

BOONE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2003

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the People of Kentucky

Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary, Finance and Administration Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of Boone County, Kentucky, as of and for the year ended June 30, 2003, 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 did not audit the financial statements of the Boone County Assisted Housing Department, a major enterprise fund, and the Boone County Public Safety Communications Center, the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Boone County Assisted Housing Department and Boone County Public Safety Communications Center are based on the reports of the other auditors.

The Boone County Assisted Housing Department represents 9.6 percent, and 62.3 percent, respectively, of the assets, and revenues of the of the business-type activities opinion unit. The Boone County Public Safety Communications Center represents 1.9 percent and .4 percent, respectively, of the assets, and revenues of the aggregate discretely presented component unit and remaining fund information opinion unit.

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.

Management of the Boone County Fiscal Court has adopted the modified cash basis of accounting, as described in Note 1, to present the financial statements of the governmental activities, certain business-type activities, major governmental funds; General Fund, Road and Bridge Fund, Jail Fund, School Board Tax Fund, Public Safety Fund, and Capital Improvements Fund, one of the major enterprise funds; Jail Canteen Fund, and the aggregated non-major governmental funds while management of the Boone County Assisted Housing Department and Boone County Public Properties Corporation Golf Course, two major enterprise funds, and Boone County Public Safety Communications Center, a discretely presented component unit, have adopted the accrual basis of accounting. The financial statements, because of the two different bases of accounting presented, include certain accruals required by accounting principles generally accepted in the United States of America that are not required by the modified cash basis of accounting. The amounts by which these accruals would affect the financial statements are not reasonably determinable.

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To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary, Finance and Administration Cabinet
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Members of the Boone County Fiscal Court
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In our opinion, based on our report and the report of other auditors, except for the effects, if any, of the matters described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting as described in Note 1.

The management's discussion and analysis and budgetary comparison schedules on pages 2 through 9 and 37 through 41 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, as applicable to the modified cash basis of accounting. 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 the Boone County, Kentucky's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements 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 January 8, 2004, 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

VonLehman & Company Inc.

Fort Mitchell, Kentucky
January 8, 2004

BOONE COUNTY OFFICIALS

Fiscal Year Ended June 30, 2003

Fiscal Court Members:

Gary W. Moore
Cathy H. Flaig
Terri Moore
Charles E. Kenner, DMD

County Judge/Executive
Commissioner
Commissioner
Commissioner

Other Elected Officials:

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

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

Appointed Personnel:

William Neil Spencer
Lisa H. Buerkley
Gregory V. Sketch

County Treasurer
Finance Officer
County Engineer

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2003. Please read it in conjunction with the County's financial statements that begin on page 7.

FINANCIAL HIGHLIGHTS

Boone County has net assets of \$162,302,459 as of June 30, 2003. This is a very large increase from our prior year's Statement of Net Assets due to the new reporting model under GASB Statement #34, which allows Counties to include all capital assets including infrastructure.

Total expenses in governmental activities of \$46,522,733 for the year were offset by program revenues in the amount of \$22,867,553, nearly 50%. Program revenues are grants, contributions or charges for services that the County is collecting in order to compensate using tax revenue.

Boone County's total indebtedness at the close of the fiscal year was \$67,275,155, in which \$3,760,932 is short term (to be paid in full within one year). One debt addition in FY03 was \$5,750,000 in water line expansion bonds.

The County's general fund transferred \$30,073,064 in cash and construction funds to the Capital Improvements Fund to keep large capital expenditures separate from the general operating funds.

The County expended more than \$16,000,000 on capital projects, including parks, roads, buildings, water expansion, land and land improvements.

Facilitated the opening, expansion or purchase of six parks; England-Idlewild Park, Gunpowder Creek Nature Park, Conrad Park, Union Pool and Park, Verona Park and a YMCA – Parks joint venture.

The County contributed \$500,000 to the City of Florence for the upgrades to Dream Street and \$498,000 for the construction of the Florence/Boone County Skate Park.

Two new road projects began and are in progress of being built; Florence-Hopeful Church Road Connector and Conrad Lane Expansion. Also, preliminary engineering studies are being performed for Industrial Road Improvements.

Three building projects began construction with nearly \$6.8 million in expenditures; Public Safety Complex and Jail facility, Old Courthouse renovations, and an Educational Facility at Maplewood.

Water line expansions throughout rural Boone County began and will continue through FY04. A total of \$3,260,271 was expended in Fiscal Year 2003.

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 below with an explanation for each:

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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 discretely presented 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 discretely presented 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 10 and 11). 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 kinds of activities: governmental, business-type and component units.

- **Governmental Activities** - Most of the County's basic services are reported here, including police protection, roads and public works, parks, jail, emergency management, water rescue, building inspections, animal control, human services and Maplewood Children's Home. Also included is the general administration of the County, all capital projects and mental health, mental retardation and aging programs. These programs and services are basically funded through real and personal property taxes, payroll taxes, charges for services and federal/state grants. These programs resulted in an increase in net assets of approximately \$3,500,000.
- **Business-Type Activities** – The County has three business-type funds, which are 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. The decrease in net assets is due to the net loss generated by the Golf Course.
- **Component Unit Activities** – Although the Public Safety Communications Center (PSCC) is a separate legal entity, the financial statements include its activities since the County is financially accountable. PSCC is governed by a separate Board appointed by County and City officials. Boone County funds the operations of this entity at 75% and the capital at 100%.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements

The fund financial statements (pages 12 and 14) 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 about the County's most significant funds. The nine funds deemed "major" are general, road and bridge, jail, school board tax, public safety, and capital improvements, jail canteen, assisted housing and golf course funds.

- Governmental funds are used to report most of the County's basic services. These funds focus on the revenues coming in and expenditures going out on a cash basis. These funds provide a short-term view of the County's operations. The County currently has seventeen governmental funds and adopts a budget for each. 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 13 and 15.
- 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.
- 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 two fiduciary funds; Jail Prisoners Cash Fund and Self Insurance Fund.

Notes to the Financial Statements

The notes to the financial statements (pages 21 through 36) 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.

Required Supplementary Information

The budgetary comparison schedules (pages 37 through 41) for the general fund and five 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 the level of service is improved. Each year the Public Works Department will be responsible for maintaining this condition level and the Fiscal Court will be responsible for budgeting annually the estimated amount to expend for maintaining all roads at that 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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

to the Fiscal Court through the budget process. The PQI is upgraded upon rehabilitation. By doing this the Fiscal Court fulfills the requirements of the Modified Approach.

Supplementary Information

The Schedule of Expenditures of Federal Awards (page 45) provides information required pursuant to the Office of Management and Budget (OMB) Circular A-133 of all federal grant money received by the County.

The Combining Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (pages 43 and 44) present the non-major governmental funds.

Basis of Accounting

The County has elected to present financial information of the Governmental Funds on the modified cash basis of accounting, due to the requirements under the Kentucky Constitution. Under this basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense in the government-wide statement of activities. Furthermore, certain assets such as accounts receivable and certain liabilities such as accounts payable are not recorded in the financial statements. Readers should consider the limitations of this basis of accounting when reviewing the financial statements.

The financial information for the Proprietary Funds and the discretely presented component unit, is presented on the accrual basis of accounting

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

In accordance with Governmental Accounting Standards Board (GASB) Statement #34, the County is not required to restate prior periods for the purpose of providing comparative information. Fiscal Year 2003 is the first year the financial statements are presented in the GASB Statement #34 formats; therefore a comparative analysis of government-wide information is not available.

The following sections provide condensed financial information derived from the two government-wide financial statements.

STATEMENT OF NET ASSETS

	Governmental Activities	Business Activities	Total
Current Assets	\$ 42,190,075	\$ 553,540	\$ 42,743,615
Capital Assets	180,126,233	7,727,489	187,853,722
Total Assets	<u>222,316,308</u>	<u>8,281,029</u>	<u>230,597,337</u>
Current Debt	3,274,492	786,752	4,061,244
Long-Term Debt	58,051,144	6,182,490	64,233,634
Total Debt	<u>61,325,636</u>	<u>6,969,242</u>	<u>68,294,878</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	144,559,157	677,722	145,236,879
Restricted	-	282,000	282,000
Unrestricted	<u>16,431,515</u>	<u>352,065</u>	<u>16,783,580</u>
Total Net Assets	<u>\$ 160,990,672</u>	<u>\$ 1,311,787</u>	<u>\$ 162,302,459</u>

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (Continued)

At June 30, 2003, the County's assets exceeded its liabilities by \$162,302,459. The majority of the County's assets (82%) are invested in capital assets which include land, buildings, infrastructure, equipment and vehicles. These assets are listed in the net assets section as "invested in capital assets, net of related debt". The unrestricted net asset amount of \$16,783,580 represents the amount the County can use to operate on a day-to-day basis to provide basic services. The restricted amount under business activities of \$282,000 is Assisted Housing Reserve for renovations of their offices, which was set aside for a specific project per the Department of Housing and Urban Development.

STATEMENT OF ACTIVITIES

Revenues:	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Program Revenues:			
Charges for Services	\$ 6,453,052	\$ 2,520,083	\$ 8,973,135
Operating Grants and Contributions	11,917,144	4,181,895	16,099,039
Capital Grants and Contributions	4,497,357	-	4,497,357
General Revenue:			
Taxes	24,132,430	-	24,132,430
Excess Fees	685,596	-	685,596
Investment Earnings	981,662	15,154	996,816
Donated Capital Assets	670,527	-	670,527
Other	338,611	-	338,611
Total Revenues	<u>49,676,379</u>	<u>6,717,132</u>	<u>56,393,511</u>
Expenses			
General Government	21,842,668	-	21,842,668
Protection to Persons and Property	8,285,196	-	8,285,196
General Health and Sanitation	3,029,093	-	3,029,093
Social Services	1,655,034	-	1,655,034
Recreation and Culture	1,993,600	-	1,993,600
Roads	7,225,364	-	7,225,364
Interest on Long-Term Debt	2,491,778	-	2,491,778
Jail Canteen Fund	-	144,191	144,191
Golf Course Fund	-	2,731,535	2,731,535
Assisted Housing Fund	-	4,097,548	4,097,548
Total Expenses	<u>46,522,733</u>	<u>6,973,274</u>	<u>53,496,007</u>
Change in Net Assets	<u>3,153,646</u>	<u>(256,142)</u>	<u>2,897,504</u>
Net Assets July 1, 2002	<u>157,837,026</u>	<u>1,567,929</u>	<u>159,404,955</u>
Net Assets June 30, 2003	<u>\$ 160,990,672</u>	<u>\$ 1,311,787</u>	<u>\$ 162,302,459</u>

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (Continued)

During Fiscal Year 2003, the net assets increased by \$3,153,646 for governmental activities and decreased by \$256,142 for the business-type. The business-type activities of the Jail Canteen and Assisted Housing both changed positively but the Golf Course loss for the year was \$357,047.

Program revenues for the governmental activities were 46% of total revenue received. This explains that 46% 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, and investment earnings, which cannot be directly traced to a function.

General government and administration is the largest user of the general revenue category. This function includes most departments' salaries and fringes, all contractual agreements, such as TANK and the Public Safety Communication Center, and debt service. Two other major users of general revenue are the protection to persons and property, which includes the Sheriff's Department, emergency management and building inspections and roads, which contains the maintenance, upgrades and new additions to the County's road system, along with snow removal, storm sewer maintenance and the daily operations of the Public Works Department. The only function that looks to be self-supporting is the general health and sanitation function but this is due to the collection of the sewer surcharge as a charge for service although the expense is within the debt service payments.

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 nine major funds; general, road and bridge, jail, school board tax, public safety, and capital improvements, jail canteen, assisted housing and golf course funds.

The County's governmental funds reflect a combined fund balance of \$42,186,515, in which only \$15,066,946 is unreserved to be used for day-to-day operations. The fund financial statements for the governmental funds can be found on pages 12 and 14. The net change in fund balance for the general fund is -\$31,885,850, the large negative amount is due to a general fund transfer of \$30,073,064 to the capital improvements fund. This money included cash, investments and construction loan dollars. The capital improvements fund was established to keep all capital project dollars separate and to better track the operational profit/loss of the general fund. With the capital money removed from the general fund statement it shows a net change in fund balance of a negative \$1,734,786 which better reflects the operations of this fund for Fiscal Year 2003. The general fund also transferred money to cover expenses for the road and bridge fund and the jail fund in the amounts of \$4,000,000 and \$300,000, respectively.

The County's proprietary funds' statements are shown on pages 16 through 18 with total net assets of \$1,311,787. Fifty percent of the net assets are capital assets, net of related debt for the Golf Course. An unrestricted amount of \$66,938 in the golf course fund and a total net operating loss of \$357,047 decreased the net assets for the golf course to \$718,343. The jail canteen fund ended with \$31,016 and assisted housing's fund net assets were \$562,428.

The County has two fiduciary funds, jail prisoners fund and self insurance fund, in which the statements are shown on pages 19 and 20. These monies are restricted and we exclude them from the other statements because the County cannot use these assets to finance operations. The self insurance fund's net assets at the end of the year were \$697,893 and are reserved to pay health insurance claims for employees in the system.

GENERAL BUDGETARY HIGHLIGHTS

There were no amendments to Boone County's budget in Fiscal Year 2003 although the County made various line item transfers within the budget to increase certain line items while subsequently decreasing other line items. These types of transactions have no effect on the budget's bottom line. Throughout the year, revenues collected were over budget by \$1,104,143 and operating expenses were below budget by \$10,825,076. The one large unfavorable variance between final budget and actual was the operating transfer out to the Capital Improvements Fund. This amount of \$30,073,064 was reported as a negative revenue amount and therefore caused the large variance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of Fiscal Year 2003, the County had \$186,757,034 invested in a broad range of capital assets, including land, roads, park facilities, bridges, water lines, buildings, equipment and vehicles. As shown on the chart to follow, the amount represents a net increase (including additions and deductions) of over \$19 million, or 12%, on the governmental activities and a decrease of \$426,317, or 6%, on the business activities from the previous year. The business activities are showing a decrease due to the Golf Course having a very limited capital budget for the past several years.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

Governmental Activities

Business Activities	<u>FY02</u>	<u>FY03</u>	<u>FY02</u>	<u>FY03</u>
Land	\$ 5,245,529	\$ 8,019,655	\$ 2,396,478	\$ 2,396,478
Roads, Modified Approach (Not Depr.)	130,154,432	130,154,432	-	-
Other Infrastructure	129,130	122,148	-	-
Land Improvements	1,475,132	1,649,293	3,088,939	2,795,914
Building and Improvements	8,962,741	22,089,723	1,330,797	1,255,747
Construction In Progress	9,615,131	12,347,109	-	-
Vehicles, Machinery and Equipment	2,187,724	2,736,873	239,985	173,591
Other Equipment	<u>3,269,063</u>	<u>2,995,079</u>	<u>12,840</u>	<u>20,992</u>
	<u>\$ 161,038,882</u>	<u>\$ 180,114,312</u>	<u>\$ 7,069,039</u>	<u>\$ 6,642,722</u>

A more detailed breakdown of the capital assets and depreciation can be found in Note 5 of the Notes to the Financial Statements, page 29 and 30. The year brought about approximately \$29 million in additional capital projects, including the completion of a state-funded Justice Center, construction in progress of over \$12 million for Public Safety Complex and Jail facility, water lines to rural Boone County and an Educational Facility at Maplewood.

DEBT

At June 30, 2003, the County had \$67,275,155 in bonds and leases outstanding versus \$64,749,868 last year, an increase of 4% - as shown on the chart below. This increase is due to new general obligation debt issued during FY03 for phase 1 - rural waterline expansion project in the amount of \$5,750,000.

OUTSTANDING DEBT AT YEAR-END

	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>FY02</u>	<u>FY03</u>	<u>FY02</u>	<u>FY03</u>
General Obligation Bonds (Backed by the County)	\$ 31,077,963	\$ 34,901,975	-	-
Revenue Bonds and Notes (Backed by Specific Tax or Fee Revenues)	<u>27,241,905</u>	<u>26,408,180</u>	<u>6,430,000</u>	<u>5,965,000</u>
	<u>\$ 58,319,868</u>	<u>\$ 61,310,154</u>	<u>\$ 6,430,000</u>	<u>\$ 5,965,000</u>

The County's general obligation bond rating is Aa2, 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 2001 assessment this 2% total direct debt limitation is more than \$159 million dollars, which far exceeds the County's outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

While establishing the FY2004 budget, the administration was very conservative in regards to projecting tax revenue due to the downturn in the economy. Even though the County's tax base continues to grow, the demand for services and programs the County is expected to provide is growing at a more rapid pace. At this time, the County does not expect any significant changes from FY2003 to FY2004.

MODIFIED APPROACH FOR INFRASTRUCTURE

There were no significant changes in the assessed condition of eligible infrastructure assets from previous condition assessments. The current assessed condition of the roads exceeds the minimum condition level set by the Fiscal Court. Actual costs to maintain and preserve the roads were slightly lower than estimated costs.

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
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2003

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Totals	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 13,240,985	\$ 497,773	\$ 13,738,758	\$ 148,207
Investments	27,444,601	-	27,444,601	-
Inventory	-	30,409	30,409	-
Accounts Receivable	142,489	25,358	167,847	-
Due from Boone County Golf Course	150,000	-	150,000	-
Notes Receivable	1,212,000	-	1,212,000	-
	<u>42,190,075</u>	<u>553,540</u>	<u>42,743,615</u>	<u>148,207</u>
Total Current Assets				
Non-current Assets				
Capital Assets, Net of Accumulated Depreciation				
Land	8,019,655	2,396,478	10,416,133	-
Land Improvements	1,649,293	2,795,914	4,445,207	-
Buildings and Building Improvements	22,089,723	1,255,747	23,345,470	-
Furniture and Office Equipment	2,421,786	20,992	2,442,778	21,220
Vehicles and Equipment	3,310,166	173,591	3,483,757	-
Construction in Progress	12,347,109	-	12,347,109	-
Infrastructure Assets, Net of Accumulated Depreciation	130,276,580	-	130,276,580	-
Construction in Progress	-	-	-	-
Restricted Cash	11,921	321,400	333,321	-
Deferred Charges	-	763,367	763,367	-
	<u>180,126,233</u>	<u>7,727,489</u>	<u>187,853,722</u>	<u>21,220</u>
Total Non-current Assets				
Total Assets	<u>222,316,308</u>	<u>8,281,029</u>	<u>230,597,337</u>	<u>169,427</u>
LIABILITIES				
Current Liabilities				
Capital Lease, Due Within One Year	565,932	-	565,932	-
Bonds Payable, Due Within One Year	2,705,000	490,000	3,195,000	-
Accounts Payable	3,560	172,966	176,526	5,456
Accrued Payroll	-	26,184	26,184	30,615
Accrued Interest	-	33,840	33,840	-
Accrued Other	-	63,762	63,762	5,611
	<u>3,274,492</u>	<u>786,752</u>	<u>4,061,244</u>	<u>41,682</u>
Total Current Liabilities				
Non-current Liabilities				
Restricted Cash	11,921	-	11,921	-
Compensated Absences Payable	-	92,490	92,490	55,680
Due to General Fund	-	465,000	465,000	-
Due to Public Properties	-	150,000	150,000	-
Capital Lease, Due in More than One Year	1,969,223	-	1,969,223	-
Bonds Payable, Due in More than One Year	56,070,000	5,475,000	61,545,000	-
	<u>58,051,144</u>	<u>6,182,490</u>	<u>64,233,634</u>	<u>55,680</u>
Total Non-current Liabilities				
Total Liabilities	<u>61,325,636</u>	<u>6,969,242</u>	<u>68,294,878</u>	<u>97,362</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	144,559,157	677,722	145,236,879	21,220
Restricted	-	282,000	282,000	-
Unrestricted	16,431,515	352,065	16,783,580	50,845
	<u>160,990,672</u>	<u>1,311,787</u>	<u>162,302,459</u>	<u>72,065</u>
Total Net Assets				

See accompanying notes.

BOONE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
Year Ended June 30, 2003

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	
Governmental Activities								
General Government and Administration	\$ 21,842,668	\$ 360,939	\$ 7,558,113	\$ -	\$ (13,923,616)	\$ -	\$ (13,923,616)	
Protection to Persons and Property	8,285,196	3,173,100	925,291	11,583	(4,175,222)	-	(4,175,222)	
General Health and Sanitation	3,029,093	2,111,879	1,463,770	779,425	1,325,981	-	1,325,981	
Social Services	1,655,034	44,314	1,380,145	-	(230,575)	-	(230,575)	
Recreation and Culture	1,993,600	100,337	55,032	-	(1,838,231)	-	(1,838,231)	
Roads	7,225,364	592,555	534,793	3,706,349	(2,391,667)	-	(2,391,667)	
Interest on Long-Term Debt	2,491,778	69,928	-	-	(2,421,850)	-	(2,421,850)	
Total Governmental Activities	46,522,733	6,453,052	11,917,144	4,497,357	(23,655,180)	-	(23,655,180)	
Business-Type Activities								
Jail Canteen Fund	144,191	148,528	-	-	-	4,337	4,337	
Golf Course Fund	2,731,535	2,371,555	-	-	-	(359,980)	(359,980)	
Assisted Housing	4,097,548	-	4,181,895	-	-	84,347	84,347	
Total Business-Type Activities	6,973,274	2,520,083	4,181,895	-	-	(271,296)	(271,296)	
Total Primary Government	\$ 53,496,007	\$ 8,973,135	\$ 16,099,039	\$ 4,497,357	\$ (23,655,180)	\$ (271,296)	\$ (23,926,476)	
Component Unit								
Public Safety Communication Center								\$ 25,155

General Revenues

Taxes				
Property Taxes	\$ 9,174,093	\$ -	\$ 9,174,093	\$ -
Occupational Taxes	13,803,909	-	13,803,909	-
Franchise Fees	1,154,428	-	1,154,428	-
Reimbursements	9,230	-	9,230	-
License Fees and Permits	188,306	-	188,306	-
Excess Fees	685,596	-	685,596	-
Rental/Income	10,000	-	10,000	-
Unrestricted Investment Earnings	981,662	15,154	996,816	783
Donated Capital Assets	670,527	-	670,527	-
Miscellaneous Revenues	131,075	-	131,075	-
Total General Revenues	26,808,826	15,154	26,823,980	783
Change in Net Assets	3,153,646	(256,142)	2,897,504	25,938
Net Assets July 1, 2002	157,837,026	1,567,929	159,404,955	46,127
Net Assets June 30, 2003	\$ 160,990,672	\$ 1,311,787	\$ 162,302,459	\$ 72,065

See accompanying notes.

BOONE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2003

	Major Funds							Total Governmental Funds
	General Fund	Road and Bridge Fund	Jail Fund	School Board Tax Fund	Public Safety Fund	Capital Improvements Fund	Other Governmental Funds	
Assets								
Cash and Cash Equivalents	\$ 6,467,961	\$ 1,119,411	\$ 166,983	\$ 494,240	\$ 640,589	\$ 1,798,210	\$ 2,553,591	\$ 13,240,985
Investments	142,899	-	-	-	525,286	20,800,542	5,975,874	27,444,601
Notes Receivable	1,212,000	-	-	-	-	-	-	1,212,000
Accounts Receivable	-	-	-	-	-	-	142,489	142,489
Due from Boone County Golf Course	-	-	-	-	-	-	150,000	150,000
Restricted Cash	11,921	-	-	-	-	-	-	11,921
Total Assets	<u>\$ 7,834,781</u>	<u>\$ 1,119,411</u>	<u>\$ 166,983</u>	<u>\$ 494,240</u>	<u>\$ 1,165,875</u>	<u>\$ 22,598,752</u>	<u>\$ 8,821,954</u>	<u>\$ 42,201,996</u>
Liabilities and Fund Balances								
Liabilities								
Restricted Cash	\$ 11,921	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,560	\$ 15,481
Fund Balances								
Reserved for:								
Encumbrances	92,832	194,275	180	-	18,679	334,091	5,109	645,166
Road Projects	-	925,136	-	-	-	-	-	925,136
Special Projects	142,900	-	-	-	-	16,663,230	714,857	17,520,987
Contractual Tax Agreements	-	-	-	494,240	-	-	1,418,215	1,912,455
Debt Service	-	-	-	-	-	-	6,115,825	6,115,825
Unreserved - General	7,587,128	-	166,803	-	-	-	292,487	8,046,418
Unreserved - Special Revenue	-	-	-	-	1,147,196	-	271,901	1,419,097
Unreserved - Capital Projects	-	-	-	-	-	5,601,431	-	5,601,431
Total Fund Balances	<u>7,822,860</u>	<u>1,119,411</u>	<u>166,983</u>	<u>494,240</u>	<u>1,165,875</u>	<u>22,598,752</u>	<u>8,818,394</u>	<u>42,186,515</u>
Total Liabilities and Fund Balances	<u>\$ 7,834,781</u>	<u>\$ 1,119,411</u>	<u>\$ 166,983</u>	<u>\$ 494,240</u>	<u>\$ 1,165,875</u>	<u>\$ 22,598,752</u>	<u>\$ 8,821,954</u>	<u>\$ 42,201,996</u>

See accompanying notes.

BOONE COUNTY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2003

Amounts reported for governmental activities in the statement of net assets - modified cash basis are different because:

Total Fund Balance - Governmental Funds	\$	42,186,515
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The Cost of Capital Assets is	194,475,885	
Accumulated Depreciation is	<u>14,361,573</u>	
		180,114,312

Due within One Year		
Bonds, Notes and Lease Principal Payments	3,270,932	
Due in More than One Year		
Bonds, Notes and Lease Principal Payments	<u>58,039,223</u>	
		<u>(61,310,155)</u>

Total Net Assets - Governmental Activities	\$	<u><u>160,990,672</u></u>
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See accompanying notes.

BOONE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Year Ended June 30, 2003

	Major Funds							Total Governmental Funds
	General Fund	Road and Bridge Fund	Jail Fund	School Board Tax Fund	Public Safety Fund	Capital Improvements Fund	Other Governmental Funds	
Revenues								
Taxes	\$ 23,055,443	\$ -	\$ -	\$ 4,808,492	\$ 961,976	\$ -	\$ 3,232,485	\$ 32,058,396
In Lieu Tax Payments	50,179	-	-	-	-	-	-	50,179
Excess Fees	685,936	-	-	-	-	-	-	685,936
Licenses and Permits	1,255,401	89,431	-	-	-	-	-	1,344,832
Intergovernmental	2,870,067	1,699,477	1,658,557	-	178,579	815,059	895,803	8,117,542
Charges for Services	339,102	110,782	235,884	-	-	-	2,029,370	2,715,138
Miscellaneous	576,802	505,295	49,024	-	-	1,627,177	10,905	2,769,203
Interest	277,127	19,984	2,109	10,625	27,330	702,037	225,414	1,264,626
Total Revenues	29,110,057	2,424,969	1,945,574	4,819,117	1,167,885	3,144,273	6,393,977	49,005,852
Expenditures								
General Government	3,692,450	-	-	-	-	-	7,380	3,699,830
Protection to Persons and Property	6,742,671	-	1,704,087	-	-	-	23,764	8,470,522
General Health and Sanitation	412,420	-	-	-	-	-	2,205,499	2,617,919
Social Services	1,060,103	-	-	-	-	-	569,727	1,629,830
Recreation and Culture	1,195,080	-	-	-	-	-	1,325	1,196,405
Roads	-	6,516,090	-	-	-	-	-	6,516,090
Debt Service	1,336,382	-	-	-	131,723	-	1,023,673	2,491,778
Capital Projects	-	-	-	-	936,113	16,184,088	4,182,613	21,302,814
Administration	10,352,034	-	453,652	4,324,877	260,867	-	1,611,033	17,002,463
Total Expenditures	24,791,140	6,516,090	2,157,739	4,324,877	1,328,703	16,184,088	9,625,014	64,927,651
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	4,318,917	(4,091,121)	(212,165)	494,240	(160,818)	(13,039,815)	(3,231,037)	(15,921,799)
Other Financing Sources (Uses)								
Capital Lease Principal Payments	(48,000)	-	-	-	(571,714)	-	-	(619,714)
Transfers to Other Funds	(35,088,825)	-	-	-	-	-	(214,513)	(35,303,338)
Transfers from Other Funds	370,012	4,000,000	300,000	-	-	30,073,064	4,880	34,747,956
Bond Principal Payments	(1,565,000)	-	-	-	-	-	(575,000)	(2,140,000)
Bond Proceeds	127,046	-	-	-	-	5,565,503	-	5,692,549
Total Other Financing Sources (Uses)	(36,204,767)	4,000,000	300,000	-	(571,714)	35,638,567	(784,633)	2,377,453
Net Change in Fund Balances	(31,885,850)	(91,121)	87,835	494,240	(732,532)	22,598,752	(4,015,670)	(13,544,346)
Fund Balances - Beginning	39,708,710	1,210,532	79,148	-	1,898,407	-	12,834,064	55,730,861
Fund Balances - Ending	\$ 7,822,860	\$ 1,119,411	\$ 166,983	\$ 494,240	\$ 1,165,875	\$ 22,598,752	\$ 8,818,394	\$ 42,186,515

See accompanying notes.

BOONE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
Year Ended June 30, 2003

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

Total net change in fund balances - governmental funds \$ (13,544,346)

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 depreciation exceeds capital outlays in the period.

Depreciation Expense	2,022,450	
Capital Outlays	<u>(20,427,368)</u>	18,404,918

The proceeds from the issuance of bonds provide current financial resources and are reported in the fund financial statement but they are presented as liabilities in the statement of net assets. (5,692,549)

Repayment of bond and capital lease principal is an expenditure in the governmental funds but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. 2,759,714

Donated Capital assets 670,527

Net transfers from Boone County Fiscal Court to the Golf Course due to different year ends 555,382

Total Change in Net Assets - Governmental Activities **\$ 3,153,646**

See accompanying notes.

**BOONE COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

	June 30, 2003		December 31, 2002	
	Jail Canteen Fund	Assisted Housing	Golf Course Fund	Totals
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 31,016	\$ 423,878	\$ 42,879	\$ 497,773
Inventory	-	-	30,409	30,409
Accounts Receivable	-	25,358	-	25,358
Total Current Assets	<u>31,016</u>	<u>449,236</u>	<u>73,288</u>	<u>553,540</u>
Non-current Assets				
Land	-	-	2,396,478	2,396,478
Land Improvements	-	-	5,523,656	5,523,656
Buildings and Building Improvements	-	-	2,249,488	2,249,488
Vehicles, Machinery and Equipment	-	19,970	1,109,527	1,129,497
Furniture and Office Equipment	-	47,246	-	47,246
	-	67,216	11,279,149	11,346,365
Less Accumulated Depreciation	-	40,899	4,662,744	4,703,643
Net Capital Assets	-	26,317	6,616,405	6,642,722
Restricted Cash	-	320,404	996	321,400
Deferred Charges	-	-	763,367	763,367
Total Non-current Assets	<u>-</u>	<u>346,721</u>	<u>7,380,768</u>	<u>7,727,489</u>
Total Assets	<u>31,016</u>	<u>795,957</u>	<u>7,454,056</u>	<u>8,281,029</u>
Liabilities				
Current Liabilities				
Bonds Payable, Due Within One Year	-	-	490,000	490,000
Accounts Payable	-	142,475	30,491	172,966
Accrued Payroll	-	8,552	17,632	26,184
Accrued Interest Payable	-	-	33,840	33,840
Accrued Other	-	63,762	-	63,762
Total Current Liabilities	<u>-</u>	<u>214,789</u>	<u>571,963</u>	<u>786,752</u>
Non-current Liabilities				
Compensated Absences Payable	-	18,740	73,750	92,490
Due to General Fund	-	-	465,000	465,000
Due to Public Properties	-	-	150,000	150,000
Bonds Payable, Due in More than One Year	-	-	5,475,000	5,475,000
Total Non-current Liabilities	<u>-</u>	<u>18,740</u>	<u>6,163,750</u>	<u>6,182,490</u>
Total Liabilities	<u>-</u>	<u>233,529</u>	<u>6,735,713</u>	<u>6,969,242</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	-	26,317	651,405	677,722
Restricted	-	282,000	-	282,000
Unrestricted	31,016	254,111	66,938	352,065
Total Net Assets	<u>\$ 31,016</u>	<u>\$ 562,428</u>	<u>\$ 718,343</u>	<u>\$ 1,311,787</u>

See accompanying notes.

BOONE COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

	June 30, 2003		December 31, 2002	
	Jail Canteen Fund	Assisted Housing	Golf Course Fund	Totals
Operating Revenues				
Governmental Grants	\$ -	\$ 4,169,563	\$ -	\$ 4,169,563
Canteen Receipts	148,528	-	-	148,528
Green Fees	-	-	1,514,820	1,514,820
Power Cart Rentals	-	-	560,447	560,447
Memberships	-	-	92,172	92,172
Commission	-	-	75,861	75,861
Pro Shop Sales and Pull Cart Rentals	-	-	122,101	122,101
Miscellaneous	-	12,332	6,154	18,486
	<u>148,528</u>	<u>4,181,895</u>	<u>2,371,555</u>	<u>6,701,978</u>
Total Operating Revenues				
	<u>148,528</u>	<u>4,181,895</u>	<u>2,371,555</u>	<u>6,701,978</u>
Operating Expenses				
Cost of Merchandise Sold	125,349	-	79,015	204,364
Educational and Recreational	18,842	-	-	18,842
Housing Assistance Payment	-	3,652,969	-	3,652,969
Salaries and Wages	-	292,117	953,027	1,245,144
Employee Benefits	-	77,136	211,988	289,124
Contract Services	-	5,700	28,431	34,131
Materials and Supplies	-	-	13,250	13,250
Golf Cart Lease	-	-	123,280	123,280
Utilities	-	-	164,815	164,815
Maintenance and Repairs	-	-	60,594	60,594
Fertilizer and Chemicals	-	-	227,014	227,014
Petroleum Products	-	-	25,691	25,691
Uniforms	-	-	12,124	12,124
Depreciation	-	13,105	430,475	443,580
Other Operating Expenses	-	57,401	40,538	97,939
	<u>144,191</u>	<u>4,098,428</u>	<u>2,370,242</u>	<u>6,612,861</u>
Total Operating Expenses				
	<u>144,191</u>	<u>4,098,428</u>	<u>2,370,242</u>	<u>6,612,861</u>
Operating Income	<u>4,337</u>	<u>83,467</u>	<u>1,313</u>	<u>89,117</u>
Non-Operating Revenues (Expenses)				
Interest Income	-	13,101	2,933	16,034
Interest Expense	-	-	(361,293)	(361,293)
	<u>-</u>	<u>13,101</u>	<u>(358,360)</u>	<u>(345,259)</u>
Total Non-Operating Revenues				
	<u>-</u>	<u>13,101</u>	<u>(358,360)</u>	<u>(345,259)</u>
Net Income (Loss)	4,337	96,568	(357,047)	(256,142)
Net Assets July 1, 2002	<u>26,679</u>	<u>465,860</u>	<u>1,075,390</u>	<u>1,567,929</u>
Net Assets June 30, 2003	<u>\$ 31,016</u>	<u>\$ 562,428</u>	<u>\$ 718,343</u>	<u>\$ 1,311,787</u>

See accompanying notes.

**BOONE COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS**

	June 30, 2003		December 31, 2002	
	Jail Canteen Fund	Assisted Housing	Golf Course Fund	Totals
Cash Flows From Operating Activities				
Receipts from Customers	\$ 148,528	\$ -	\$ 2,289,540	\$ 2,438,068
Receipts from Commissions	-	-	75,861	75,861
Receipts from Governmental Grants	-	4,271,188	-	4,271,188
Payments to Suppliers	(144,191)	(3,687,330)	(791,950)	(4,623,471)
Payments to Employees	-	(295,274)	(1,143,565)	(1,438,839)
Other Receipts (Expenditures)	-	12,332	6,018	18,350
Net Cash Provided by Operating Activities	<u>4,337</u>	<u>300,916</u>	<u>435,904</u>	<u>741,157</u>
Cash Flows from Non Capital Financing Activities				
Proceeds from Other Funds	-	-	615,000	615,000
Payments to Other Funds	-	-	(300,000)	(300,000)
Net Cash Provided by Non Capital Financing Activities	<u>-</u>	<u>-</u>	<u>315,000</u>	<u>315,000</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	-	(18,143)	-	(18,143)
(Decrease) Increase in Restricted Cash	-	(269,687)	105	(269,582)
Payments on Bond Obligations	-	-	(465,000)	(465,000)
Interest Paid on Bond Obligations	-	-	(290,480)	(290,480)
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(287,830)</u>	<u>(755,375)</u>	<u>(1,043,205)</u>
Cash Flows from Investing Activities				
Interest Income	-	13,101	2,933	16,034
Net Change in Cash	4,337	26,187	(1,538)	28,986
Cash and Cash Equivalents July 1, 2002	<u>26,679</u>	<u>397,691</u>	<u>44,417</u>	<u>468,787</u>
Cash and Cash Equivalents June 30, 2003	<u>\$ 31,016</u>	<u>\$ 423,878</u>	<u>\$ 42,879</u>	<u>\$ 497,773</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	\$ 4,337	\$ 83,467	\$ 1,313	\$ 89,117
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Loss on Disposal of Capital Asset	-	880	-	880
Depreciation	-	13,105	430,475	443,580
Change in Assets and Liabilities				
Accounts Receivable	-	101,625	-	101,625
Inventory	-	-	(4,747)	(4,747)
Accounts Payable	-	128,576	(12,588)	115,988
Accrued Payroll	-	2,069	5,218	7,287
Accrued Other	-	(23,580)	-	(23,580)
Compensated Absences Payable	-	(5,226)	16,233	11,007
Net Cash Provided by Operating Activities	<u>\$ 4,337</u>	<u>\$ 300,916</u>	<u>\$ 435,904</u>	<u>\$ 741,157</u>

See accompanying notes.

BOONE COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2003

	<u>Jail Prisoners Funds</u>	<u>Self Insurance Fund</u>
ASSETS		
Assets		
Cash and Cash Equivalents	\$ 56,756	\$ 948,501
LIABILITIES		
Liabilities		
Accounts Payable and Accrued Liabilities	<u>56,756</u>	<u>250,608</u>
Net Assets	<u>\$ -</u>	<u>\$ 697,893</u>

See accompanying notes.

BOONE COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2003

	<u>Self Insurance Fund</u>
Additions	
Contributions and Revenues	
Employer/Employee Contributions	\$ 3,180,907
Deposits from Inmates	<u>-</u>
Total Contributions and Revenues	3,180,907
Interest and Other	<u>19,393</u>
Total Additions	<u>3,200,300</u>
Deductions	
Administrative Expenses	-
Insurance Claims	3,429,843
Check to Inmates	<u>-</u>
Total Deductions	<u>3,429,843</u>
Change in Net Assets	(229,543)
Net Assets - Beginning	<u>927,436</u>
Net Assets - Ending	<u>\$ 697,893</u>

See accompanying notes.

**BOONE COUNTY
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial statements of Boone County include the funds, agencies, boards, 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. 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 for Local Government 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, other counties for housing prisoners and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

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.

Capital Improvements Fund

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

Public Safety Fund

These funds are spent for 911 emergency services; therefore the fiscal court maintains this fund to track the receipt and capital expenditures of the Boone County Public Safety Communications Center, which is a component unit.

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 Public Properties Golf Course 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. The Golf Course's financial statements are prepared for the year ended December 31, 2002.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The government reports the following fiduciary funds:

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.

Self Insurance Fund

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

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**

New Accounting Pronouncements – Effective October 1, 2001, the County adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB 34), GASB Statement No. 37, *Basic Financial Statements – and Managements’ Discussion and Analysis – for State and Local Governments: Omnibus* (GASB 37), and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* (GASB 38). The effect of adopting GASB 34 and GASB 37 is a change in the presentation of the financial statements. GASB 38, modifies, rescinds and establishes certain financial statement disclosure requirements.

Due to the requirements under the Kentucky Constitution, for all fund types except for the Proprietary Funds, the County utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years. The Proprietary Funds utilize the accrual basis of accounting.

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.

Cash and Investments

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed 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. 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	5 Years
Vehicles	5 – 10 Years
General Equipment	7 – 10 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. The County has three additional years to add infrastructure assets acquired between 1980 and 2002.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related Organizations

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

NOTE 2 – EMPLOYEE RETIREMENT SYSTEM

The County has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. 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 6.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The County's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for 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.

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, 2003, the County's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County's agent in the County's name, or provided surety bond which named the County as beneficiary/obligee on the bond.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

Investments

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

Types of Investments	Category			Carrying Amount	Market Value
	1	2	3		
Treasury Fund	\$ <u> -</u>	\$ <u> -</u>	\$ <u>27,444,601</u>	\$ <u>27,444,601</u>	\$ <u>27,444,601</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. The final yearly payments of principal and interest are due in October, 2018. The receivable balance on the lease/purchase agreement at June 30, 2003 is \$305,000 and the Walton Fire Protection District is in substantial compliance with the terms of the agreement.

The Point Pleasant Fire Department has a lease/purchase agreement with Boone County Fiscal Court for the construction of a firehouse. The final yearly payments of principal and interest are due in January, 2011. The receivables balance on the lease/purchase agreement at June 30, 2003 is \$462,000 and the Point Pleasant Fire Department is in substantial compliance with the terms of the agreement.

The Boone County Health Taxing District has a lease agreement with Boone County Fiscal Court for the construction of a building. The final yearly payments of principal and interest are due in December 2012. The receivables balance on the lease agreement at June 30, 2003 is \$445,000 and the Boone County Health Taxing District is in substantial compliance with the terms of the agreement.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003 was as follows:

Governmental Activities	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Capital Assets Not Being Depreciated				
Land	\$ 5,245,529	\$ 2,774,126	\$ -	\$ 8,019,655
Roads	130,154,432	-	-	130,154,432
Total Capital Assets Not Being Depreciated	<u>135,399,961</u>	<u>2,774,126</u>	<u>-</u>	<u>138,174,087</u>
Depreciable Capital Assets				
Land Improvements	2,046,220	256,178	-	2,302,398
Buildings and Building Improvements	14,534,710	13,423,644	-	27,958,354
Equipment	1,390,822	23,193	-	1,414,015
Furniture and Office Equipment	4,520,975	539,013	-	5,059,988
Vehicles	5,695,951	1,349,748	-	7,045,699
Roads	174,235	-	-	174,235
Total Depreciable Capital Assets	<u>28,362,913</u>	<u>15,591,776</u>	<u>-</u>	<u>43,954,689</u>
Construction in Progress	<u>9,615,131</u>	<u>12,328,564</u>	<u>9,596,586</u>	<u>12,347,109</u>
Total Capital Assets at Historical Cost	<u>173,378,005</u>	<u>30,694,466</u>	<u>9,596,586</u>	<u>194,475,885</u>
Less Accumulated Depreciation				
Land Improvements	571,088	82,017	-	653,105
Buildings and Building Improvements	5,571,969	296,662	-	5,868,631
Equipment	766,853	73,869	-	840,722
Furniture and Office Equipments	1,875,881	762,321	-	2,638,202
Vehicles	3,508,227	800,599	-	4,308,826
Roads	45,105	6,982	-	52,087
Total Accumulated Depreciation	<u>12,339,123</u>	<u>2,022,450</u>	<u>-</u>	<u>14,361,573</u>
Depreciable Capital Assets, Net	<u>16,023,790</u>	<u>13,569,326</u>	<u>-</u>	<u>29,593,116</u>
Governmental Activities Capital Assets - Net	<u>\$ 161,038,882</u>	<u>\$ 28,672,016</u>	<u>\$ 9,596,586</u>	<u>\$ 180,114,312</u>

NOTE 5 – CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended June 30, 2003 was as follows:

Business-Type Activities	Beginning Balance	Additions	Deductions	Ending Balance
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	2,249,488	-	-	2,249,488
Furniture and Office Equipment	39,631	18,143	(10,528)	47,246
Vehicles, Machinery and Equipment	1,129,497	-	-	1,129,497
Totals at Historical Cost	<u>8,942,272</u>	<u>18,143</u>	<u>(10,528)</u>	<u>8,949,887</u>
Total Capital Assets at Historical Value	<u>11,338,750</u>	<u>18,143</u>	<u>(10,528)</u>	<u>11,346,365</u>
Less Accumulated Depreciation				
Land Improvements	2,434,717	293,025	-	2,727,742
Buildings and Building Improvements	918,691	75,050	-	993,741
Furniture and Office Equipment	26,791	9,111	(9,648)	26,254
Vehicles, Machinery and Equipment	889,512	66,394	-	955,906
Total Accumulated Depreciation	<u>4,269,711</u>	<u>443,580</u>	<u>(9,648)</u>	<u>4,703,643</u>
Depreciable Capital Assets, Net	<u>4,672,561</u>	<u>(425,437)</u>	<u>(880)</u>	<u>4,246,244</u>
Business - Type Activities				
Capital Assets - Net	<u>\$ 7,069,039</u>	<u>\$ (425,437)</u>	<u>\$ (880)</u>	<u>\$ 6,642,722</u>

The Business-Type Activities include the Golf Course whose year end is December 31, 2002 and the Assisted Housing which has a June 30, 2003 year end.

Component Unit	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
Depreciable Capital Assets				
Furniture and Office Equipment	4,307,736	532,749	-	4,840,485
Less Accumulated Depreciation				
Furniture and Office Equipment	1,780,676	738,473	-	2,519,149
Depreciable Capital Assets, Net	<u>2,527,060</u>	<u>809</u>	<u>-</u>	<u>2,527,869</u>
Component Unit				
Capital Assets - Net	<u>\$ 2,527,060</u>	<u>\$ (205,724)</u>	<u>\$ -</u>	<u>\$ 2,321,336</u>

NOTE 5 – CAPITAL ASSETS (Continued)

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

	<u>June 30, 2003</u>
Governmental Activities	
General Government	\$ 272,307
Protection to Persons and Property	632,710
General Health and Sanitation	21,271
Social Services	25,204
Recreation and Culture	147,529
Roads, Including Depreciation of General Infrastructure Assets	<u>194,574</u>
 Total Depreciation Expense – Governmental Activities	 <u>\$ 1,293,595</u>
Business-Type Activities	
Golf Course	\$ 430,475
Assisted Housing	<u>13,105</u>
 Total Depreciation Expense – Business-Type Activities	 <u>\$ 443,580</u>

The County has active construction projects as of June 30, 2003. Total accumulated commitments for ongoing capital projects is \$25,786,513.

NOTE 6 – LONG-TERM DEBT

Series 1999-General Fund

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

<u>Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 144,101	\$ 565,000
2005	122,539	585,000
2006	100,133	610,000
2007	76,095	630,000
2008	50,395	655,000
2009-2013	57,663	755,000
2014-2018	20,699	115,000
2019-2023	<u>606</u>	<u>25,000</u>
 Totals	 <u>\$ 572,231</u>	 <u>\$ 3,940,000</u>

NOTE 6 – LONG-TERM DEBT (Continued)

Series 2001-General Fund

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

<u>Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 157,012	\$ 350,000
2005	142,812	360,000
2006	128,012	380,000
2007	113,012	370,000
2008	97,912	385,000
2009-2013	<u>236,367</u>	<u>2,170,000</u>
Totals	<u>\$ 875,127</u>	<u>\$ 4,015,000</u>

Series 2002-General Fund

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

<u>Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 836,086	\$ 705,000
2005	814,936	725,000
2006	792,280	750,000
2007	766,968	775,000
2008	737,904	800,000
2009-2013	3,178,394	4,520,000
2014-2018	2,123,202	5,580,000
2019-2023	<u>695,576</u>	<u>5,460,000</u>
Totals	<u>\$ 9,945,346</u>	<u>\$19,315,000</u>

NOTE 6 – LONG-TERM DEBT (Continued)

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 3.5% to 4.5% 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>Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 240,763	\$ -
2005	238,225	145,000
2006	232,975	155,000
2007	227,463	160,000
2008	221,775	165,000
2009-2013	1,012,925	910,000
2014-2018	812,881	1,110,000
2019-2023	548,750	1,380,000
2024-2028	<u>200,813</u>	<u>1,725,000</u>
Totals	<u>\$ 3,736,570</u>	<u>\$ 5,750,000</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, 2003, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Sewer System	4.50 - 5.15%	\$10,895,000
Justice Center	4.00 - 5.125%	<u>14,860,000</u>
		<u>\$25,755,000</u>

The minimum obligations at June 30, 2003 for debt service of these bonds are as follows:

<u>Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2004	\$ 1,230,305	\$ 1,085,000
2005	1,179,705	1,135,000
2006	1,126,805	1,185,000
2007	1,071,130	1,240,000
2008	1,012,463	1,285,000
2009-2013	4,053,688	7,480,000
2014-2018	2,066,428	7,240,000
2019-2023	<u>677,820</u>	<u>5,105,000</u>
Totals	<u>\$12,418,344</u>	<u>\$25,755,000</u>

NOTE 6 – 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 4.30% to 4.80% and will be retired by June, 2012. The Series 1998 Bonds are scheduled to mature as follows:

<u>Year Ended December 31,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2003	\$ 270,717	\$ 490,000
2004	249,647	515,000
2005	227,245	535,000
2006	203,705	560,000
2007	179,065	585,000
2008-2012	<u>473,435</u>	<u>3,280,000</u>
Totals	<u>\$ 1,603,814</u>	<u>\$ 5,965,000</u>

NOTE 7 – CAPITAL LEASE PURCHASE AGREEMENTS

General Fund

The County entered into a lease-purchase agreement for the Point Pleasant Fire Department. The lease term for this agreement is 20 years with the balance to be paid in full January 20, 2011. The total balance of the agreement is \$462,000 as of June 30, 2003.

The following is a schedule of future minimum lease payments as of June 30, 2003:

<u>Year</u>	<u>Point Pleasant Fire Department</u>
2004	\$ 71,741
2005	71,236
2006	70,633
2007	70,910
2008	70,060
2009-2013	<u>205,071</u>
Total Minimum Lease Payment	559,651
Less Interest	<u>97,651</u>
Present Value of Minimum Lease Payments	<u>\$ 462,000</u>

NOTE 7 – CAPITAL LEASE PURCHASE AGREEMENTS (Continued)

Public Safety Fund

1. The County entered into a lease-purchase agreement for \$500,000 to lease-purchase a computer aided dispatch system. The lease term is for 60 months with balance to be paid in full September 1, 2003. The balance of the agreement is \$27,934 as of June 30, 2003.
2. The County entered into a lease-purchase agreement for \$500,000 to lease-purchase a 911 communications system. The lease term is for 60 months with balance to be paid in full November 15, 2004. The balance of the agreement is \$163,247 as of June 30, 2003.
3. The County entered into a general obligation lease-purchase agreement for \$2,750,000 to lease-purchase a Mobile Data Terminal Project. The lease term is for 7 years with balance to be paid in full November 15, 2007. The balance of the agreement is \$1,881,974 as of June 30, 2003.

The following is a schedule of future minimum lease payments as of June 30, 2003:

Public Safety

<u>Year</u>	<u>Computer Aided Dispatch System</u>	<u>911 Communications System</u>	<u>Mobile Data Terminal Project</u>	<u>Total</u>
2004	\$ 28,269	\$ 114,353	\$ 476,008	\$ 618,630
2005	-	57,176	476,008	533,184
2006	-	-	476,008	476,008
2007	-	-	476,008	476,008
2008	-	-	238,005	238,005
2009-2013	-	-	-	-
Total Minimum Lease Payment	\$ 28,269	\$ 171,529	\$2,142,037	\$2,341,835
Less Interest	<u>(335)</u>	<u>(8,282)</u>	<u>(260,063)</u>	<u>(268,680)</u>
Present Value of Minimum Lease Payments	<u>\$ 27,934</u>	<u>\$ 163,247</u>	<u>\$1,881,974</u>	<u>\$2,073,155</u>

NOTE 8 – INSURANCE

For the fiscal year ended June 30, 2003, 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 9 – FLEXIBLE SPENDING ACCOUNT

Boone County maintains a flexible spending account to provide tax-sheltered deductions for dependent childcare and medical expenses. The balance in the flexible benefits account as of June 30, 2003 was \$8,977.

NOTE 10 – YEAR-END DIFFERENCES

The Boone County Golf Course year end is December 31, 2002. Differences reported in the financial statements are as follows:

Transfers in and out from general, public properties and golf course funds differences	\$555,382
Payable on Golf Course Fund not on General Fund because repayment made after Golf Course year end	\$465,000

NOTE 11 – CHANGES IN ACCOUNTING PRINCIPLES

The County has elected to implement Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

BOONE COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 22,612,500	\$ 22,612,500	\$ 23,055,443	\$ 442,943
In Lieu Tax Payments	48,000	48,000	50,179	2,179
Excess Fees	759,424	759,424	685,936	(73,488)
Licenses and Permits	1,234,000	1,234,000	1,255,401	21,401
Intergovernmental	1,921,688	1,921,688	2,870,067	948,379
Charges for Services	271,551	271,551	339,102	67,551
Miscellaneous	586,251	586,251	654,802	68,551
Interest	650,500	650,500	277,127	(373,373)
Total Revenues	<u>28,083,914</u>	<u>28,083,914</u>	<u>29,188,057</u>	<u>1,104,143</u>
Expenditures				
General Government	3,850,277	4,068,927	3,692,450	376,477
Protection to Persons and Property	7,928,208	7,939,458	6,742,671	1,196,787
General Health and Sanitation	469,075	470,075	412,420	57,655
Social Services	1,235,219	1,248,219	1,060,103	188,116
Recreation and Culture	1,350,821	1,423,321	1,195,080	228,241
Debt Service	1,782,269	6,115,269	1,336,382	4,778,887
Administration	14,667,347	14,350,947	10,352,034	3,998,913
Total Expenditures	<u>31,283,216</u>	<u>35,616,216</u>	<u>24,791,140</u>	<u>10,825,076</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(3,199,302)</u>	<u>(7,532,302)</u>	<u>4,396,917</u>	<u>11,929,219</u>
Other Financing Sources (Uses)				
Miscellaneous	-	-	-	-
Bond Principal Payments	(1,565,000)	(1,565,000)	(1,565,000)	-
Capital Lease Principal Payments	(48,000)	(48,000)	(48,000)	-
Bond Proceeds	-	-	127,046	127,046
Operating Transfers In	-	-	370,012	370,012
Operating Transfers Out	(15,187,698)	(15,187,698)	(35,088,825)	(19,901,127)
Transfers In/(Out) for Debt Service	-	-	-	-
Total Other Financing Sources (Uses)	<u>(16,800,698)</u>	<u>(16,800,698)</u>	<u>(36,204,767)</u>	<u>(19,404,069)</u>
(Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(20,000,000)</u>	<u>(24,333,000)</u>	<u>(31,807,850)</u>	<u>(7,474,850)</u>
Fund Balance July 1, 2002	<u>38,723,710</u>	<u>38,723,710</u>	<u>39,185,710</u>	<u>462,000</u>
Fund Balance June 30, 2003	<u>\$ 18,723,710</u>	<u>\$ 14,390,710</u>	<u>\$ 7,377,860</u>	<u>\$ (7,012,850)</u>

BOONE COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
In Lieu Tax Payments	-	-	-	-
Licenses and Permits	150,000	150,000	89,431	(60,569)
Intergovernmental	1,792,657	1,792,657	1,699,477	(93,180)
Charges for Services	150,000	150,000	110,782	(39,218)
Miscellaneous	366,000	366,000	505,295	139,295
Interest	15,000	15,000	19,984	4,984
Total Revenues	<u>2,473,657</u>	<u>2,473,657</u>	<u>2,424,969</u>	<u>(48,688)</u>
Expenditures				
General Government	-	-	-	-
Protection to Persons and Property	-	-	-	-
General Health and Sanitation	-	-	-	-
Social Services	-	-	-	-
Recreation and Culture	-	-	-	-
Roads	7,823,657	7,823,657	6,516,090	1,307,567
Administration	-	-	-	-
Total Expenditures	<u>7,823,657</u>	<u>7,823,657</u>	<u>6,516,090</u>	<u>1,307,567</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(5,350,000)</u>	<u>(5,350,000)</u>	<u>(4,091,121)</u>	<u>1,258,879</u>
Other Financing Sources (Uses)				
Miscellaneous	-	-	-	-
Proceeds from Sale of Fixed Assets	-	-	-	-
Bond Fees Paid to Fiscal Agent	-	-	-	-
Bond Proceeds	-	-	-	-
Operating Transfers In	4,000,000	4,000,000	4,000,000	-
Operating Transfers Out	-	-	-	-
Transfers In/(Out) for Debt Service	-	-	-	-
Total Other Financing Sources (Uses)	<u>4,000,000</u>	<u>4,000,000</u>	<u>4,000,000</u>	<u>-</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(1,350,000)</u>	<u>(1,350,000)</u>	<u>(91,121)</u>	<u>1,258,879</u>
Fund Balance July 1, 2002	<u>1,210,532</u>	<u>1,210,532</u>	<u>1,210,532</u>	<u>-</u>
Fund Balance June 30, 2003	<u>\$ (139,468)</u>	<u>\$ (139,468)</u>	<u>\$ 1,119,411</u>	<u>\$ 1,258,879</u>

BOONE COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
JAIL FUND
Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
In Lieu Tax Payments	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	1,195,000	1,195,000	1,658,557	463,557
Charges for Services	235,500	235,500	235,884	384
Miscellaneous	68,300	68,300	49,024	(19,276)
Interest	4,000	4,000	2,109	(1,891)
	<u>1,502,800</u>	<u>1,502,800</u>	<u>1,945,574</u>	<u>442,774</u>
Total Revenues				
	<u>1,502,800</u>	<u>1,502,800</u>	<u>1,945,574</u>	<u>442,774</u>
Expenditures				
General Government	-	-	-	-
Protection to Persons and Property	1,845,498	1,845,498	1,704,087	141,411
General Health and Sanitation	-	-	-	-
Social Services	-	-	-	-
Recreation and Culture	-	-	-	-
Capital Projects	-	-	-	-
Administration	445,000	445,000	453,652	(8,652)
	<u>2,290,498</u>	<u>2,290,498</u>	<u>2,157,739</u>	<u>132,759</u>
Total Expenditures				
	<u>2,290,498</u>	<u>2,290,498</u>	<u>2,157,739</u>	<u>132,759</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(787,698)</u>	<u>(787,698)</u>	<u>(212,165)</u>	<u>575,533</u>
Other Financing Sources (Uses)				
Miscellaneous	-	-	-	-
Proceeds from Sale of Fixed Assets	-	-	-	-
Bond Fees Paid to Fiscal Agent	-	-	-	-
Bond Proceeds	-	-	-	-
Operating Transfers In	687,698	687,698	300,000	(387,698)
Operating Transfers Out	-	-	-	-
Transfers In/(Out) for Debt Service	-	-	-	-
	<u>687,698</u>	<u>687,698</u>	<u>300,000</u>	<u>(387,698)</u>
Total Other Financing Sources (Uses)				
	<u>687,698</u>	<u>687,698</u>	<u>300,000</u>	<u>(387,698)</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(100,000)</u>	<u>(100,000)</u>	<u>87,835</u>	<u>187,835</u>
Fund Balance July 1, 2002	<u>79,148</u>	<u>79,148</u>	<u>79,148</u>	<u>-</u>
Fund Balance June 30, 2003	<u>\$ (20,852)</u>	<u>\$ (20,852)</u>	<u>\$ 166,983</u>	<u>\$ 187,835</u>

BOONE COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SCHOOL BOARD TAX FUND
Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,850,000	\$ 4,850,000	\$ 4,808,492	\$ (41,508)
In Lieu Tax Payments	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Miscellaneous	-	-	-	-
Interest	8,400	8,400	10,625	2,225
	<u>4,858,400</u>	<u>4,858,400</u>	<u>4,819,117</u>	<u>(39,283)</u>
Total Revenues				
Expenditures				
General Government	-	-	-	-
Protection to Persons and Property	-	-	-	-
General Health and Sanitation	-	-	-	-
Social Services	-	-	-	-
Recreation and Culture	-	-	-	-
Debt Service	-	-	-	-
Administration	4,958,400	4,958,400	4,324,877	633,523
	<u>4,958,400</u>	<u>4,958,400</u>	<u>4,324,877</u>	<u>633,523</u>
Total Expenditures				
Excess (Deficit) of Revenues Over Expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>494,240</u>	<u>594,240</u>
Other Financing Sources (Uses)				
Miscellaneous	-	-	-	-
Proceeds from Sale of Fixed Assets	-	-	-	-
Bond Fees Paid to Fiscal Agent	-	-	-	-
Bond Proceeds	-	-	-	-
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Transfers In/(Out) for Debt Service	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)				
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(100,000)</u>	<u>(100,000)</u>	<u>494,240</u>	<u>594,240</u>
Fund Balance July 1, 2002	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance June 30, 2003	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>\$ 494,240</u>	<u>\$ 594,240</u>

BOONE COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PUBLIC SAFETY FUND
Year Ended June 30, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 984,507	\$ 984,507	\$ 961,976	\$ (22,531)
In Lieu Tax Payments	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	130,000	130,000	178,579	48,579
Charges for Services	-	-	-	-
Miscellaneous	44,000	44,000	27,330	(16,670)
Interest	-	-	-	-
	<u>1,158,507</u>	<u>1,158,507</u>	<u>1,167,885</u>	<u>9,378</u>
Total Revenues				
Expenditures				
General Government	-	-	-	-
Protection to Persons and Property	-	-	-	-
General Health and Sanitation	-	-	-	-
Social Services	-	-	-	-
Recreation and Culture	-	-	-	-
Capital Projects	-	-	-	-
Administration	2,362,484	2,362,484	1,196,980	1,165,504
	<u>2,362,484</u>	<u>2,362,484</u>	<u>1,196,980</u>	<u>1,165,504</u>
Total Expenditures				
Excess (Deficit) of Revenues Over Expenditures	<u>(1,203,977)</u>	<u>(1,203,977)</u>	<u>(29,095)</u>	<u>1,174,882</u>
Other Financing Sources (Uses)				
Miscellaneous	-	-	-	-
Proceeds from Sale of Fixed Assets	-	-	-	-
Bond Fees Paid to Fiscal Agent	-	-	-	-
Bond Proceeds	-	-	-	-
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Transfers In/(Out) for Debt Service	(703,438)	(703,438)	(703,437)	1
	<u>(703,438)</u>	<u>(703,438)</u>	<u>(703,437)</u>	<u>1</u>
Total Other Financing Sources (Uses)				
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(1,907,415)</u>	<u>(1,907,415)</u>	<u>(732,532)</u>	<u>1,174,883</u>
Fund Balance July 1, 2002	<u>1,898,407</u>	<u>1,898,407</u>	<u>1,898,407</u>	<u>-</u>
Fund Balance June 30, 2003	<u>\$ (9,008)</u>	<u>\$ (9,008)</u>	<u>\$ 1,165,875</u>	<u>\$ 1,174,883</u>

**BOONE COUNTY
CONDITION RATING OF THE COUNTY'S STREET SYSTEM**

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

2003	2002	2001
98%	97%	95%

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

2003	2002	2001
2%	3%	5%

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

	2003	2002	2001
Bridge			
Needed	\$ 100,000	\$ 125,000	\$ -
Actual	-	7,116	-
Roads			
Needed	631,550	455,135	424,490
Actual	573,267	415,139	417,411
Subdivision			
Needed	2,150,607	1,549,865	1,445,510
Actual	1,952,139	1,413,665	1,421,406

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. The Super MS pavement system uses a measurement scale that is based on a pavement quality index (PQI) ranging from 2.0 for a failed pavement in perfect condition. The County has established a minimum PQI ranging from 2.0 for a failed pavement in perfect condition. The County has established a minimum PQI of 6.0 for local roads and 7.0 for collector roads. 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
 COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 June 30, 2003

	Local Government Economic Assistance Fund	Federal Grants Fund	Parks and Recreation Fund	Economic Assistance Fund	Local Law Enforcement Fund	Mental Health Fund	Revolving Loan Fund	Motor Vehicle Rental Tax Fund	Scattered Sewer Assessment Fund	Earl Parker Robinson Fund	Public Properties Fund	Total Governmental Funds
Assets												
Cash and Cash Equivalents	\$ 96,899	\$ -	\$ -	\$ -	\$ -	\$ 1,418,802	\$ 82,907	\$ 143	\$ 631,950	\$ 271,901	\$ 50,989	\$ 2,553,591
Investments	-	-	-	-	-	-	-	-	-	-	5,975,874	5,975,874
Notes Receivable	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	-	-	-	-	-	142,489	142,489
Due from Boone County Golf Course	-	-	-	-	-	-	-	-	-	-	150,000	150,000
Restricted Cash	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 96,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,418,802</u>	<u>\$ 82,907</u>	<u>\$ 143</u>	<u>\$ 631,950</u>	<u>\$ 271,901</u>	<u>\$ 6,319,352</u>	<u>\$ 8,821,954</u>
Liabilities and Fund Balances												
Liabilities												
Restricted Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	3,560	\$ 3,560
Fund Balances												
Reserved for:												
Encumbrances	4,379	-	-	-	-	730	-	-	-	-	-	5,109
Road Projects	-	-	-	-	-	-	-	-	-	-	-	-
Special Projects	-	-	-	-	-	-	82,907	-	631,950	-	-	714,857
Contractual Tax Agreements	-	-	-	-	-	1,418,072	-	143	-	-	-	1,418,215
Debt Service	-	-	-	-	-	-	-	-	-	-	6,115,825	6,115,825
Unreserved	<u>92,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>271,901</u>	<u>199,967</u>	<u>564,388</u>
Total Fund Balances	<u>96,899</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,418,802</u>	<u>82,907</u>	<u>143</u>	<u>631,950</u>	<u>271,901</u>	<u>6,315,792</u>	<u>8,818,394</u>
Total Liabilities and Fund Balances	<u>\$ 96,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,418,802</u>	<u>\$ 82,907</u>	<u>\$ 143</u>	<u>\$ 631,950</u>	<u>\$ 271,901</u>	<u>\$ 6,319,352</u>	<u>\$ 8,821,954</u>

See accompanying notes.

BOONE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Year Ended June 30, 2003

	Local Government Economic Assistance Fund	Federal Grants Fund	Parks and Recreation Fund	Economic Assistance Fund	Local Law Enforcement Fund	Mental Health Fund	Revolving Loan Fund	Motor Vehicle Rental Tax Fund	Scattered Sewer Assessment Fund	Earl Parker Robinson Fund	Public Properties Fund	Total Governmental Funds
Revenues												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,691,483	\$ -	\$ 1,541,002	\$ -	\$ -	\$ -	\$ 3,232,485
In Lieu Tax Payments	-	-	-	-	-	-	-	-	-	-	-	-
Excess Fees	-	-	-	-	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	96,805	778,425	-	-	19,573	-	-	1,000	-	-	-	895,803
Charges for Services	-	-	-	-	-	-	-	-	-	-	2,029,370	2,029,370
Miscellaneous	-	-	3,859	-	-	7,046	-	-	-	-	-	10,905
Interest	2,507	-	38	917	38	28,089	1,582	2,816	18,505	5,188	165,734	225,414
Total Revenues	<u>99,312</u>	<u>778,425</u>	<u>3,897</u>	<u>917</u>	<u>19,611</u>	<u>1,726,618</u>	<u>1,582</u>	<u>1,543,818</u>	<u>19,505</u>	<u>5,188</u>	<u>2,195,104</u>	<u>6,393,977</u>
Expenditures												
General Government	-	-	-	-	-	-	-	-	-	-	7,380	7,380
Protection to Persons and Property	-	-	-	-	23,764	-	-	-	-	-	-	23,764
General Health and Sanitation	146,471	778,425	-	-	-	1,280,603	-	-	-	-	-	2,205,499
Social Services	-	-	-	-	-	569,727	-	-	-	-	-	569,727
Recreation and Culture	-	-	1,325	-	-	-	-	-	-	-	-	1,325
Roads	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-	-	1,023,673	1,023,673
Capital Projects	-	-	-	100,362	-	-	-	-	355,555	-	3,726,696	4,182,613
Administration	-	-	-	-	-	67,292	-	1,543,741	-	-	-	1,611,033
Total Expenditures	<u>146,471</u>	<u>778,425</u>	<u>1,325</u>	<u>100,362</u>	<u>23,764</u>	<u>1,917,622</u>	<u>-</u>	<u>1,543,741</u>	<u>355,555</u>	<u>-</u>	<u>4,757,749</u>	<u>9,625,014</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>(47,159)</u>	<u>-</u>	<u>2,572</u>	<u>(99,445)</u>	<u>(4,153)</u>	<u>(191,004)</u>	<u>1,582</u>	<u>77</u>	<u>(336,050)</u>	<u>5,188</u>	<u>(2,562,645)</u>	<u>(3,231,037)</u>
Other Financing Sources (Uses)												
Capital Lease Principal Payments	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to Other Funds	-	-	(4,827)	(84,597)	-	-	-	-	-	-	(125,089)	(214,513)
Transfers from Other Funds	-	-	-	-	-	-	-	-	-	-	4,880	4,880
Bond Principal Payments	-	-	-	-	-	-	-	-	-	-	(575,000)	(575,000)
Bond Proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(4,827)</u>	<u>(84,597)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(695,209)</u>	<u>(784,633)</u>
Net Change in Fund Balances	<u>(47,159)</u>	<u>-</u>	<u>(2,255)</u>	<u>(184,042)</u>	<u>(4,153)</u>	<u>(191,004)</u>	<u>1,582</u>	<u>77</u>	<u>(336,050)</u>	<u>5,188</u>	<u>(3,257,854)</u>	<u>(4,015,670)</u>
Fund Balances - Beginning	<u>144,058</u>	<u>-</u>	<u>2,255</u>	<u>184,042</u>	<u>4,153</u>	<u>1,609,806</u>	<u>81,325</u>	<u>66</u>	<u>968,000</u>	<u>266,713</u>	<u>9,573,646</u>	<u>12,834,064</u>
Fund Balances - Ending	<u>\$ 96,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,418,802</u>	<u>\$ 82,907</u>	<u>\$ 143</u>	<u>\$ 631,950</u>	<u>\$ 271,901</u>	<u>\$ 6,315,792</u>	<u>\$ 8,818,394</u>

See accompanying notes.

BOONE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2003

<u>Federal Grants/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Direct Program:			
Section Eight Housing Rental Assistance Program	14.871	KY135-CE-0012	\$ 4,169,563
Passed-Through State Department for Local Government:			
Emergency Shelter Grants Program	14.231	S01-DC21-0001	10,000
Community Development Block Grant	14.228	B-98-DC-21-0001	<u>778,425</u>
Total U.S. Department of Housing and Urban Development			\$ <u>4,957,988</u>
U.S. Department of the Interior			
Passed-Through the Kentucky Heritage Council:			
Historic Preservation Fund Grant Federal Survey and Planning Grant	15.904	01-00-CLG-211	\$ <u>5,600</u>
U.S. Department of Justice			
Passed-Through State Justice Cabinet:			
Local Law Enforcement Block Grant Criminal Investigation Equipment	16.597	00-LB-VX-2253	\$ 4,172
Police Equipment	16.597	01-LB-VX-7436	17,616
Bulletproof Vest Partnership Program	16.607	99002720	<u>11,888</u>
Total U.S. Department of Justice			\$ <u>33,676</u>
U.S. Federal Emergency Management Agency			
Passed-Through State Department of Military Affairs:			
Disaster and Emergency Assistance Grants - Coordinator Salary	83.503	B0111-44-01	\$ <u>13,531</u>
Total Cash Expenditures of Federal Awards			\$ <u><u>5,010,795</u></u>

BOONE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2003

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Boone County and is presented on the basis of accounting described in Note 1 of the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – SECTION EIGHT HOUSING RENTAL ASSISTANCE PROGRAM

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



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

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, 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 Boone County as of and for the year ended June 30, 2003, and have issued our report thereon dated January 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

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

VonLehman & Company Inc.

Fort Mitchell, Kentucky
January 8, 2004



**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 Ernie Fletcher, Governor
Robbie Rudolph, 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 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, 2003. Boone County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Boone County's management. Our responsibility is to express an opinion on Boone County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boone County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Boone County's compliance with those requirements.

In our opinion, Boone County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

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

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

VonLehman & Company Inc.

Fort Mitchell, Kentucky
January 8, 2004

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2003

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS	
Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statements level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	None Reported
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
FEDERAL AWARDS	
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable conditions identified, not considered to be material weaknesses reported for major programs?	None Reported
Type of Major Programs Compliance Opinion	Unqualified
Are there any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510?	No
Major Programs (list):	Section 8 Housing Choice Vouchers [CFDA 14.871] Community Development Block Grant [CFDA 14.228]
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: > all others
Low Risk Auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters to be reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters to be reported.

BOONE COUNTY
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2003

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

No matters were reported.

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.