

BOONE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2005

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

**BOONE COUNTY FISCAL COURT
TABLE OF CONTENTS**

	PAGE
Independent Auditors' Report	
Boone County Officials	1
Management's Discussion and Analysis (MD&A)	2 - 10
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	16
Statement of Net Assets – Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19
Statement of Fiduciary Net Assets – Fiduciary Funds	20
Notes to the Financial Statements	21 - 39
Required Supplemental Information	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual –	
General Fund	40
Road and Bridge Fund	41
Jail Fund	42
Notes to Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	43
Condition Rating of the County's Street System	44

**BOONE COUNTY FISCAL COURT
TABLE OF CONTENTS
(Continued)**

	PAGE
Supplemental Information	
Combining Balance Sheet – Nonmajor Governmental Funds	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	46
Schedule of Expenditures of Federal Awards	47
Notes to the Schedule of Expenditures of Federal Awards	48
Report on Internal Control Over Financial Reporting and on Compliance and on Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	50 - 51
Schedule of Findings and Questioned Costs	52
Schedule of Status of Prior Year Findings and Questioned Costs	53



INDEPENDENT AUDITORS' REPORT

To the People of Kentucky

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Boone County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Boone County, Kentucky, as of June 30, 2005, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006, on our consideration of Boone County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison schedules and the condition rating of the County's street system on pages 2 through 10, 40 through 42 and 44 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John Farris, Secretary, Finance and Administration Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court
Page 2

required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boone County, Kentucky's basic financial statements. The combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Boone County. The combining non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
September 22, 2006

BOONE COUNTY OFFICIALS
Fiscal Year Ended June 30, 2005

Fiscal Court Members:

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

Other Elected Officials:

J.R. Schrand	County Attorney
Edward Prindle	Jailer
Marilyn K. Rouse	County Clerk
Pat Gutzeit	Circuit Court Clerk
Michael A. Helmig	Sheriff
Ronald N. Burch	Property Valuation Administrator
Douglas M. Stith	Coroner

Appointed Personnel:

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

BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005
Unaudited

Our management's discussion and analysis (MD&A) of Boone County's financial performance provides this narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the County's financial statements that begin on page 11.

Financial Highlights

- As of June 30, 2005, Boone County's net assets were \$181,528,934, which is a 5% increase from prior year. As total current assets of \$35,554,348 decreased by \$6,367,412, the capital assets increased by more than 5% or \$10,624,021. The increase of the non-current assets is consistent with the completion of three buildings, new road projects, and additional water lines throughout the County which in turn lowered non current investments of construction dollars.
- Program revenues offset 52% of Boone County's governmental activity expenses, totaling \$45,266,023. Program revenues consist of grants, contributions and 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 \$71,092,707, of which \$14,771,829 is short term (to be paid in full within one year). This short term payment is overstated by \$9,655,000 due to a defeasance of an escrowed bond. These dollars have been held in escrow since 2003 to pay the bonds when they come due in 2006.
- The County expended more than \$10,000,000 on capital projects; including roads, buildings, water expansion, and land for parks.
 - The completion of three buildings occurred in FY05. The Public Safety Complex, which incorporated the Sheriff's Complex and the 362 bed jail facility were completed and added to the County's fixed assets at a total of nearly \$24,000,000. The other completed building project included the Maplewood Educational Facility at a cost of \$592,500.
 - Petersburg Community Center, Library and Fire Department started construction with funds being provided by a federal Community Development Block Grant, library donation and fire department donation.
 - Acquired over eighty five acres in FY04, through purchase and donation, adjacent to Conrad Park for future expansion. This land is being paid over a seven year period.
 - Two major road slip projects were completed and re-opened in FY05; Lower River Road and Ryle Road at a cost of over \$1,000,000. Total subdivision roads donated to the County's infrastructure and maintenance list totaled over \$5,600,000.
 - Engineering studies continue and more revenue secured for Industrial Road Improvements (design to be completed in March 2007) and South Airport Connector Road (design to be complete in December 2007).
 - Water line expansions throughout rural Boone County are under construction and will continue throughout FY06. Phase I Water Expansion was completed and added to the County's infrastructure with water lines throughout western Boone County at a total of over \$5,000,000. Phase II construction has begun and will cover the East Bend Road area at a total of approximately \$3,000,000.

BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005
Unaudited
(Continued)

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

The primary government includes the following legal entities:

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

The component unit presentation includes the following legal entity:

- Boone County Public Safety Communication Center

The financial information of the County "as a whole" is reported in the two government-wide financial statements (pages 11 and 12). 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 year ending June 30, 2004, the County converted the government wide financial statements from the modified cash basis of accounting to the modified accrual basis of accounting. With this conversion the County is in compliance with generally accepted accounting principles.

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

- Governmental Activities - Most of the County's basic services are reported in this section, including police protection, roads and public works, parks, jail, emergency management, water rescue, building inspection, animal control, and social services. Governmental activities also include the general administration of the County, all capital projects and mental health, mental retardation and aging programs. These programs and services are funded 53% by program revenues which include charges for services and federal, state and local operating and capital grants. These activities show an increase in net assets of nearly \$9,000,000, of which \$5,678,531 was donated infrastructure.

BOONE COUNTY FISCAL COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2005

**Unaudited
(Continued)**

- **Business-Type Activities** – The County has four business-type funds; the jail canteen, assisted housing, self insurance and golf course fund. Each of these funds charges a fee to customers to help cover the cost of these services. A decrease in net assets of more than \$1,000,000 occurred due to an operating loss of more than \$820,000 in the self insurance fund.
- **Component Unit Activities** – Although the Public Safety Communications Center (PSCC) is a separate legal entity, the financial statements include its activities as a separate component unit since the County is financially accountable. PSCC is governed by a separate Board appointed by County and City officials. Boone County funds the operations of this entity at 75% and the capital at 100%.

Fund Financial Statements

The fund financial statements (pages 13 through 15) 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 four funds deemed "major" are general, road and bridge, jail, and capital improvements funds.

- **Governmental funds** are used to report most of the County's basic services. These funds provide a short-term view of the County's operations. The County currently has twelve governmental funds and adopts a budget for each. 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 14 and 16.
- **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 four proprietary funds; Jail Canteen Fund, Assisted Housing Fund, Self Insurance 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 three fiduciary funds; Jail Prisoners Cash Fund, School Board Tax Fund and Waterline Fund.

Notes to the Financial Statements

The notes to the financial statements (pages 21 through 39) provide expanded explanation about the government-wide and fund financial statements and are essential to the reader in obtaining a better understanding of the information provided within the financial statements.

BOONE COUNTY FISCAL COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2005

**Unaudited
(Continued)**

Required Supplementary Information

The budgetary comparison schedules (pages 40 through 42) for the general fund and two major special revenue funds provide information that supplements the government-wide and fund financial statements.

Other required information is the Condition Rating of the County's Road System. The Public Works Department is utilizing the modified approach method in valuing the County's maintained road system. The modified approach establishes a minimum condition level set for all Boone County maintained roads. The Public Works Department will maintain the necessary condition level through its Pavement Management Program which establishes a Pavement Quality Index (PQI) when the roads are analyzed (every 3 to 4 years) on a range from 2.0 to 10.0. The County has and will continue its commitment to preserve and maintain the road system at a level of at least 7.0 on all collector roads and 6.0 on other local roads. Using this approach, the roads will maintain the asset value of construction or historic cost, whichever is available, and will not depreciate each year. The dollar value of the road will not increase unless 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 to the Court through the budget process. The PQI is upgraded upon rehabilitation and by doing this the County fulfills the requirements of the Modified Approach.

Supplementary Information

The Combining Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds (pages 45 and 46) present the activities of the non-major governmental funds.

The Schedule of Expenditures of Federal Awards (page 47) provides information required pursuant to the Office of Management and Budget (OMB) Circular A-133 of all federal grant money received by the County.

Basis of Accounting

The County has converted all financial information to the modified accrual basis of accounting as required by generally accepted accounting principles (GAAP). Under this basis of accounting, revenues are recorded when the resources are measurable and available and expenditures are recorded in the accounting period in which the related fund liability is incurred. In previous years, certain assets such as accounts receivable and certain liabilities such as accounts payable were not recorded in the financial statements, therefore limiting the reader of the full effect of the financial statements. The Boone County budget is adopted on a cash basis of accounting, which is required by the Kentucky Constitution. The schedule on page 43 reconciles the actual results of the cash basis budget and the accrual basis fund statements.

BOONE COUNTY FISCAL COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2005

**Unaudited
(Continued)**

Financial Analysis of the County as a Whole

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

	Statement of Net Assets			
	Governmental Activities		Business Activities	
	FY05	FY04	FY05	FY04
Current Assets	\$ 34,626,282	\$ 40,116,014	\$ 928,066	\$ 1,805,746
Non-Current Assets	<u>214,423,952</u>	<u>203,446,691</u>	<u>6,399,959</u>	<u>6,916,997</u>
Total Assets	<u>249,050,234</u>	<u>243,562,705</u>	<u>7,328,025</u>	<u>8,722,743</u>
Current Liabilities	15,468,831	5,542,600	1,306,419	1,160,666
Long-Term Liabilities	<u>52,356,597</u>	<u>65,782,117</u>	<u>5,717,478</u>	<u>6,220,324</u>
Total Liabilities	<u>67,825,428</u>	<u>71,324,717</u>	<u>7,023,897</u>	<u>7,380,990</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	147,321,590	132,927,490	573,593	459,596
Restricted	-	-	290,014	283,136
Unrestricted	<u>33,903,216</u>	<u>39,310,498</u>	<u>(559,479)</u>	<u>599,021</u>
Total Net Assets	<u>\$ 181,224,806</u>	<u>\$ 172,237,988</u>	<u>\$ 304,128</u>	<u>\$ 1,341,753</u>

At June 30, 2005, the County's assets exceeded its liabilities by \$181,528,934 a 4.6% increase from the prior year. The majority of the County's assets (85%) are invested in capital assets which include land, buildings, infrastructure, equipment and vehicles. These assets are listed under the non-current assets section as capital and infrastructure assets. The unrestricted net asset amount of \$33,343,737 represents the amount the County can use to operate on a day-to-day basis to provide basic services and construction. The restricted amount under business activities of \$290,014 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 (HUD).

In comparing the Statement of Net Assets to the prior year, there are three areas with major variances.

- The large variance between the current and long-term liabilities under governmental activities occurred due to a bond defeasance in which dollars have been held in escrow for several years. This bond which was for the sewer infrastructure was refinanced in 2003 but could not be defeased until 2006 and the dollars held in escrow. This has overstated invested monies on the current assets and also overstated bonds payable since 2003.
- An increase in capital assets of 5% or over \$10,000,000 was mainly due to over \$6,600,000 in donated subdivision streets and two roads rebuilt during FY05. The remainder of the increase was due to the beginning construction of Phase II rural water expansion, Petersburg Community Center, and new vehicles and equipment.
- In the business activity, a decrease in net assets of more than \$1,000,000 occurred due to an operating loss of more that \$820,000 in the self insurance fund. This loss resulted from experiencing a high medical claim year. The trend in medical insurance expects a large claim period every five years, which is where we are at this time. Changes to the health insurance program are in process. The other portion of the loss is skewed from last year's golf course numbers which were based on an eighteen month period versus a twelve month period for FY05.

BOONE COUNTY FISCAL COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2005

**Unaudited
(Continued)**

	Statement of Net Assets			
	Governmental Activities		Business Activities	
	FY05	FY04	FY05	FY04
Revenues				
Program Revenues				
Charges for Services	\$ 3,667,120	\$ 4,392,425	\$ 6,223,223	\$ 7,164,792
Operating Grants and Contributions	10,191,517	9,736,591	5,129,040	4,549,898
Capital Grants and Contributions	9,907,792	8,855,006	-	-
General Revenue				
Taxes	28,867,748	26,469,210	-	-
Excess Fees	672,396	551,473	-	-
Investment Earnings	648,717	558,262	43,724	33,894
Other	<u>297,551</u>	<u>401,286</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>54,252,841</u>	<u>50,964,253</u>	<u>11,395,987</u>	<u>11,748,584</u>
Expenses				
General Government and Administration	17,631,164	16,784,206	-	-
Protection to Persons and Property	11,354,604	9,420,480	-	-
General Health and Sanitation	1,765,992	2,022,964	-	-
Social Services	1,019,091	1,687,299	-	-
Recreation and Culture	1,867,566	1,344,487	-	-
Roads	6,960,406	6,064,603	-	-
Capital Improvements	1,997,891	2,157,163	-	-
Interest on Long-Term Debt	2,669,309	2,894,757	-	-
Jail Canteen Fund	-	-	181,233	155,371
Golf Course Fund	-	-	2,631,168	3,989,377
Self Insurance Fund	-	-	4,488,560	3,753,738
Assisted Housing Fund	<u>-</u>	<u>-</u>	<u>5,132,651</u>	<u>4,518,025</u>
Total Expenses	<u>45,266,023</u>	<u>42,375,959</u>	<u>12,433,612</u>	<u>12,416,511</u>
Changes in Net Assets	8,986,818	8,588,294	(1,037,625)	(667,927)
Net Assets July 1, 2004	<u>172,237,988</u>	<u>163,649,694</u>	<u>1,341,753</u>	<u>2,009,680</u>
Net Assets June 30, 2005	<u>\$ 181,224,806</u>	<u>\$ 172,237,988</u>	<u>\$ 304,128</u>	<u>\$ 1,341,753</u>

During FY 2005, the net assets increased by \$8,986,818 for governmental activities and decreased by \$1,037,625 for the business-type. The business-type activity of Assisted Housing and jail canteen changed positively but the Golf Course and Self Insurance funds had a loss for the year.

The total revenue and expenses for the year both increased by nearly 7%. The revenue increased by nearly \$3.3 million dollars over the fiscal year due to the following:

- Increase of over \$2.4 million or 9.1% in payroll, property and franchise taxes.
- Increase of over \$1 million in Capital Grants and contributions.
- Increase of over 16% in investment earnings due to the raising interest rates.

BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005
Unaudited
(Continued)

Program revenues for the governmental activities were 44% of total revenue received. This explains that 44% 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, debt service and all contractual agreements, such as TANK and the Public Safety Communication Center. Two other major users of general revenue are the protection to persons and property (sheriff's department, jail, emergency management and building inspections) and roads, which contain the maintenance and upgrades to the County's road system, along with snow removal, storm sewer maintenance and the daily operations of the Public Works Department.

Two functions look to be substantially self-supporting; general health and sanitation and roads. The general health and sanitation is due to the collection of the sewer surcharge, which the expense is solely used for debt service payments on the sewer system. Once the debt service is paid in full, the surcharge will be eliminated which is projected for December 2006. The road function is positive due to the \$9,790,047 in capital grants and contributions, which consists of \$5.6 million in donated roads and the remainder of over \$3 million in general fund contributions to the road fund.

Financial Analysis of the County's Funds

Fund financial statements generally distinguish between major and non-major funds with major funds presented individually. The County has four major funds; general, road and bridge, jail, and capital improvements. The County's governmental funds reflect a combined fund balance of \$34,206,783, of which \$20,505,932 is unreserved to be used for day-to-day operations. The fund financial statements for the governmental funds can be found on pages 13 and 15. The decrease in fund balance from the prior year of nearly \$5 million in the Capital Improvements fund is the result of construction dollars spent and buildings completed and becoming an asset. The change in the general fund balance of a decrease of approximately \$1 million resulted from below the line changes in the other financing sources. The revenue and expenditures are increasing at the same rate of 9%, which also caused a 9% increase in the excess of revenues over expenditures.

The County's proprietary funds' statements are shown on pages 17 through 19 with total net assets of \$304,128 a large decrease from the previous year. In the past couple of years the golf course had a net operating loss. The current year's net operating income at the golf course was \$74,616, but after expending the interest expense from the bonds, the net assets decreased to a negative \$45,340. The self insurance fund ended in a negative after a high claimant year as explained earlier. The jail canteen fund's net assets ended with \$2,859 and assisted housing's fund net assets were \$616,211.

The County has three fiduciary funds, jail prisoners' fund, waterline fund, and school board tax fund, for which the statements are shown on page 20. These monies are restricted and we exclude them from the other statements because the County cannot use these assets to finance operations.

BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005
Unaudited
(Continued)

General Fund Budgetary Highlights

There were no amendments to Boone County's budget in Fiscal Year 2005 although the County made various line item transfers within the budget to increase/decrease certain line items. Some transfers were inter-fund transfer but have no effect on the budget's bottom line. Throughout the year, general fund revenues collected were over budget by 6% or \$2,072,932 and operating expenses were below budget by \$3,364,443 or 11%.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the governmental activities of the County had \$213,425,576 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 approximately \$11 million, or 5%, on the governmental activities and a decrease of \$372,282, or 6%, on the business-type activities from the previous year. The business-type activities are showing a decrease due to the Golf Course having a very limited capital budget for the past several years.

	<u>Capital Assets, Net of Accumulated Depreciation</u>			
	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>FY05</u>	<u>FY04</u>	<u>FY05</u>	<u>FY04</u>
Land	\$ 10,735,448	\$ 11,918,448	\$ 2,396,478	\$ 2,396,478
Roads, Modified Approach (not depreciated)	144,197,845	137,522,990	-	-
Land Improvements	8,038,389	3,110,718	2,073,905	2,359,191
Buildings and Improvements	46,103,270	21,989,432	1,068,123	1,143,173
Construction in Progress	1,103,628	24,473,899	9,071	-
Vehicles, Machinery and Equipment	2,908,436	3,092,370	14,737	22,331
Other Equipment	<u>338,560</u>	<u>321,416</u>	<u>-</u>	<u>13,423</u>
	<u>\$ 213,425,576</u>	<u>\$ 202,429,273</u>	<u>\$ 5,562,314</u>	<u>\$ 5,934,596</u>

A more detailed breakdown of the capital assets and depreciation can be found in Note 6 of the Notes to the Financial Statements, pages 30 through 32. The year brought about more than \$11 million in additional capital projects, including the completed construction of over \$24 million for Public Safety Complex and Jail facility, \$5 million in water lines to rural Boone County and an Educational Facility at Maplewood and a large decrease in construction in progress proving we are completing the many projects. Increases in roads of over \$6.6 million dollars resulted from more than \$5.6 million in donated roads from subdivision developers and \$1 million in repairing two major road slips.

BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2005
Unaudited
(Continued)

Debt

At June 30, 2005, the County had \$71,092,707 in bonds, leases and notes payable outstanding versus \$74,976,783 last year, a decrease of 5.1% - as shown on the chart below. This decrease is due to no new general obligation debt issued during FY05. Only one small note payable in the amount of \$1,415,000 for water and sewer projects which shall be paid over a five year period.

	Outstanding Debt at Year-End			
	Governmental Activities		Business Activities	
	FY05	FY04	FY05	FY04
General Obligation Bonds (Backed by the County)	\$ 39,990,000	\$ 43,455,000	\$ -	\$ -
Revenue Bonds (Backed by Specific Tax or Fee Revenues)	23,535,000	24,670,000	4,960,000	5,475,000
Capital Leases (Backed by Specific Tax or Fee Revenues)	360,000	412,000	28,721	-
Note Payable (Backed by the County)	<u>2,218,986</u>	<u>964,783</u>	<u>-</u>	<u>-</u>
	<u>\$ 66,103,986</u>	<u>\$ 69,501,783</u>	<u>\$ 4,988,721</u>	<u>\$ 5,475,000</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 2004 assessment this 2% total direct debt limitation is more than \$200 million dollars, which far exceeds the County's outstanding debt.

Economic Factors and Next Year's Budget

While establishing the FY2006 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 FY2005 to FY2006.

Requests for Information

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

BOONE COUNTY FISCAL COURT
STATEMENT OF NET ASSETS
June 30, 2005

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	
Current Assets				
Cash and Cash Equivalents	\$ 8,499,024	\$ 561,131	\$ 9,060,155	\$ 747,846
Investments	16,229,031	-	16,229,031	-
Inventory	-	44,559	44,559	-
Accounts Receivable	6,880,826	249,093	7,129,919	18,174
Deferred Charges	2,683	73,283	75,966	-
Due from Boone County Golf Course	1,160,718	-	1,160,718	-
Notes Receivable, Due Within One Year	1,854,000	-	1,854,000	-
Total Current Assets	<u>34,626,282</u>	<u>928,066</u>	<u>35,554,348</u>	<u>766,020</u>
Non-current Assets				
Capital Assets, Net of Accumulated Depreciation				
Land	10,735,448	2,396,478	13,131,926	-
Land Improvements	8,038,389	2,073,905	10,112,294	-
Buildings and Building Improvements	46,103,270	1,068,123	47,171,393	-
Furniture and Office Equipment	338,560	9,071	347,631	1,545,330
Vehicles and Equipment	2,908,436	14,737	2,923,173	-
Construction in Progress	1,103,628	-	1,103,628	-
Infrastructure Assets, Net of Accumulated Depreciation	144,197,845	-	144,197,845	-
Restricted Cash	33,987	330,769	364,756	-
Deferred Charges	58,389	506,876	565,265	-
Notes Receivable, Due in More than One Year	906,000	-	906,000	-
Total Non-current Assets	<u>214,423,952</u>	<u>6,399,959</u>	<u>220,823,911</u>	<u>1,545,330</u>
Total Assets	<u>249,050,234</u>	<u>7,328,025</u>	<u>256,378,259</u>	<u>2,311,350</u>
LIABILITIES				
Current Liabilities				
Compensated Absences Payable, Due Within One Year	49,603	-	49,603	11,586
Capital Lease, Due Within One Year	54,000	9,296	63,296	-
Bonds Payable, Due Within One Year	13,755,000	535,000	14,290,000	445,000
Note Payable, Due Within One Year	418,533	-	418,533	32,264
Accounts Payable	658,792	571,440	1,230,232	27,814
Accrued Payroll	168,264	20,032	188,296	22,368
Accrued Interest	364,639	28,406	393,045	3,063
Accrued Other	-	142,245	142,245	-
Total Current Liabilities	<u>15,468,831</u>	<u>1,306,419</u>	<u>16,775,250</u>	<u>542,095</u>
Non-current Liabilities				
Compensated Absences Payable, Due in More Than One Year	480,144	112,335	592,479	32,928
Due to General Fund	-	1,010,718	1,010,718	-
Due to Public Properties	-	150,000	150,000	-
Capital Lease, Due in More than One Year	306,000	19,425	325,425	-
Bonds Payable, Due in More than One Year	49,770,000	4,425,000	54,195,000	660,000
Note Payable, Due in More than One Year	1,800,453	-	1,800,453	67,736
Total Non-current Liabilities	<u>52,356,597</u>	<u>5,717,478</u>	<u>58,074,075</u>	<u>760,664</u>
Total Liabilities	<u>67,825,428</u>	<u>7,023,897</u>	<u>74,849,325</u>	<u>1,302,759</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	147,321,590	573,593	147,895,183	340,330
Restricted	-	290,014	290,014	-
Unrestricted	33,903,216	(559,479)	33,343,737	668,261
Total Net Assets	<u>\$ 181,224,806</u>	<u>\$ 304,128</u>	<u>\$ 181,528,934</u>	<u>\$ 1,008,591</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2005**

	<u>Major Funds</u>					<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>	<u>Capital Improvements Fund</u>	<u>Nonmajor Governmental Funds</u>	
Assets						
Cash and Cash Equivalents	\$ 6,622,084	\$ 230,348	\$ 110,395	\$ 225,702	\$ 1,310,495	\$ 8,499,024
Investments	11,639,972	-	-	4,588,753	306	16,229,031
Notes Receivable	1,010,000	-	-	1,750,000	-	2,760,000
Accounts Receivable	5,121,449	438,054	190,360	140,459	990,504	6,880,826
Due from Boone County Golf Course	1,010,718	-	-	-	150,000	1,160,718
Restricted Cash	33,987	-	-	-	-	33,987
Total Assets	<u>\$ 25,438,210</u>	<u>\$ 668,402</u>	<u>\$ 300,755</u>	<u>\$ 6,704,914</u>	<u>\$ 2,451,305</u>	<u>\$ 35,563,586</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ 281,594	\$ 181,080	\$ 79,365	\$ -	\$ 116,753	\$ 658,792
Accrued Payroll	98,548	33,271	36,445	-	-	168,264
Compensated Absences Payable	318,652	166,414	44,681	-	-	529,747
Total Liabilities	<u>698,794</u>	<u>380,765</u>	<u>160,491</u>	<u>-</u>	<u>116,753</u>	<u>1,356,803</u>
Fund Balances						
Reserved for:						
Road Projects	-	287,637	-	-	-	287,637
Special Projects	11,639,972	-	-	-	86,586	11,726,558
Contractual Tax Agreements	-	-	-	-	1,686,350	1,686,350
Debt Service	-	-	-	-	306	306
Unreserved	13,099,444	-	140,264	6,704,914	561,310	20,505,932
Total Fund Balances	<u>24,739,416</u>	<u>287,637</u>	<u>140,264</u>	<u>6,704,914</u>	<u>2,334,552</u>	<u>34,206,783</u>
Total Liabilities and Fund Balances	<u>\$ 25,438,210</u>	<u>\$ 668,402</u>	<u>\$ 300,755</u>	<u>\$ 6,704,914</u>	<u>\$ 2,451,305</u>	<u>\$ 35,563,586</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2005**

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

Total Fund Balance - Governmental Funds \$ 34,206,783

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of Capital Assets	\$ 227,096,559	
Accumulated Depreciation	<u>13,670,983</u>	
		213,425,576

Cost associated with the issuance of bonds are shown as expenditures in the fund statements. For the governmental statements these costs are capitalized and amortized over the life of the bond.

61,072

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Accrued Interest on Bonds	364,639	
Bonds, Notes and Lease Principal Payments, Due within One Year	14,227,533	
Bonds, Notes and Lease Principal Payments, Due in More than One Year	<u>51,876,453</u>	
		<u>(66,468,625)</u>

Total Net Assets - Governmental Activities \$ 181,224,806

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	Major Funds					Total Governmental Funds
	General Fund	Road and Bridge Fund	Jail Fund	Capital Improvements Fund	Nonmajor Governmental Funds	
Revenues						
Taxes	\$ 27,967,611	\$ -	\$ -	\$ -	\$ 3,547,582	\$ 31,515,193
In Lieu Tax Payments	369,595	-	-	-	-	369,595
Excess Fees	1,192,936	-	-	-	-	1,192,936
Licenses and Permits	1,582,938	120,846	-	-	-	1,703,784
Intergovernmental	1,915,364	1,681,676	1,421,918	2,219,787	1,419,526	8,658,271
Charges for Services	2,414,970	205,876	233,129	-	-	2,853,975
Miscellaneous	634,979	422,988	86,288	-	7,930	1,152,185
Interest	528,120	12,861	1,881	118,208	44,478	705,548
Total Revenues	<u>36,606,513</u>	<u>2,444,247</u>	<u>1,743,216</u>	<u>2,337,995</u>	<u>5,019,516</u>	<u>48,151,487</u>
Expenditures						
General Government	3,786,519	-	-	-	-	3,786,519
Protection to Persons and Property	8,448,027	-	2,348,726	-	84,921	10,881,674
General Health and Sanitation	411,051	-	-	-	1,331,743	1,742,794
Social Services	395,237	-	-	-	597,483	992,720
Recreation and Culture	1,660,820	-	-	-	-	1,660,820
Roads	-	6,446,975	-	-	151,749	6,598,724
Capital Projects	-	-	-	10,080,645	102,159	10,182,804
Administration	11,311,660	-	532,760	-	1,683,837	13,528,257
Debt Service	6,341,914	-	-	-	1,169,119	7,511,033
Total Expenditures	<u>32,355,228</u>	<u>6,446,975</u>	<u>2,881,486</u>	<u>10,080,645</u>	<u>5,121,011</u>	<u>56,885,345</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>4,251,285</u>	<u>(4,002,728)</u>	<u>(1,138,270)</u>	<u>(7,742,650)</u>	<u>(101,495)</u>	<u>(8,733,858)</u>
Other Financing Sources (Uses)						
Proceeds From the Sale of Capital Assets	37,396	55,253	-	1,800,000	-	1,892,649
Transfers to Other Funds	(5,370,000)	-	-	-	(1,110)	(5,371,110)
Transfers from Other Funds	174,816	4,000,000	1,195,480	814	-	5,371,110
Bond Proceeds	-	-	-	1,415,000	-	1,415,000
Bond Issuance Cost	-	-	-	(10,500)	-	(10,500)
Total Other Financing (Uses) Sources	<u>(5,157,788)</u>	<u>4,055,253</u>	<u>1,195,480</u>	<u>3,205,314</u>	<u>(1,110)</u>	<u>3,297,149</u>
Net Change in Fund Balances	(906,503)	52,525	57,210	(4,537,336)	(102,605)	(5,436,709)
Fund Balances July 1, 2004	<u>25,645,919</u>	<u>235,112</u>	<u>83,054</u>	<u>11,242,250</u>	<u>2,437,157</u>	<u>39,643,492</u>
Fund Balances June 30, 2005	<u>\$ 24,739,416</u>	<u>\$ 287,637</u>	<u>\$ 140,264</u>	<u>\$ 6,704,914</u>	<u>\$ 2,334,552</u>	<u>\$ 34,206,783</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005**

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

Total net change in fund balances - governmental funds \$ (5,436,709)

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.

Depreciation Expense	\$ (1,695,122)	
Capital Outlays	<u>8,472,720</u>	6,777,598

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. (1,415,000)

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. 4,812,797

Donated capital assets are not reported on the governmental fund statements. However, for governmental activities these assets are reported on the statement of net assets. 6,212,531

The cost from the issuance of bonds are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over the life of the bond as annual amortization in the statement of activities. 9,217

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is a result of the change in accrued interest on bonds. 30,210

Proceeds from the disposal of capital assets are recorded at the gross amount received. On the statement of activities, the proceeds from the sale are netted against the net book value of the asset. (2,003,826)

Total Change in Net Assets - Governmental Activities \$ 8,986,818

BOONE COUNTY FISCAL COURT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

	<u>Jail Canteen Fund</u>	<u>Assisted Housing</u>	<u>Self Insurance Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 2,859	\$ 209,145	\$ 195,075	\$ 154,052	\$ 561,131
Inventory	-	-	-	44,559	44,559
Accounts Receivable	-	249,093	-	-	249,093
Deferred Charges	-	-	-	73,283	73,283
Total Current Assets	<u>2,859</u>	<u>458,238</u>	<u>195,075</u>	<u>271,894</u>	<u>928,066</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	-	1,112,652	1,132,622
Furniture and Office Equipment	-	47,246	-	-	47,246
	-	67,216	-	11,282,274	11,349,490
Less Accumulated Depreciation	-	<u>58,145</u>	-	<u>5,729,031</u>	<u>5,787,176</u>
Net Capital Assets	-	9,071	-	5,553,243	5,562,314
Restricted Cash	-	329,773	-	996	330,769
Deferred Charges	-	-	-	506,876	506,876
Total Non-current Assets	<u>-</u>	<u>338,844</u>	<u>-</u>	<u>6,061,115</u>	<u>6,399,959</u>
Total Assets	<u>2,859</u>	<u>797,082</u>	<u>195,075</u>	<u>6,333,009</u>	<u>7,328,025</u>
Liabilities					
Current Liabilities					
Bonds Payable, Due Within One Year	-	-	-	535,000	535,000
Capital Lease Payable, Due Within One Year	-	-	-	9,296	9,296
Accounts Payable	-	14,253	464,677	92,510	571,440
Accrued Payroll	-	6,400	-	13,632	20,032
Accrued Interest Payable	-	-	-	28,406	28,406
Accrued Other	-	142,245	-	-	142,245
Total Current Liabilities	<u>-</u>	<u>162,898</u>	<u>464,677</u>	<u>678,844</u>	<u>1,306,419</u>
Non-current Liabilities					
Compensated Absences Payable	-	17,973	-	94,362	112,335
Due to General Fund	-	-	-	1,010,718	1,010,718
Due to Public Properties	-	-	-	150,000	150,000
Capital Lease Payable, Due in More than One Year	-	-	-	19,425	19,425
Bonds Payable, Due in More than One Year	-	-	-	4,425,000	4,425,000
Total Non-current Liabilities	<u>-</u>	<u>17,973</u>	<u>-</u>	<u>5,699,505</u>	<u>5,717,478</u>
Total Liabilities	<u>-</u>	<u>180,871</u>	<u>464,677</u>	<u>6,378,349</u>	<u>7,023,897</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	-	9,071	-	564,522	573,593
Restricted	-	290,014	-	-	290,014
Unrestricted	<u>2,859</u>	<u>317,126</u>	<u>(269,602)</u>	<u>(609,862)</u>	<u>(559,479)</u>
Total Net Assets	<u>\$ 2,859</u>	<u>\$ 616,211</u>	<u>\$ (269,602)</u>	<u>\$ (45,340)</u>	<u>\$ 304,128</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	<u>Jail Canteen Fund</u>	<u>Assisted Housing Fund</u>	<u>Self Insurance Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>
Operating Revenues					
Governmental Grants	\$ -	\$ 5,118,448	\$ -	\$ -	\$ 5,118,448
Canteen Receipts	158,614	-	-	-	158,614
Green Fees	-	-	-	1,572,361	1,572,361
Power Cart Rentals	-	-	-	566,095	566,095
Memberships	-	-	-	76,934	76,934
Commission	-	-	-	60,643	60,643
Pro Shop Sales and Pull Cart Rentals	-	-	-	120,737	120,737
Employer / Employee Contributions	-	-	3,667,839	-	3,667,839
Miscellaneous	-	10,592	-	-	10,592
	<u>158,614</u>	<u>5,129,040</u>	<u>3,667,839</u>	<u>2,396,770</u>	<u>11,352,263</u>
Total Operating Revenues					
Operating Expenses					
Cost of Merchandise Sold	166,382	-	-	97,256	263,638
Educational and Recreational	14,851	-	-	-	14,851
Housing Assistance Payment	-	4,568,617	-	-	4,568,617
Salaries and Wages	-	349,965	-	921,795	1,271,760
Employee Benefits	-	146,042	-	227,811	373,853
Contract Services	-	8,095	-	25,073	33,168
Materials and Supplies	-	-	-	8,585	8,585
Golf Cart Lease	-	-	-	102,661	102,661
Utilities	-	-	-	144,123	144,123
Maintenance and Repairs	-	-	-	52,754	52,754
Fertilizer and Chemicals	-	-	-	232,994	232,994
Petroleum Products	-	-	-	37,524	37,524
Uniforms	-	-	-	7,831	7,831
Depreciation	-	5,683	-	410,055	415,738
Other Operating Expenses	-	54,249	-	53,692	107,941
Insurance Claims	-	-	4,488,560	-	4,488,560
	<u>181,233</u>	<u>5,132,651</u>	<u>4,488,560</u>	<u>2,322,154</u>	<u>12,124,598</u>
Total Operating Expenses					
Operating (Loss) Income	<u>(22,619)</u>	<u>(3,611)</u>	<u>(820,721)</u>	<u>74,616</u>	<u>(772,335)</u>
Non-Operating Revenues (Expenses)					
Interest Income	-	14,861	21,274	7,589	43,724
Interest Expense	-	-	-	(309,014)	(309,014)
	<u>-</u>	<u>14,861</u>	<u>21,274</u>	<u>(301,425)</u>	<u>(265,290)</u>
Total Non-Operating Revenues					
Net Income (Loss)	<u>(22,619)</u>	<u>11,250</u>	<u>(799,447)</u>	<u>(226,809)</u>	<u>(1,037,625)</u>
Net Assets July 1, 2004	<u>25,478</u>	<u>604,961</u>	<u>529,845</u>	<u>181,469</u>	<u>1,341,753</u>
Net Assets June 30, 2005	<u>\$ 2,859</u>	<u>\$ 616,211</u>	<u>\$ (269,602)</u>	<u>\$ (45,340)</u>	<u>\$ 304,128</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2005**

	<u>Jail Canteen Fund</u>	<u>Assisted Housing Fund</u>	<u>Self Insurance Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>
Cash Flows From Operating Activities					
Receipts from Customers	\$ 158,614	\$ -	\$ -	\$ 2,276,033	\$ 2,434,647
Receipts from Commissions	-	-	-	120,737	120,737
Receipts from Governmental Grants	-	5,191,408	-	-	5,191,408
Receipts from Employees/Intergovernmental	-	-	3,667,839	-	3,667,839
Payments to Suppliers	(181,233)	(4,618,196)	-	(732,036)	(5,531,465)
Payments to Employees	-	(499,732)	-	(1,145,223)	(1,644,955)
Payments for Claims	-	-	(4,432,209)	-	(4,432,209)
Other Receipts (Expenses)	-	9,709	-	-	9,709
Net Cash (Used) Provided by Operating Activities	<u>(22,619)</u>	<u>83,189</u>	<u>(764,370)</u>	<u>519,511</u>	<u>(184,289)</u>
Cash Flows from Non Capital Financing Activities					
Proceeds from Other Funds	-	-	-	140,000	140,000
Payments to Other Funds	-	-	-	(140,000)	(140,000)
Net Cash Provided by Non Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities					
Purchase of Capital Assets	-	-	-	(4,060)	(4,060)
Payments on Bond Obligations	-	-	-	(515,000)	(515,000)
Payments on Capital Lease Obligations	-	-	-	(10,675)	(10,675)
Interest Paid on Bond Obligations	-	-	-	(85)	(85)
Interest Paid on Capital Lease Obligations	-	-	-	(238,446)	(238,446)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(768,266)</u>	<u>(768,266)</u>
Cash Flows from Investing Activities					
Interest Income	-	7,984	21,274	7,589	36,847
Net Change in Cash	(22,619)	91,173	(743,096)	(241,166)	(915,708)
Cash and Cash Equivalents July 1, 2004	<u>25,478</u>	<u>117,972</u>	<u>938,171</u>	<u>395,218</u>	<u>1,476,839</u>
Cash and Cash Equivalents June 30, 2005	<u>\$ 2,859</u>	<u>\$ 209,145</u>	<u>\$ 195,075</u>	<u>\$ 154,052</u>	<u>\$ 561,131</u>
Reconciliation of Operating Income					
Net Cash Provided by Operating Activities					
Operating (Loss) Income	\$ (22,619)	\$ (3,611)	\$ (820,721)	\$ 74,616	\$ (772,335)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation	-	5,683	-	410,055	415,738
Change in Assets and Liabilities					
Accounts Receivable	-	72,553	-	-	72,553
Inventory	-	-	-	20,450	20,450
Accounts Payable	-	-	56,351	10,007	66,358
Accrued Payroll	-	1,048	-	(4,588)	(3,540)
Compensated Absences Payable	-	7,516	-	8,971	16,487
Net Cash (Used) Provided by Operating Activities	<u>\$ (22,619)</u>	<u>\$ 83,189</u>	<u>\$ (764,370)</u>	<u>\$ 519,511</u>	<u>\$ (184,289)</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2005**

	Agency Funds		
	School Board Tax Fund	Jail Prisoners Funds	Waterline Fund
Assets			
Cash and Cash Equivalents	\$ 283,503	\$ 107,747	\$ 106,940
Accounts Receivable	1,354,965	-	-
Total Assets	1,638,468	107,747	106,940
Liabilities			
Accounts Payable and Accrued Liabilities	1,638,468	107,747	106,940
Net Assets	\$ -	\$ -	\$ -

See accompanying notes.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The financial statements of Boone County 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 PresentationGovernment-Wide Statements

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

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

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

Fund Financial Statements

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

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 Governor's Office for Local Development 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. Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund

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

Capital Improvements Fund

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

The government reports the following major proprietary funds:

Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Golf Course Fund

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

Assisted Housing Fund

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

Self Insurance Fund

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government reports the following fiduciary funds:

Jail Prisoners Fund

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

Waterline Fund

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

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.

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.

Basis of Accounting

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Legal Compliance - Budget

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

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

The Schedules of Revenues, Expenditures and Changes in Fund Balances Budget and Actual present a comparison of budgetary data in actual results. These funds utilize the same basis of accounting for both budgetary purposes and actual results. See page 43 for the reconciliation of the actual results to the fund statements.

Cash and Investments

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

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

Inventories

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

Capital Assets

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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 8.48 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 22.08 percent.

NOTE 2 – EMPLOYEE RETIREMENT SYSTEM (Continued)

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

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

The County's required contributions (both withholding and match) for pension obligations to CERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$1,171,061 (composed of \$769,207 from the County and \$401,854 from the employees), \$1,202,208 and \$1,056,807, respectively; 100% has been contributed for fiscal years 2005, 2004, and 2003.

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, 2005, the County's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County's agent in the County's name, or provided surety bond which named the County as beneficiary/obligee on the bond.

Investments

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

Interest Rate Risk

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

Credit Risk

The policy limits investments to the following:

- Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. The investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky.
- Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

- Obligations of any corporation of the United States government
- Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institute which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized to the extent uninsured, by any obligations permitted by KRS 41.240(4).
- Banker's acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.
- Commercial paper rated in the highest category by a nationally recognized rating agency.
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
- Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency.

Concentration of Credit Risk

The policy limits the concentration of credit risk as follows:

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy on custodial credit risk. As of June 30, 2005, the County investments are neither insured nor registered, but are held by the County's counter party in the County's name.

At June 30, 2005, the County's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Corporate Bonds	\$ 3,086,464	Weighted Average Maturity of .57 Years	AAA and Aaa
Money Market Funds	7,954	N/A	N/A
U.S. Treasuries	<u>13,134,613</u>	N/A	N/A
Total	<u>\$ 16,229,031</u>		

NOTE 4 – NOTES RECEIVABLE

The Walton Fire Protection District has a lease/purchase agreement with Boone County Fiscal Court for the construction of a single-level firehouse. Principal payments are due yearly with interest due semi-annually. The note matures in October, 2018. The receivable balance on the lease/purchase agreement at June 30, 2005 is \$275,000 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. Principal payments are due yearly with interest due monthly. The note matures in January, 2011. The receivables balance on the lease/purchase agreement at June 30, 2005 is \$360,000 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. Principal payments are due yearly with interest due semi-annually. The note matures in December, 2012. The receivables balance on the lease agreement at June 30, 2005 is \$375,000 and the Boone County Health Taxing District is in substantial compliance with the terms of the agreement.

The County sold land in June, 2005 for \$1,800,000. At the time of closing, the County received \$50,000. A promissory note was signed for the remaining balance. The note bears interest at 3% and is due in October, 2005. The balance on the note at June 30, 2005 was \$1,750,000.

The remaining maturities on the notes are as follows:

Year Ending <u>June 30,</u>	
2006	\$ 1,854,000
2007	112,000
2008	114,000
2009	121,000
2010	128,000
Thereafter	<u>431,000</u>
	<u>\$ 2,760,000</u>

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts Receivable consists of the following at June 30, 2005:

Taxes - Current	\$ 5,375,864
Taxes – Delinquent	5,154
Excess Fees	241,165
Charges for Service	183,735
Intergovernment	996,542
License Fees	178,777
Miscellaneous	<u>148,682</u>
	<u>\$ 7,129,919</u>

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

Governmental Activities	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Capital Assets Not Being Depreciated				
Land	\$ 11,918,448	\$ 617,000	\$ 1,800,000	\$ 10,735,448
Roads	136,851,297	6,681,837	-	143,533,134
Construction in Progress	<u>24,473,899</u>	<u>8,184,913</u>	<u>31,555,184</u>	<u>1,103,628</u>
Total Capital Assets Not Being Depreciated	<u>173,243,644</u>	<u>15,483,750</u>	<u>33,355,184</u>	<u>155,372,210</u>
Depreciable Capital Assets				
Land Improvements	3,886,259	5,081,811	-	8,968,070
Buildings and Building Improvements	28,248,694	24,759,687	183,750	52,824,631
Equipment	1,600,588	233,154	15,000	1,818,742
Furniture and Office Equipment	508,341	99,646	-	607,987
Vehicles	7,121,214	592,387	939,444	6,774,157
Roads	<u>730,762</u>	<u>-</u>	<u>-</u>	<u>730,762</u>
Total Depreciable Capital Assets	<u>42,095,858</u>	<u>30,766,685</u>	<u>1,138,194</u>	<u>71,724,349</u>
Total Capital Assets at Historical Cost	<u>215,339,502</u>	<u>46,250,435</u>	<u>34,493,378</u>	<u>227,096,559</u>
Less Accumulated Depreciation				
Land Improvements	775,541	154,140	-	929,681
Buildings and Building Improvements	6,259,262	506,250	44,151	6,721,361
Equipment	866,227	126,154	11,000	981,381
Furniture and Office Equipment	186,925	82,502	-	269,427
Vehicles	4,763,205	819,094	879,217	4,703,082
Roads	<u>59,069</u>	<u>6,982</u>	<u>-</u>	<u>66,051</u>
Total Accumulated Depreciation	<u>12,910,229</u>	<u>1,695,122</u>	<u>934,368</u>	<u>13,670,983</u>
Depreciable Capital Assets, Net	<u>29,185,629</u>	<u>29,071,563</u>	<u>203,826</u>	<u>58,053,366</u>
Governmental Activities Capital Assets - Net	<u>\$ 202,429,273</u>	<u>\$ 44,555,313</u>	<u>\$ 33,559,010</u>	<u>\$ 213,425,576</u>

NOTE 6 – CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended June 30, 2005 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	47,246	-	-	47,246
Vehicles, Machinery and Equipment	1,129,497	43,456	40,331	1,132,622
Totals at Historical Cost	<u>8,949,887</u>	<u>43,456</u>	<u>40,331</u>	<u>8,953,012</u>
Total Capital Assets at Historical Value	<u>11,346,365</u>	<u>43,456</u>	<u>40,331</u>	<u>11,349,490</u>
Less Accumulated Depreciation				
Land Improvements	3,164,465	285,286	-	3,449,751
Buildings and Building Improvements	1,106,315	75,050	-	1,181,365
Furniture and Office Equipment	33,823	4,352	-	38,175
Vehicles, Machinery and Equipment	1,107,166	51,050	40,331	1,117,885
Total Accumulated Depreciation	<u>5,411,769</u>	<u>415,738</u>	<u>40,331</u>	<u>5,787,176</u>
Depreciable Capital Assets, Net	<u>3,538,118</u>	<u>(372,282)</u>	<u>-</u>	<u>3,165,836</u>
Business - Type Activities Capital Assets - Net	<u>\$ 5,934,596</u>	<u>\$ (372,282)</u>	<u>\$ -</u>	<u>\$ 5,562,314</u>

Component Unit	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Depreciable Capital Assets				
Furniture, Office Equipment, and Vehicles	\$ 6,026,162	\$ 358,413	\$ 469,910	\$ 5,914,665
Less Accumulated Depreciation				
Furniture, Office Equipment, and Vehicles	<u>4,107,140</u>	<u>726,159</u>	<u>463,964</u>	<u>4,369,335</u>
Depreciable Capital Assets, Net	<u>1,919,022</u>	<u>(367,746)</u>	<u>5,946</u>	<u>1,545,330</u>
Component Unit Capital Assets - Net	<u>\$ 1,919,022</u>	<u>\$ (367,746)</u>	<u>\$ 5,946</u>	<u>\$ 1,545,330</u>

NOTE 6 – CAPITAL ASSETS (Continued)

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

	<u>June 30, 2005</u>
Governmental Activities	
General Government	\$ 449,808
Protection to Persons and Property	902,162
General Health and Sanitation	23,198
Social Services	26,371
Recreation and Culture	223,922
Roads, Including Depreciation of General Infrastructure Assets	<u>69,661</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 1,695,122</u>
Business-Type Activities	
Golf Course	\$ 410,055
Assisted Housing	<u>5,683</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 415,738</u>

The County has active construction projects as of June 30, 2005. Total accumulated commitments for ongoing capital projects are \$7,024,000.

NOTE 7 – ACCOUNTS PAYABLE

Accounts Payable consists of the following at June 30, 2005:

Contract Services	\$ 334,708
Supplies and Materials	180,865
Other Charges	206,826
Claims Payable	464,677
Refunds	34,518
Fringe Benefits	<u>8,638</u>
	<u>\$ 1,230,232</u>

NOTE 8 – LONG-TERM DEBT

The following is a summary of the County's long term debt transactions for the year ended June 30, 2005:

	<u>Debt Outstanding July 1, 2004</u>	<u>Additions of New Debt</u>	<u>Repayments and Defeasance</u>	<u>Debt Outstanding June 30, 2005</u>	<u>Amount Expected to Be Paid Within One Year</u>
General Obligation Bonds	\$ <u>43,455,000</u>	\$ <u>-</u>	\$ <u>3,465,000</u>	\$ <u>39,990,000</u>	\$ <u>3,580,000</u>
Revenue Bonds	\$ <u>30,145,000</u>	\$ <u>-</u>	\$ <u>1,650,000</u>	\$ <u>28,495,000</u>	\$ <u>10,710,000</u>
Note Payable	\$ <u>964,783</u>	\$ <u>1,415,000</u>	\$ <u>160,797</u>	\$ <u>2,218,986</u>	\$ <u>418,533</u>

NOTE 8 – LONG-TERM DEBT (Continued)

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>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ 100,133	\$ 610,000
2007	76,095	630,000
2008	50,395	655,000
2009	23,696	680,000
2010	9,757	15,000
2011-2015	35,815	100,000
2016-2020	<u>9,700</u>	<u>100,000</u>
Totals	<u>\$ 305,591</u>	<u>\$ 2,790,000</u>

Series 2001-General Fund

The County issued General Obligation Bonds for the purpose of discharging the outstanding amount of the Boone County Public Properties Corporation Multiple Projects Revenue Bonds, Series 1992. The series 2001 dated June 1, 2001, were issued at various interest rates ranging from 4.0% 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>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ 128,012	\$ 380,000
2007	113,012	370,000
2008	97,912	385,000
2009	82,112	405,000
2010	65,612	420,000
2011-2013	<u>88,643</u>	<u>1,345,000</u>
Totals	<u>\$ 575,303</u>	<u>\$ 3,305,000</u>

NOTE 8 – LONG-TERM DEBT (Continued)

Series 2002-General Fund

The County issued General Obligation Bonds for the purpose of building a Public Safety Complex. The series 2002 dated April 18, 2002, were issued at various interest rates ranging from 3.0% 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>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ 792,280	\$ 750,000
2007	766,968	775,000
2008	737,904	800,000
2009	705,904	835,000
2010	672,504	865,000
2011-2015	2,794,662	4,905,000
2016-2020	1,607,852	6,095,000
2021-2022	<u>216,248</u>	<u>2,860,000</u>
Totals	<u>\$ 8,294,324</u>	<u>\$17,885,000</u>

Series 2002-General Fund

The County issued General Obligation Bonds for the purpose of installing a water system. The series 2002 dated October 2, 2002, were issued at various interest rates ranging from 3.5% 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>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ 232,975	\$ 155,000
2007	227,463	160,000
2008	221,775	165,000
2009	215,913	170,000
2010	209,875	175,000
2011-2015	938,963	985,000
2016-2020	717,419	1,205,000
2021-2025	418,950	1,510,000
2026-2028	<u>74,248</u>	<u>1,080,000</u>
Totals	<u>\$ 3,257,581</u>	<u>\$ 5,605,000</u>

NOTE 8 – LONG-TERM DEBT (Continued)

Series 2003C – General Fund

The County issued General Obligation Bonds for the purpose of the construction of the Law Enforcement and Detention Center. The series 2003C dated October, 2004 was issued at various interest rates ranging from 2.75% to 4.25%, and will be retired by December 1, 2021. Interest payments are due by June 1 and December 1, with principal payments due December 1 of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ 221,269	\$ 275,000
2007	213,638	280,000
2008	205,800	290,000
2009	197,688	300,000
2010	189,369	305,000
2010-2014	790,170	1,690,000
2015-2019	425,807	2,060,000
2020-2022	<u>40,800</u>	<u>950,000</u>
Totals	<u>\$ 2,284,541</u>	<u>\$ 6,150,000</u>

Series 2003A – General Fund

The County issued General Obligation Bonds for the purpose of refinancing the special revenue bonds for the sewer system. The series 2004A dated October, 2004, was issued at various interest rates ranging from 2.00% to 2.50% and will be retired by December 1, 2007. Interest payments are due by June 1 and December 1, with principal payments due December 1 of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ 83,388	\$ 1,410,000
2007	81,325	1,440,000
2008	<u>17,562</u>	<u>1,405,000</u>
Totals	<u>\$ 182,275</u>	<u>\$ 4,255,000</u>

Special Revenue Bonds – General Fund

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, 2005, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Sewer System	4.50 – 5.15%	\$ <u>9,655,000</u>

The minimum obligations at June 30, 2005 for debt service of these bonds are as follows:

<u>Year Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ <u>263,231</u>	\$ <u>9,655,000</u>

NOTE 8 – LONG-TERM DEBT (Continued)

Special Revenue Bonds – Public Properties

The County has issued bonds where the County pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2005, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Justice Center	4.00 – 5.125%	<u>\$ 13,880,000</u>

The minimum obligations at June 30, 2005 for debt service of these bonds are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ 648,719	\$ 520,000
2007	627,519	540,000
2008	605,444	550,000
2009	582,094	575,000
2010	557,119	600,000
2011-2015	2,342,664	3,475,000
2016-2020	1,395,319	4,405,000
2021-2023	<u>252,534</u>	<u>3,215,000</u>
Totals	<u>\$ 7,011,412</u>	<u>\$ 13,880,000</u>

Revenue Refunding Bonds – Golf Course

In June, 1998, the Golf Course sold \$8,060,000 of its Revenue Refunding Bonds for the purpose of refunding, in advance of maturity, the Golf Course's outstanding Certificates of Participation dated April 1, 1992, in the principal amount of \$8,100,000. The Series 1998, dated June 1, 1998, were issued at various interest rates ranging from 4.30% to 4.80% and will be retired by June, 2012. The Series 1998 Bonds are scheduled to mature as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ 215,475	\$ 535,000
2007	191,385	560,000
2008	166,195	585,000
2009	139,600	610,000
2010	111,270	635,000
2011-2013	<u>129,823</u>	<u>2,035,000</u>
Totals	<u>\$ 953,748</u>	<u>\$ 4,960,000</u>

NOTE 8 – LONG-TERM DEBT (Continued)

Note Payable – General Fund

The County has a note payable to an individual for the purchase of 67 acres of land. The note is due in annual installments of \$160,797 plus interest of 4%. The note payable balance is \$803,986 at June 30, 2005.

The remaining maturities on the note are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ 32,159	\$ 160,797
2007	25,728	160,797
2008	19,296	160,797
2009	12,864	160,797
2010	<u>6,432</u>	<u>160,798</u>
	<u>\$ 96,479</u>	<u>\$ 803,986</u>

Note Payable – General Fund

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

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ 46,829	\$ 257,736
2007	35,523	261,678
2008	26,946	265,586
2009	17,956	310,000
2010	<u>7,800</u>	<u>320,000</u>
	<u>\$ 135,054</u>	<u>\$ 1,415,000</u>

NOTE 9 – 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 \$360,000 as of June 30, 2005.

The following is a summary of the county's capital lease purchase agreement transactions for the year ended June 30, 2005:

<u>Debt Outstanding July 1, 2004</u>	<u>Additions</u>	<u>Repayments</u>	<u>Debt Outstanding June 30, 2005</u>	<u>Amount Expected to Be Paid Within One Year</u>
\$ <u>412,000</u>	\$ <u>-</u>	\$ <u>52,000</u>	\$ <u>360,000</u>	\$ <u>54,000</u>

NOTE 9 – CAPITAL LEASE PURCHASE AGREEMENTS (Continued)

The following is a schedule of future minimum lease payments as of June 30, 2005:

Years Ending June 30, _____	Point Pleasant Fire Department
2006	\$ 70,633
2007	70,910
2008	70,060
2009	69,111
2010	68,064
2011	<u>67,896</u>
Total Minimum Lease Payment	416,674
Less Interest	<u>56,674</u>
Present Value of Minimum Lease Payments	\$ <u>360,000</u>

Golf Course

The Golf Course entered into a lease-purchase agreement for equipment. The lease term for this agreement is 3 years. The total balance of the agreement is \$28,720 as of June 30, 2005.

The following is a summary of the Golf Course's capital lease purchase agreement transactions for the year ended June 30, 2005:

Debt Outstanding July 1, 2004	<u>Additions</u>	<u>Repayments</u>	Debt Outstanding June 30, 2005	Amount Expected to Be Paid Within One Year
\$ <u>-</u>	\$ <u>39,396</u>	\$ <u>10,675</u>	\$ <u>28,721</u>	\$ <u>9,296</u>

The following is a schedule of future minimum lease payments as of June 30, 2005:

Years Ending June 30, _____	
2006	\$ 10,460
2007	10,460
2008	<u>10,460</u>
Total Minimum Lease Payment	31,380
Less Interest	<u>2,659</u>
Present Value of Minimum Lease Payments	\$ <u>28,721</u>

NOTE 10 – COMPENSATED ABSENCES PAYABLE

Changes in the County's compensated absences during fiscal year 2005 were as follows:

Balance July 1, 2004	<u>Additions</u>	<u>Reductions</u>	Balance June 30, 2005	Amount Expected to Be Paid Within One Year
\$ <u>608,939</u>	\$ <u>89,365</u>	\$ <u>56,222</u>	\$ <u>642,082</u>	\$ <u>49,603</u>

NOTE 11 – OPERATING LEASES

The County owns various buildings throughout Boone County that are leased to organizations accounted for under an operating lease. Four leases renew annually and the other five expire at various times through January, 2024. Rental income for the year ended June 30, 2005 was \$153,009. The future minimum lease payments to be received are as follows:

Years Ending <u>June 30,</u>	
2006	\$ 58,554
2007	44,407
2008	44,407
2009	44,407
2010	44,407
Thereafter	<u>603,206</u>
	<u>\$ 839,388</u>

The County leases various equipment and office space accounted for under operating leases. The leases are month to month, annual renewals, or long term leases. The long term leases expire on various dates through June, 2009. The County may also rent equipment on an as-needed basis. Rental expense for the year ended June 30, 2005 was \$136,599.

The future minimum lease payments are as follows:

Years Ending <u>June 30,</u>	
2006	\$ 13,849
2007	13,849
2008	13,849
2009	<u>9,949</u>
	<u>\$ 51,496</u>

NOTE 12 – INSURANCE

For the fiscal year ended June 30, 2005, Boone County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

NOTE 13 – FLEXIBLE SPENDING ACCOUNT

Boone County maintains a flexible spending account to provide tax-sheltered deductions for dependent childcare and medical expenses. The balance in the flexible benefits account as of June 30, 2005 was \$13,287.

REQUIRED SUPPLEMENTAL INFORMATION

BOONE COUNTY FISCAL COURT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 25,853,000	\$ 25,853,000	\$ 27,658,859	\$ 1,805,859
In Lieu Tax Payments	80,000	80,000	369,595	289,595
Excess Fees	1,445,000	1,445,000	1,224,408	(220,592)
Licenses and Permits	1,515,000	1,515,000	1,562,415	47,415
Intergovernmental	2,488,656	2,488,656	2,001,579	(487,077)
Charges for Services	1,910,901	1,910,901	2,261,493	350,592
Miscellaneous	676,567	676,567	748,712	72,145
Interest	145,400	145,400	360,395	214,995
	<u>34,114,524</u>	<u>34,114,524</u>	<u>36,187,456</u>	<u>2,072,932</u>
Total Revenues				
Expenditures				
General Government	4,076,786	4,132,741	3,773,347	359,394
Protection to Persons and Property	8,461,090	8,488,405	8,410,985	77,420
General Health and Sanitation	540,011	540,011	408,427	131,584
Social Services	523,092	523,092	468,148	54,944
Recreation and Culture	1,406,542	1,681,542	1,614,096	67,446
Debt Service	1,680,825	1,680,825	1,679,542	1,283
Administration	14,779,893	13,925,623	11,253,251	2,672,372
	<u>31,468,239</u>	<u>30,972,239</u>	<u>27,607,796</u>	<u>3,364,443</u>
Total Expenditures				
Excess of Revenues Over Expenditures				
	<u>2,646,285</u>	<u>3,142,285</u>	<u>8,579,660</u>	<u>5,437,375</u>
Other Financing Sources (Uses)				
Miscellaneous	-	-	-	-
Bond Principal Payments	(3,465,000)	(3,465,000)	(3,465,000)	-
Capital Lease Principal Payments	(52,000)	(52,000)	(52,000)	-
Bond Proceeds	-	-	-	-
Operating Transfers In	-	-	174,520	174,520
Operating Transfers Out	(6,129,285)	(6,625,285)	(5,370,000)	1,255,285
	<u>(9,646,285)</u>	<u>(10,142,285)</u>	<u>(8,712,480)</u>	<u>1,429,805</u>
Total Other Financing Sources (Uses)				
Deficit of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses				
	(7,000,000)	(7,000,000)	(132,820)	6,867,180
Fund Balance July 1, 2004				
	<u>7,000,000</u>	<u>7,000,000</u>	<u>8,408,144</u>	<u>1,408,144</u>
Fund Balance June 30, 2005				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,275,324</u>	<u>\$ 8,275,324</u>

BOONE COUNTY FISCAL COURT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
Year Ended June 30, 2005

	<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	100,000	100,000	138,087	38,087
Intergovernmental	1,739,895	1,739,895	1,548,432	(191,463)
Charges for Services	150,000	150,000	218,682	68,682
Miscellaneous	356,000	356,000	464,881	108,881
Interest	10,000	10,000	12,860	2,860
Total Revenues	<u>2,355,895</u>	<u>2,355,895</u>	<u>2,382,942</u>	<u>27,047</u>
Expenditures				
General Government	-	-	-	-
Protection to Persons and Property	-	-	-	-
General Health and Sanitation	-	-	-	-
Social Services	-	-	-	-
Recreation and Culture	-	-	-	-
Roads	7,789,700	7,789,700	6,419,285	1,370,415
Administration	-	-	-	-
Total Expenditures	<u>7,789,700</u>	<u>7,789,700</u>	<u>6,419,285</u>	<u>1,370,415</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(5,433,805)</u>	<u>(5,433,805)</u>	<u>(4,036,343)</u>	<u>1,397,462</u>
Other Financing Sources (Uses)				
Miscellaneous	-	-	-	-
Proceeds from Sale of Fixed Assets	-	-	-	-
Bond Fees Paid to Fiscal Agent	-	-	-	-
Bond Proceeds	-	-	-	-
Operating Transfers In	4,933,805	4,933,805	4,000,000	(933,805)
Operating Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>4,933,805</u>	<u>4,933,805</u>	<u>4,000,000</u>	<u>(933,805)</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(500,000)</u>	<u>(500,000)</u>	<u>(36,343)</u>	<u>463,657</u>
Fund Balance July 1, 2004	<u>500,000</u>	<u>500,000</u>	<u>266,691</u>	<u>(233,309)</u>
Fund Balance June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,348</u>	<u>\$ 230,348</u>

BOONE COUNTY FISCAL COURT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
JAIL FUND
Year Ended June 30, 2005

	<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	2,310,000	2,310,000	1,347,406	(962,594)
Charges for Services	240,100	240,100	234,716	(5,384)
Miscellaneous	220,300	220,300	86,345	(133,955)
Interest	2,000	2,000	1,881	(119)
Total Revenues	<u>2,772,400</u>	<u>2,772,400</u>	<u>1,670,348</u>	<u>(1,102,052)</u>
Expenditures				
General Government	-	-	-	-
Protection to Persons and Property	3,321,880	3,321,880	2,292,649	1,029,231
General Health and Sanitation	-	-	-	-
Social Services	-	-	-	-
Recreation and Culture	-	-	-	-
Capital Projects	-	-	-	-
Administration	766,000	766,000	528,122	237,878
Total Expenditures	<u>4,087,880</u>	<u>4,087,880</u>	<u>2,820,771</u>	<u>1,267,109</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(1,315,480)</u>	<u>(1,315,480)</u>	<u>(1,150,423)</u>	<u>165,057</u>
Other Financing Sources (Uses)				
Miscellaneous	-	-	-	-
Proceeds from Sale of Fixed Assets	-	-	-	-
Bond Fees Paid to Fiscal Agent	-	-	-	-
Bond Proceeds	-	-	-	-
Operating Transfers In	1,195,480	1,195,480	1,195,480	-
Operating Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,195,480</u>	<u>1,195,480</u>	<u>1,195,480</u>	<u>-</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(120,000)</u>	<u>(120,000)</u>	<u>45,057</u>	<u>165,057</u>
Fund Balance July 1, 2004	<u>120,000</u>	<u>120,000</u>	<u>65,338</u>	<u>(54,662)</u>
Fund Balance June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,395</u>	<u>\$ 110,395</u>

BOONE COUNTY
NOTES TO THE SCHEDULE OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2005

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>
<u>Revenues</u>			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget And Actual	\$ 36,187,456	\$ 2,382,942	\$ 1,670,348
Accounts Receivable 6/30/2004	(4,714,650)	(321,496)	(117,492)
Accounts Receivable 6/30/2005	5,121,449	438,054	190,360
Change in Note Receivable Balance	(102,000)	-	-
Surplus Property Sales	(37,396)	(55,253)	-
Reclass of Reimbursements	19,347	-	-
Accounts Payable – Refunds	(31,225)	-	-
Interest on Investments	<u>163,532</u>	<u>-</u>	<u>-</u>
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	<u>\$ 36,606,513</u>	<u>\$ 2,444,247</u>	<u>\$ 1,743,216</u>
<u>Expenses</u>			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget And Actual	\$ 27,607,796	\$ 6,419,285	\$ 2,820,771
Accounts Payable 6/30/2004	(132,561)	(188,064)	(46,972)
Accounts Payable 6/30/2005	216,382	181,080	79,365
Accrued Payroll 6/30/2004	(103,605)	(22,747)	(17,652)
Accrued Payroll 6/30/2005	98,548	33,271	36,445
Compensated Absences Payable 6/30/2004	(331,917)	(142,264)	(35,152)
Compensated Absences Payable 6/30/2005	318,652	166,414	44,681
Debt Service	4,662,586	-	-
Reclass of Reimbursements	<u>19,347</u>	<u>-</u>	<u>-</u>
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	<u>\$ 32,355,228</u>	<u>\$ 6,446,975</u>	<u>\$ 2,881,486</u>

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

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

2005	2004	2003
99%	99%	98%

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

2005	2004	2003
1%	1%	2%

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

	2005		2004		2003
Bridge					
Needed	\$ 400,000	\$	200,000	\$	100,000
Actual	374,662		50,535		-
Roads					
Needed	617,500		604,120		631,550
Actual	472,597		604,893		573,267
Subdivision					
Needed	2,470,000		2,141,880		2,150,607
Actual	1,890,390		2,144,622		1,952,139

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

SUPPLEMENTAL INFORMATION

**BOONE COUNTY FISCAL COURT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005**

	<u>Local Government Economic Assistance Fund</u>	<u>Federal Grants Fund</u>	<u>Mental Health Fund</u>	<u>Revolving Loan Fund</u>	<u>Motor Vehicle Rental Tax Fund</u>	<u>Scattered Sewer Assessment Fund</u>	<u>Earl Parker Robinson Fund</u>	<u>Public Properties Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets									
Cash and Cash Equivalents	\$ 93,170	\$ -	\$ 797,289	\$ 86,586	\$ 2	\$ -	\$ 281,028	\$ 52,420	\$ 1,310,495
Investments	-	-	-	-	-	-	-	306	306
Notes Receivable	-	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	512,739	-	477,765	-	-	-	990,504
Due from Boone County	-	-	-	-	-	-	-	-	-
Golf Course	-	-	-	-	-	-	-	150,000	150,000
Restricted Cash	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 93,170</u>	<u>\$ -</u>	<u>\$ 1,310,028</u>	<u>\$ 86,586</u>	<u>\$ 477,767</u>	<u>\$ -</u>	<u>\$ 281,028</u>	<u>\$ 202,726</u>	<u>\$ 2,451,305</u>
Liabilities and Fund Balances									
Liabilities									
Accounts Payable	\$ 12,049	\$ -	\$ 101,445	\$ -	\$ -	\$ -	\$ -	\$ 3,259	\$ 116,753
Accrued Payroll	-	-	-	-	-	-	-	-	-
Compensated Absences Payable	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>12,049</u>	<u>-</u>	<u>101,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,259</u>	<u>116,753</u>
Fund Balances									
Reserved for:									
Road Projects	-	-	-	-	-	-	-	-	-
Special Projects	-	-	-	86,586	-	-	-	-	86,586
Contractual Tax Agreements	-	-	1,208,583	-	477,767	-	-	-	1,686,350
Debt Service	-	-	-	-	-	-	-	306	306
Unreserved	<u>81,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>281,028</u>	<u>199,161</u>	<u>561,310</u>
Total Fund Balances	<u>81,121</u>	<u>-</u>	<u>1,208,583</u>	<u>86,586</u>	<u>477,767</u>	<u>-</u>	<u>281,028</u>	<u>199,467</u>	<u>2,334,552</u>
Total Liabilities and Fund Balances	<u>\$ 93,170</u>	<u>\$ -</u>	<u>\$ 1,310,028</u>	<u>\$ 86,586</u>	<u>\$ 477,767</u>	<u>\$ -</u>	<u>\$ 281,028</u>	<u>\$ 202,726</u>	<u>\$ 2,451,305</u>

BOONE COUNTY FISCAL COURT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	Local Government Economic Assistance Fund	Federal Grants Fund	Mental Health Fund	Revolving Loan Fund	Motor Vehicle Rental Tax Fund	Scattered Sewer Assessment Fund	Earl Parker Robinson Fund	Public Properties Fund	Total Nonmajor Governmental Funds
Revenues									
Taxes	\$ -	\$ -	\$ 1,893,339	\$ -	\$ 1,654,243	\$ -	\$ -	\$ -	\$ 3,547,582
In Lieu Tax Payments	-	-	-	-	-	-	-	-	-
Excess Fees	-	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-	-
Intergovernmental	125,560	90,055	-	-	-	-	-	1,203,911	1,419,526
Charges for Services	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	7,930	-	-	-	-	-	7,930
Interest	2,723	-	26,169	2,389	3,538	1	7,747	1,911	44,478
Total Revenues	<u>128,283</u>	<u>90,055</u>	<u>1,927,438</u>	<u>2,389</u>	<u>1,657,781</u>	<u>1</u>	<u>7,747</u>	<u>1,205,822</u>	<u>5,019,516</u>
Expenditures									
General Government	-	-	-	-	-	-	-	-	-
Protection to Persons and Property	-	84,921	-	-	-	-	-	-	84,921
General Health and Sanitation	-	-	1,331,529	-	-	-	214	-	1,331,743
Social Services	-	-	597,483	-	-	-	-	-	597,483
Recreation and Culture	-	-	-	-	-	-	-	-	-
Roads	151,749	-	-	-	-	-	-	-	151,749
Capital Projects	-	-	-	-	-	-	-	102,159	102,159
Administration	-	-	98,750	-	1,547,993	-	-	37,094	1,683,837
Debt Service	-	-	-	-	-	-	-	1,169,119	1,169,119
Total Expenditures	<u>151,749</u>	<u>84,921</u>	<u>2,027,762</u>	<u>-</u>	<u>1,547,993</u>	<u>-</u>	<u>214</u>	<u>1,308,372</u>	<u>5,121,011</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>(23,466)</u>	<u>5,134</u>	<u>(100,324)</u>	<u>2,389</u>	<u>109,788</u>	<u>1</u>	<u>7,533</u>	<u>(102,550)</u>	<u>(101,495)</u>
Other Financing Sources (Uses)									
Capital Lease Principal Payments	-	-	-	-	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-	(814)	-	(296)	(1,110)
Transfers from Other Funds	-	-	-	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(814)</u>	<u>-</u>	<u>(296)</u>	<u>(1,110)</u>
Net Change in Fund Balances	<u>(23,466)</u>	<u>5,134</u>	<u>(100,324)</u>	<u>2,389</u>	<u>109,788</u>	<u>(813)</u>	<u>7,533</u>	<u>(102,846)</u>	<u>(102,605)</u>
Fund Balances July 1, 2004	<u>104,587</u>	<u>(5,134)</u>	<u>1,308,907</u>	<u>84,197</u>	<u>367,979</u>	<u>813</u>	<u>273,495</u>	<u>302,313</u>	<u>2,437,157</u>
Fund Balances June 30, 2005	<u>\$ 81,121</u>	<u>\$ -</u>	<u>\$ 1,208,583</u>	<u>\$ 86,586</u>	<u>\$ 477,767</u>	<u>\$ -</u>	<u>\$ 281,028</u>	<u>\$ 199,467</u>	<u>\$ 2,334,552</u>

**BOONE COUNTY FISCAL COURT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005**

<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	\$ 5,126,968
Passed-Through State Department for Local Government:			
Emergency Shelter Grants Program	14.231	S01-DC21-0001	<u>10,000</u>
Total U.S. Department of Housing and Urban Development			<u>5,136,968</u>
U.S. Department of Justice			
Passed-Through State Justice Cabinet:			
Bulletproof Vest Partnership Program	16.607	1121-0235	1,590
COPS More 2000	16.710	2000-CMWX-0363	<u>23,429</u>
Total U.S. Department of Justice			<u>25,019</u>
U.S. Department of Homeland Security			
Passed-Through State Department of Military Affairs:			
Disaster and Emergency Assistance Grants - Coordinator Salary	83.503	M-02107971	62,534
Federal Survey and Planning Grant	15.904	KY01-00-CLG-211	8,000
Weapons of Mass Destruction - Part II	16.007	M-03254738	89,971
Weapons of Mass Destruction - Direct	16.007	M-03138124	<u>84</u>
Total U.S. Department of Homeland Security			<u>160,589</u>
Total Cash Expenditures of Federal Awards			\$ <u><u>5,322,576</u></u>

**BOONE COUNTY FISCAL COURT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005**

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SECTION EIGHT HOUSING RENTAL ASSISTANCE PROGRAM

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



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

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John Farris, Secretary, Finance and Administration Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Boone County as of and for the year ended June 30, 2005, which collectively comprise the Boone County's basic financial statements and have issued our report thereon dated September 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Boone County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

VonLehman & Company Inc.

Fort Mitchell, Kentucky
September 22, 2006



**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
John Farris, 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, 2005. 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, 2005.

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
John Farris, Secretary, Finance and Administration Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court
Page 2

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 reportable 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 caused by error or fraud 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 management, county commissioners, others within the County and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
September 22, 2006

**BOONE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2005**

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS	
Type of Financial Statement Opinion	Unqualified
Was 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	
Was 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
Is there any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510?	No
Major Programs (list):	Section 8 Housing Choice Vouchers [CFDA 14.871]
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: > all others
Low Risk Auditee?	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters to be reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters to be reported.

**BOONE COUNTY FISCAL COURT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2005**

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

No matters were reported.

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.