,676
Assisted Housing	<u>32,883</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 357,559</u>

The County has active construction projects as of June 30, 2009. Total accumulated commitments for ongoing capital projects are \$7,641,127.

**NOTE 7 – ACCOUNTS PAYABLE**

Accounts Payable consists of the following at June 30, 2009:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	\$ 49,248	\$ -	\$ 49,248
Protection to Persons and Property	107,695	-	107,695
General Health and Sanitation	25,866	-	25,866
Social Services	79,562	120	79,682
Recreation and Culture	50,179	249,260	299,439
Roads	64,839	-	64,839
Capital Projects	745,021	-	745,021
Administration	214,139	-	214,139
Insurance Claims	<u>386,396</u>	<u>-</u>	<u>386,396</u>
	<u>\$ 1,722,945</u>	<u>\$ 249,380</u>	<u>\$ 1,972,325</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, 2009:

	<u>Debt Outstanding July 1, 2008</u>	<u>Additions of New Debt</u>	<u>Repayments and Defeasance</u>	<u>Debt Outstanding June 30, 2009</u>	<u>Amount Expected to Be Paid Within One Year</u>
General Obligation Bonds	\$ <u>37,865,000</u>	\$ <u>-</u>	\$ <u>2,725,000</u>	\$ <u>35,140,000</u>	\$ <u>2,125,000</u>
Revenue Bonds	\$ <u>15,550,000</u>	\$ <u>-</u>	\$ <u>1,185,000</u>	\$ <u>14,365,000</u>	\$ <u>1,235,000</u>
Note Payable	\$ <u>3,402,586</u>	\$ <u>-</u>	\$ <u>527,420</u>	\$ <u>2,875,166</u>	\$ <u>538,960</u>

**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, 2018. 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>
2010	\$ 9,757	\$ 15,000
2011	8,970	20,000
2012	8,070	20,000
2013	7,170	20,000
2014	6,270	20,000
2015-2019	<u>15,035</u>	<u>120,000</u>
Totals	\$ <u>55,272</u>	\$ <u>215,000</u>

**Series 2001—General Fund**

The County issued General Obligation Bonds for the purpose of discharging the outstanding amount of the Boone County Public Properties Corporation Multiple Projects Revenue Bonds, Series 1992. The series 2001 dated June 1, 2001, were issued at various interest rates ranging from 4.00% to 4.38%, and will be retired by December 1, 2012. Interest payments are due by June 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>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2010	\$ 65,612	\$ 420,000
2011	48,343	430,000
2012	30,019	445,000
2013	<u>10,281</u>	<u>470,000</u>
Totals	\$ <u>154,255</u>	\$ <u>1,765,000</u>

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

**Series 2002—General Fund**

The County issued General Obligation Bonds for the purpose of building a Public Safety Complex. The series 2002 dated April 18, 2002, were issued at various interest rates ranging from 3.00% to 5.00% and will be retired by April 1, 2022. Interest payments are due April 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>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2010	\$ 672,504	\$ 865,000
2011	637,906	900,000
2012	600,780	940,000
2013	561,300	980,000
2014	519,650	1,020,000
2015-2019	1,873,378	5,830,000
2020-2022	<u>425,750</u>	<u>4,190,000</u>
Totals	<u>\$ 5,291,268</u>	<u>\$14,725,000</u>

**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 and August 1, with principal payments due August 1 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>
2010	209,875	175,000
2011	203,213	180,000
2012	195,813	190,000
2013	188,113	195,000
2014	180,113	205,000
2015-2019	766,619	1,155,000
2020-2024	485,438	1,445,000
2025-2028	<u>130,275</u>	<u>1,410,000</u>
Totals	<u>\$ 2,359,456</u>	<u>\$ 4,955,000</u>

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

**Series 2003C—General Fund**

The County issued General Obligation Bonds for the purpose of the construction of the Law Enforcement and Detention Center. The series 2003C dated October, 2005 was issued at various interest rates ranging from 2.75% to 4.25%, and will be retired by December 1, 2021. Interest payments are due by June 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>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2010	\$ 189,369	\$ 305,000
2011	180,450	315,000
2012	170,363	325,000
2013	159,138	335,000
2014	146,931	350,000
2015-2019	509,264	1,980,000
2020-2022	<u>90,631</u>	<u>1,395,000</u>
Totals	<u>\$ 1,446,146</u>	<u>\$ 5,005,000</u>

**Series 2006—General Fund**

The County issued General Obligation Multi-Purpose Public Project Bonds for the purpose of financing a fire station, library, and community center in Petersburg, Kentucky. The series dated March 1, 2006 were issued with an interest rate of 3.70% and will be retired by March 1, 2026. Interest payments are due by March 1 and September 1, with principal payments due March 1 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>
2010	\$ 72,704	\$ 85,000
2011	69,560	85,000
2012	66,416	90,000
2013	63,086	90,000
2014	59,753	95,000
2015-2019	242,530	545,000
2020-2024	133,568	665,000
2025-2026	<u>17,206</u>	<u>310,000</u>
Totals	<u>\$ 724,823</u>	<u>\$ 1,965,000</u>

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

**Series 2007—Public Works and Capital Improvements Fund**

The County issued General Obligation Bonds for the purpose of construction of a fire training center and renovations to the public works facility in the amount of \$7,000,000. The series 2007 dated February 27, 2007, was issued at an interest rate of 3.70% and will be retired by February 1, 2027. Interest payments are due by February 1 and August 1, with principal payments due February 1 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>
2010	\$ 240,870	\$ 260,000
2011	231,250	270,000
2012	221,260	280,000
2013	210,900	290,000
2014	200,170	300,000
2015-2019	824,915	1,685,000
2020-2024	489,325	2,025,000
2025-2027	<u>104,895</u>	<u>1,400,000</u>
Totals	<u>\$ 2,523,585</u>	<u>\$ 6,510,000</u>

**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. Revenue bonds outstanding at June 30, 2009, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Justice Center	4.00 – 5.13%	<u>\$ 11,695,000</u>

The minimum obligations at June 30, 2009 for debt service of these bonds are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2010	\$ 557,119	\$ 600,000
2011	530,219	640,000
2012	501,369	660,000
2013	470,764	685,000
2014	437,854	730,000
2015-2019	1,608,760	4,195,000
2020-2023	<u>441,552</u>	<u>4,185,000</u>
Totals	<u>\$ 4,547,637</u>	<u>\$ 11,695,000</u>

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

**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 will be retired by June, 2012. The Series 1998 Bonds are scheduled to mature as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2010	\$ 111,270	\$ 635,000
2011	81,038	665,000
2012	48,785	700,000
2013	<u>16,080</u>	<u>670,000</u>
Totals	<u>\$ 257,173</u>	<u>\$ 2,670,000</u>

**Note Payable—Capital Improvements Fund**

The County has a note payable to an individual for the purchase of 67 acres of land. The note is due in annual installments of \$160,797 plus interest of 4%. The note payable balance is \$160,797 at June 30, 2009.

The remaining maturities on the note are as follows:

<u>Year Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2010	<u>\$ 6,432</u>	<u>\$ 160,797</u>

**Note Payable—General Fund**

The County has a note payable for the purpose of water and sewer projects. The note bears interest at 3.25%. Principal and interest payments are due March 1 and September 1. Principal payment requirements and scheduled interest for the retirement of the note are as follows:

<u>Year Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2010	<u>\$ 7,800</u>	<u>\$ 320,000</u>

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

**Note Payable—General Fund**

In May 2006, the county entered into an assistance agreement with the Kentucky Infrastructure Authority (KIA) for the acquisition and construction of certain water facilities and to improve the county's water service system, in the amount of \$2,506,118 and bears an interest rate of 2.71% commencing December 1, 2007. The loan term for this agreement is 30 years and principal and interest payments are due on June 1 and December 1. Principal payments are due following the last draw of funds. As of June 30, 2009 the county had borrowed \$2,506,118. Principal payment requirements and scheduled interest for the retirement of the note are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2010	\$ 69,018	\$ 58,163
2011	67,320	59,744
2012	65,575	61,368
2013	63,784	63,036
2014	61,943	64,750
2015-2019	280,312	351,126
2020-2024	226,191	401,514
2025-2029	164,305	459,132
2030-2034	93,537	525,019
2035-2037	<u>17,987</u>	<u>350,516</u>
	<u>\$ 1,109,973</u>	<u>\$ 2,394,369</u>

**NOTE 9 – CAPITAL LEASE PURCHASE AGREEMENTS**

**Road and Bridge Fund**

In December 2007, Boone County entered into a lease-purchase agreement for a rubber tire loader for the Public Works Department. The lease term for this agreement is 7 years. The total principal balance and cost of the equipment is \$87,245. The total balance of the agreement is \$87,245 as of June 30, 2009.

<u>Debt Outstanding July 1, 2008</u>	<u>Additions</u>	<u>Repayments</u>	<u>Debt Outstanding June 30, 2009</u>	<u>Amount Expected to Be Paid Within One Year</u>
\$ <u>99,465</u>	\$ <u>-</u>	\$ <u>12,220</u>	\$ <u>87,245</u>	\$ <u>12,830</u>

**NOTE 9 – CAPITAL LEASE PURCHASE AGREEMENTS (Continued)**

The following is a schedule of future minimum lease payments as of June 30, 2009:

Years Ending <u>June 30,</u>	
2010	\$ 17,183
2011	17,183
2012	17,183
2013	17,183
2014	17,184
Thereafter	<u>17,184</u>
Total Minimum Lease Payment	103,100
Less Interest Remaining	<u>15,855</u>
Present Value of Minimum Lease Payments	<u>\$ 87,245</u>

**Golf Course**

During 2006, the Golf Course entered into a lease-purchase agreement for equipment. The lease term for this agreement is 5 years. The total balance of the agreement is \$16,074 as of June 30, 2009.

The following is a summary of the Golf Course's capital lease purchase agreement transactions for the year ended June 30, 2009:

Debt Outstanding <u>July 1, 2008</u>	<u>Additions</u>	<u>Repayments</u>	Debt Outstanding <u>June 30, 2009</u>	Amount Expected to Be Paid Within <u>One Year</u>
\$ <u>26,074</u>	\$ <u>-</u>	\$ <u>10,000</u>	\$ <u>16,074</u>	\$ <u>10,000</u>

The following is a schedule of future minimum lease payments as of June 30, 2009:

Years Ending <u>June 30,</u>	
2010	\$ 10,541
2011	<u>6,116</u>
Total Minimum Lease Payment	16,657
Less Interest Remaining	<u>583</u>
Present Value of Minimum Lease Payments	<u>\$ 16,074</u>

**NOTE 10 – COMPENSATED ABSENCES PAYABLE**

Changes in the County's compensated absences during fiscal year 2009 were as follows:

**Government Activities**

<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Amount</u> <u>Expected to Be</u> <u>Paid Within</u> <u>One Year</u>
\$ <u>440,626</u>	\$ <u>23,241</u>	\$ <u>26,302</u>	\$ <u>437,565</u>	\$ <u>28,696</u>

**Business Type Activities**

Assisted Housing	\$ 20,279	\$ 2,851	\$ -	\$ 23,130	\$ 1,157
Golf Course	<u>49,300</u>	<u>4,020</u>	<u>1,551</u>	<u>51,769</u>	<u>-</u>
<b>Total</b>	<b>\$ <u>69,579</u></b>	<b>\$ <u>6,871</u></b>	<b>\$ <u>1,551</u></b>	<b>\$ <u>74,899</u></b>	<b>\$ <u>1,157</u></b>

**NOTE 11 – 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, 2014 and the other one expiring in June, 2024. Rental income for the year ended June 30, 2009 was \$200,755. The future minimum lease payments to be received are as follows:

<u>Years Ending</u> <u>June 30,</u>	
2010	\$ 51,608
2011	51,608
2012	52,808
2013	52,808
2014	51,008
Thereafter	<u>380,401</u>
<b>Total Minimum Lease Payment</b>	<b>\$ <u>640,241</u></b>

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 year ended June 30, 2009 was \$143,108.

**NOTE 12 – INSURANCE**

For the fiscal year ended June 30, 2009, 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 13 – 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, 2009 was \$ 2,291.

**NOTE 14 – 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 cost 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 of 2009.

The total liability of these HRA dollars at the fiscal year ending 2009 was \$1,420,125, which includes all departments on our plan (Fiscal Court, Sheriff, County Clerk, Public Safety Communications Center, and Planning Commission). In the statement of cash flows, the Self Insurance Fund shows cash balance of \$80,305 in the account but with the liability of the HRA account our net assets on June 30, 2009 is a negative \$1,602,119.

In 2009, the County paid out 12.19% of total HRA liability, including the rolled over amounts from 2008, and 30.33% of that year's liability, with no rollover. Another 3.53% 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 20.62%, with rollover amounts and 40.05% without the rollover.

Cash Balance – June 30, 2008	\$	245,526
Premiums Collected		4,231,563
Interest Earned		8,138
Claims Paid		<u>4,404,922</u>
Cash Balance – June 30, 2009	\$	<u>80,305</u>

**NOTE 15 – PRIOR PERIOD ADJUSTMENT**

The accompanying financial statements of the discretely presented component for June 30, 2008 have been restated to correct an error in the calculation of accrued interest in a prior period. The effect of this restatement was to decrease accrued interest in the statement of net assets by \$31,858 and to increase net assets as of June 30, 2008 by the same amount.

**REQUIRED SUPPLEMENTAL INFORMATION**

**BOONE COUNTY FISCAL COURT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 33,847,625	\$ 33,847,625	\$ 33,037,122	\$ (810,503)
In Lieu Tax Payments	100,000	100,000	96,639	(3,361)
Excess Fees	1,400,800	1,400,800	1,280,856	(119,944)
Licenses and Permits	1,605,200	1,605,200	1,256,398	(348,802)
Intergovernmental	2,300,550	2,300,550	2,331,134	30,584
Charges for Services	972,536	972,536	1,026,227	53,691
Miscellaneous	1,078,084	1,078,084	1,172,259	94,175
Interest	325,100	325,100	151,965	(173,135)
<b>Total Revenues</b>	<u>41,629,895</u>	<u>41,629,895</u>	<u>40,352,600</u>	<u>(1,277,295)</u>
<b>Expenditures</b>				
General Government	4,583,731	4,638,751	3,982,180	656,571
Protection to Persons and Property	12,459,750	12,469,750	11,867,061	602,689
General Health and Sanitation	545,304	545,304	507,517	37,787
Social Services	521,706	521,706	467,045	54,661
Recreation and Culture	2,164,434	2,164,434	1,888,959	275,475
Debt Service	1,384,918	1,389,800	1,388,221	1,579
Administration	15,188,109	15,118,207	11,580,020	3,538,187
<b>Total Expenditures</b>	<u>36,847,952</u>	<u>36,847,952</u>	<u>31,681,003</u>	<u>5,166,950</u>
<b>Excess of Revenues Over Expenditures</b>	<u>4,781,943</u>	<u>4,781,943</u>	<u>8,671,598</u>	<u>3,889,655</u>
<b>Other Financing Sources (Uses)</b>				
Bond Principal Payments	(2,531,625)	(2,531,625)	(2,531,624)	1
Capital Lease Principal Payments	(310,000)	(310,000)	(310,000)	-
Operating Transfers In	-	-	327,621	327,621
Operating Transfers Out	(4,815,318)	(4,815,318)	(4,945,340)	(130,022)
<b>Total Other Financing Sources (Uses)</b>	<u>(7,656,943)</u>	<u>(7,656,943)</u>	<u>(7,459,343)</u>	<u>197,600</u>
<b>Deficit of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	(2,875,000)	(2,875,000)	1,212,255	4,087,255
<b>Fund Balance July 1, 2008</b>	<u>2,875,000</u>	<u>2,875,000</u>	<u>3,565,354</u>	<u>690,354</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,777,610</u>	<u>\$ 4,777,610</u>

**BOONE COUNTY FISCAL COURT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ROAD AND BRIDGE FUND**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Licenses and Permits	\$ 100,000	\$ 100,000	\$ 30,626	\$ (69,374)
Intergovernmental	2,842,100	2,842,100	2,456,906	(385,194)
Charges for Services	140,000	140,000	144,749	4,749
Miscellaneous	386,000	386,000	231,751	(154,249)
Interest	20,000	20,000	8,275	(11,725)
<b>Total Revenues</b>	<u>3,488,100</u>	<u>3,488,100</u>	<u>2,872,307</u>	<u>(615,793)</u>
<b>Expenditures</b>				
Roads	7,049,280	6,799,280	4,880,508	1,918,772
Debt Service	142,820	142,820	142,820	-
<b>Total Expenditures</b>	<u>7,192,100</u>	<u>6,942,100</u>	<u>5,023,328</u>	<u>1,918,772</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>(3,704,000)</u>	<u>(3,454,000)</u>	<u>(2,151,021)</u>	<u>1,302,979</u>
<b>Other Financing Sources (Uses)</b>				
Bond Principal Payment	(145,000)	(145,000)	(145,000)	-
Operating Transfers In	3,794,000	3,794,000	3,794,000	-
Operating Transfers Out	-	(250,000)	(355,501)	(105,501)
<b>Total Other Financing Sources (Uses)</b>	<u>3,649,000</u>	<u>3,399,000</u>	<u>3,293,499</u>	<u>(105,501)</u>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>(55,000)</u>	<u>(55,000)</u>	<u>1,142,478</u>	<u>1,197,478</u>
<b>Fund Balance July 1, 2008</b>	<u>55,000</u>	<u>55,000</u>	<u>193,980</u>	<u>138,980</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,336,458</u>	<u>\$ 1,336,458</u>

**BOONE COUNTY FISCAL COURT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**JAIL FUND**  
**Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
<b>Revenues</b>				
Intergovernmental	\$ 4,340,200	\$ 4,340,200	\$ 4,230,403	\$ (109,797)
Charges for Services	250,000	250,000	289,830	39,830
Miscellaneous	203,000	203,000	157,488	(45,512)
Interest	17,000	17,000	6,019	(10,981)
 Total Revenues	 <u>4,810,200</u>	 <u>4,810,200</u>	 <u>4,683,740</u>	 <u>(126,460)</u>
<b>Expenditures</b>				
Protection to Persons and Property	4,156,518	4,156,518	3,709,842	446,676
Administration	1,105,000	1,105,000	892,902	212,098
 Total Expenditures	 <u>5,261,518</u>	 <u>5,261,518</u>	 <u>4,602,744</u>	 <u>658,774</u>
 <b>Excess (Deficit) of Revenues Over Expenditures</b>	 <u>(451,318)</u>	 <u>(451,318)</u>	 <u>80,996</u>	 <u>532,314</u>
 <b>Other Financing Sources (Uses)</b>				
Operating Transfers In	401,318	401,318	401,318	-
 <b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	 <u>(50,000)</u>	 <u>(50,000)</u>	 <u>482,314</u>	 <u>532,314</u>
 <b>Fund Balance July 1, 2008</b>	 <u>50,000</u>	 <u>50,000</u>	 <u>479,695</u>	 <u>429,695</u>
 <b>Fund Balance June 30, 2009</b>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 962,009</u>	 <u>\$ 962,009</u>

**BOONE COUNTY FISCAL COURT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
CAPITAL IMPROVEMENTS FUND  
Year Ended June 30, 2009**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Intergovernmental	\$ 6,003,444	\$ 6,003,444	\$ 1,305,214	\$ (4,698,230)
Miscellaneous	120,000	120,000	134,097	14,097
Interest	<u>221,000</u>	<u>221,000</u>	<u>114,672</u>	<u>(106,328)</u>
Total Revenues	<u>6,344,444</u>	<u>6,344,444</u>	<u>1,553,983</u>	<u>(4,790,461)</u>
<b>Expenditures</b>				
Capital Projects	12,626,143	13,251,143	3,184,844	10,066,299
Debt Service	<u>120,164</u>	<u>120,164</u>	<u>120,164</u>	<u>-</u>
Total Expenditures	<u>12,746,307</u>	<u>13,371,307</u>	<u>3,305,008</u>	<u>10,066,299</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>(6,401,863)</u>	<u>(7,026,863)</u>	<u>(1,751,025)</u>	<u>5,275,838</u>
<b>Other Financing Sources (Uses)</b>				
Bond Principal Payments	(105,000)	(105,000)	(105,000)	-
Notes Payable - Valley Orchards Principal	(160,797)	(160,797)	(160,797)	-
Operating Transfers In	820,000	1,070,000	805,523	(264,477)
Operating Transfers Out	<u>(508,340)</u>	<u>(133,340)</u>	<u>(27,621)</u>	<u>105,719</u>
Total Other Financing Sources (Uses)	<u>45,863</u>	<u>670,863</u>	<u>512,105</u>	<u>(158,758)</u>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	(6,356,000)	(6,356,000)	(1,238,920)	5,117,080
<b>Fund Balance July 1, 2008</b>	<u>6,356,000</u>	<u>6,356,000</u>	<u>6,656,714</u>	<u>300,714</u>
<b>Fund Balance June 30, 2009</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,417,794</u>	<u>\$ 5,417,794</u>

**BOONE COUNTY FISCAL COURT  
NOTES TO THE SCHEDULE OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
Year Ended June 30, 2009**

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>	<u>Capital Improvement</u>
<b>Revenues</b>				
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 40,352,600	\$ 2,872,307	\$ 4,683,740	\$ 1,553,983
Accounts Receivable 6/30/2008	(6,408,265)	(447,148)	(513,047)	(270,132)
Accounts Receivable 6/30/2009	6,176,197	339,899	469,151	35,276
Change in Note Receivable Balance	(120,852)	-	-	(180,909)
Reclass of Reimbursements	<u>2</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
 Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	 <u>\$ 39,999,682</u>	 <u>\$ 2,765,058</u>	 <u>\$ 4,639,844</u>	 <u>\$ 1,138,217</u>
 <b>Expenses</b>				
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 31,681,003	\$ 5,023,328	\$ 4,602,744	\$ 3,305,008
Bond and Capital Lease Principal Payments	2,841,624	145,000	-	265,797
Transfer to Golf Course	(400,000)			
Accounts Payable 6/30/2008	(301,035)	(62,796)	(82,545)	(901,882)
Accounts Payable 6/30/2009	238,068	55,253	82,836	745,021
Accrued Payroll 6/30/2008	(182,188)	(54,532)	(70,939)	-
Accrued Payroll 6/30/2009	183,168	69,716	74,472	-
Compensated Absences Payable 6/30/08	(257,354)	(125,731)	(57,541)	-
Compensated Absences Payable 6/30/09	<u>250,569</u>	<u>130,429</u>	<u>56,567</u>	<u>-</u>
 Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	 <u>\$ 34,053,855</u>	 <u>\$ 5,180,667</u>	 <u>\$ 4,605,594</u>	 <u>\$ 3,413,943</u>

**BOONE COUNTY FISCAL COURT**  
**CONDITION RATING OF THE COUNTY'S STREET SYSTEM**  
**Year Ended June 30, 2009**

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

<b>2009</b>	<b>2008</b>	<b>2007</b>
97%	99%	99%

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

<b>2009</b>	<b>2008</b>	<b>2007</b>
3%	1%	1%

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

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Bridge			
Needed	\$ -	\$ -	\$ -
Actual	-	-	-
Roads			
Needed	522,335	542,260	726,372
Actual	295,393	479,277	645,314
Subdivision			
Needed	2,089,340	2,169,040	2,905,488
Actual	1,181,572	1,917,110	2,581,258

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.

**SUPPLEMENTAL INFORMATION**

**BOONE COUNTY FISCAL COURT**  
**COMBINING BALANCE SHEET - NONMAJOR FUNDS**  
**June 30, 2009**

	<u>Local Government Economic Assistance Fund</u>	<u>Federal Grants Fund</u>	<u>Mental Health Fund</u>	<u>Earl Parker Robinson Fund</u>	<u>Public Properties Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>						
Cash and Cash Equivalents	\$ 66,091	\$ -	\$ 481,992	\$ 330,697	\$ -	\$ 878,780
Investments	-	-	-	-	2,622	2,622
Notes Receivable	-	-	-	-	-	-
Accounts Receivable	22,257	31,141	505,932	-	-	559,330
Restricted Cash	-	-	-	-	-	-
<b>Total Assets</b>	<u>\$ 88,348</u>	<u>\$ 31,141</u>	<u>\$ 987,924</u>	<u>\$ 330,697</u>	<u>\$ 2,622</u>	<u>\$ 1,440,732</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 9,586	\$ 31,141	\$ 69,413	\$ -	\$ -	\$ 110,140
Accrued Payroll	-	-	-	-	-	-
Compensated Absences Payable	-	-	-	-	-	-
<b>Total Liabilities</b>	<u>9,586</u>	<u>31,141</u>	<u>69,413</u>	<u>-</u>	<u>-</u>	<u>110,140</u>
<b>Fund Balances</b>						
Reserved for:						
Debt Service	-	-	-	-	-	-
Other Accounts	-	-	-	-	-	-
Unreserved						
General Fund	-	-	-	-	-	-
Special Revenue Funds	78,762	-	918,511	330,697	-	1,327,970
Capital Projects Fund	-	-	-	-	-	-
Debt Service	-	-	-	-	2,622	2,622
Other	-	-	-	-	-	-
<b>Total Fund Balances</b>	<u>78,762</u>	<u>-</u>	<u>918,511</u>	<u>330,697</u>	<u>2,622</u>	<u>1,330,592</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 88,348</u>	<u>\$ 31,141</u>	<u>\$ 987,924</u>	<u>\$ 330,697</u>	<u>\$ 2,622</u>	<u>\$ 1,440,732</u>

**BOONE COUNTY FISCAL COURT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2009**

	<b>Local Government Economic Assistance Fund</b>	<b>Federal Grants Fund</b>	<b>Mental Health Fund</b>	<b>Earl Parker Robinson Fund</b>	<b>Public Properties Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ 1,980,915	\$ -	\$ -	\$ 1,980,915
In Lieu Tax Payments	-	-	-	-	-	-
Excess Fees	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	123,337	394,754	-	-	1,159,594	1,677,685
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	13,532	-	-	13,532
Interest	649	-	12,620	4,752	261	18,282
<b>Total Revenues</b>	<b>123,986</b>	<b>394,754</b>	<b>2,007,067</b>	<b>4,752</b>	<b>1,159,855</b>	<b>3,690,414</b>
<b>Expenditures</b>						
General Government	-	-	-	-	-	-
Protection to Persons and Property	-	-	-	-	-	-
General Health and Sanitation	-	-	1,291,188	-	-	1,291,188
Social Services	-	337,767	597,813	-	-	935,580
Recreation and Culture	-	-	-	-	-	-
Roads	78,094	-	-	-	-	78,094
Capital Projects	-	56,987	-	-	-	56,987
Administration	-	-	283,196	-	2,500	285,696
Debt Service	-	-	-	-	1,157,094	1,157,094
<b>Total Expenditures</b>	<b>78,094</b>	<b>394,754</b>	<b>2,172,197</b>	<b>-</b>	<b>1,159,594</b>	<b>3,804,639</b>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	45,892	-	(165,130)	4,752	261	(114,225)
<b>Other Financing Sources (Uses)</b>						
Bond Principal Payments	-	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-	-
Transfers from Other Funds	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>45,892</b>	<b>-</b>	<b>(165,130)</b>	<b>4,752</b>	<b>261</b>	<b>(114,225)</b>
<b>Fund Balances July 1, 2008</b>	<b>32,870</b>	<b>-</b>	<b>1,083,641</b>	<b>325,945</b>	<b>2,361</b>	<b>1,444,817</b>
<b>Fund Balances June 30, 2009</b>	<b>\$ 78,762</b>	<b>\$ -</b>	<b>\$ 918,511</b>	<b>\$ 330,697</b>	<b>\$ 2,622</b>	<b>\$ 1,330,592</b>

**BOONE COUNTY FISCAL COURT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2009**

<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	KY135-CE-0012	\$ 5,543,427
Passed-Through Department for Local Government Community Development Block Grant -RC Durr YMCA Senior Center	14.228	06-047	56,987
Passed-Through Department for Local Government Community Development Block Grant -Kentucky Rcovery Grant - Year 1 -Brighton Center (operating)	14.228	05-020	244,165
Passed-Through Department for Local Government Community Development Block Grant -Kentucky Rcovery Grant - Year 1 -Brighton Center (operating)	14.228	05-020R	<u>93,602</u>
Total U.S. Department of Housing and Urban Development			<u>5,938,181</u>
<b><u>U.S. Department of Homeland Security</u></b>			
Passed-Through State Department of Military Affairs: Emergency Management Assistance Program -Support Emergency Preparedness	97.042	PON2 095 080000079301	68,914
Passed-Through State Department of Military Affairs: KY Emergency Management -FEMA Wind Storm	97.036	FEMA-1802 DR - KY	70,963
Passed-Through State Department of Military Affairs: KY Emergency Management -FEMA Ice Storm	97.036	FEMA-1818 DR - KY	<u>174,127</u>
Total U.S. Department of Homeland Security			<u>314,004</u>
<b><u>U.S. Department of Interior</u></b>			
Passed-Through Kentucky Heritage Council Historic Presevation Fund Grant	15.904	21-08-21722	7,000
Passed-Through Kentucky Heritage Council Preserve America Grant	15.904	21-07-PA-3059	<u>22,323</u>
Total U.S. Department of Interior			<u>29,323</u>
<b><u>U.S. Election Assistance Commission</u></b>			
Passed-Through Kentucky State Board of Elections Help America Vote Act	90.401	MOA dated 7/22/08	<u>261,000</u>
Total U.S. Election Assistance Commission			<u>261,000</u>
<b><u>U.S. Department of Transportation</u></b>			
Passed-Through Kentucky Transportation Cabinet Transportation Enhancement Program Hebron Business District	20.205	PO2 628 08000015908	18,043
Passed-Through Kentucky Transportation Cabinet Safe Routes to School Conner Campus	20.205	PO2 628 07000012914	<u>16,879</u>
Total U.S. Department of Transportation			<u>34,922</u>
<b>Total Cash Expenditures of Federal Awards</b>			<b>\$ <u>6,577,430</u></b>

**BOONE COUNTY FISCAL COURT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2009**

**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 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**

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Boone County, Kentucky (the County) as of and for the year ended June 30, 2009 which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated December 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

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

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

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
December 17, 2010

**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 Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration 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, Kentucky (the 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, 2009. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, The County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the 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 the 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 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 control *deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of 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.

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.*

Fort Mitchell, Kentucky  
December 17, 2010

**BOONE COUNTY FISCAL COURT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2009**

**SECTION 1 – SUMMARY OF AUDITORS' RESULTS**

<b>FINANCIAL STATEMENTS</b>	
Type of Financial Statement Opinion	Unqualified
Material weakness(es) identified?	No
Control deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No
<b>FEDERAL AWARDS</b>	
Material weakness (es) identified?	No
Control deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Are there any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510?	No
Major Programs (list):	Section Eight Housing Rental Assistance Program [CFDA 14.871] Community Development Block Grant [CFDA 14.228]
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
Low Risk Auditee?	Yes

**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, 2009**

**PRIOR YEAR – FINANCIAL STATEMENT FINDINGS**

NONE

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

NONE