

BOONE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2004

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

**BOONE COUNTY
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Boone County Assisted Housing Department, a major enterprise fund, and the Boone County Public Safety Communications Center, the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as it relates to the amounts included for the Boone County Assisted Housing Department and Boone County Public Safety Communications Center are based on the reports of the other auditors.

The Boone County Assisted Housing Department represents 9.3 percent, and 55.9 percent, respectively, of the assets, and revenues of the of the business-type activities opinion unit. The Boone County Public Safety Communications Center represents 100% percent of the assets, and revenues of the aggregate discretely presented component unit.

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

In our opinion, based on our report and the report of other auditors, 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 as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary, Finance and Administration Cabinet
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In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2005, 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 11, 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 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, based on our audit and the report of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
January 13, 2005

BOONE COUNTY OFFICIALS

Fiscal Year Ended June 30, 2004

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, 2004
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, 2004. Please read it in conjunction with the County's financial statements that begin on page 12.

Financial Highlights

- Boone County has net assets of \$173,579,741 as of June 30, 2004. This is an 18% increase from our prior year's net assets. As total current assets of \$41,921,760 decreased by \$821,855, the fixed assets increased by more than 11% or nearly \$21,600,000. This increase consists of the construction of two buildings nearing completion or completed and the purchase of land for parks.
- Program revenues offset 54% of Boone County's governmental activity expenses, totaling \$42,375,959. 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 \$74,976,783, of which \$4,692,797 is short term (to be paid in full within one year). One debt addition in FY04 was the purchase of 67 acres of park land in the amount of \$1,125,580 payable over seven years.
- The County expended more than \$19,000,000 on capital projects; including parks, roads, buildings, water expansion, and land.
 - Facilitated the opening, expansion or purchase of five parks; England-Idlewild Park, Gunpowder Creek Nature Park, Conrad Park, Union Pool and Park, and a YMCA – Parks joint venture.
 - Acquired over eighty five acres, through purchase and donation, adjacent to Conrad Park for future expansion.
 - Two new road projects were completed and opened in FY04; Florence-Hopeful Church Road Connector and Conrad Lane Expansion. Also, engineering studies and revenues were secured for Industrial Road Improvements and a new road project, South Airfield Road, is in scoping stages with engineers.
 - Building projects throughout the County were more than \$13 million in expenditures; Sheriff's Complex opened in March 2004, Maplewood Educational Facility to open in August 2004 and construction continues on the new Detention Facility for a projected opening in July 2005. The demolition of the old school in Petersburg was also completed in order to build a new community center.
 - Water line expansions throughout rural Boone County are under construction and will continue throughout FY05. A total of \$4,233,292 has been expended to date on Phase I and Phase II Water Projects.
 - On June 30, 2004, the County privatized the operation of the Maplewood Children's Home to Children's Home of Northern Kentucky. This privatization saved the County over \$500,000.

BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004
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 12 and 13). 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.

For the year ended June 30, 2004, the County has converted the government wide financial statements from the modified cash basis of accounting to the modified accrual basis of accounting. Throughout the statements, there will be a GAAP conversion amount which relates to this change, which puts the County in compliance with generally accepted accounting principles.

In the Statement of Net Assets and the Statement of Activities, we divide the County into three kinds of activities: governmental, business-type and component 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. Government 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 54% by program revenues which include charges for services and federal/state grants. These activities show an increase in net assets of over \$8,500,000, of which \$5,949,494 was donated capital assets.

BOONE COUNTY FISCAL COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2004

Unaudited
(Continued)

- Business-Type Activities – The County has four business-type funds, which are 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 approximately \$667,000 is mainly due to the net loss generated by the Golf Courses.
- 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 14 through 21) 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. Two changes are the Public Safety 911 fund has been eliminated from the governmental activities funds and placed in the component unit of Public Safety and the School Board Tax Fund is as a Fiduciary Fund.

- 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 seventeen governmental funds and adopts a budget for each. These funds provide the reader with information to help determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the difference between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation on pages 15 and 17.
- 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 22 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, 2004

**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 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 law in the state of Kentucky. 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, 2004
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

	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>FY03</u>	<u>FY04</u>	<u>FY03</u>	<u>FY04</u>
Current Assets	\$ 42,190,075	\$ 40,116,014	\$ 553,540	\$ 1,805,746
Non-Current Assets	<u>180,126,233</u>	<u>203,446,691</u>	<u>7,727,489</u>	<u>6,916,997</u>
Total Assets	222,316,308	243,562,705	8,281,029	8,722,743
Current Debt	3,274,492	5,542,600	786,752	1,160,666
Long-Term Debt	<u>58,051,144</u>	<u>65,782,117</u>	<u>6,182,490</u>	<u>6,220,324</u>
Total Debt	61,325,636	71,324,717	6,969,242	7,380,990
Net Assets				
Invested in Capital Assets, Net of Related Debt	144,559,157	132,927,490	677,722	459,596
Restricted	-	-	282,000	283,136
Unrestricted	<u>16,431,515</u>	<u>39,310,498</u>	<u>352,065</u>	<u>599,021</u>
Total Net Assets	<u>\$ 160,990,672</u>	<u>\$ 172,237,988</u>	<u>\$ 1,311,787</u>	<u>\$ 1,341,753</u>

At June 30, 2004, the County's assets exceeded its liabilities by \$173,579,741, an 18% increase from the prior year. The majority of the County's assets (82%) are invested in capital assets which include land, buildings, infrastructure, equipment and vehicles. These assets are listed in the net assets section as "invested in capital assets, net of related debt". The unrestricted net asset amount of \$39,909,519 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 \$283,136 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.

- Increase in capital assets of 12.4% is due to a 98% increase in construction in progress accounts for two new buildings and various water lines under construction.
- Unrestricted net assets increased by 143.2%, which is explained in the following table.
- Current assets under Business Activities increased by 56.7% due to a large accounts receivable due Assisted Housing Department from the federal government, HUD division.

BOONE COUNTY FISCAL COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2004

**Unaudited
(Continued)**

Statement of Activities

	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>FY03</u>	<u>FY04</u>	<u>FY03</u>	<u>FY04</u>
Revenues				
<u>Program Revenues</u>				
Charges for Services	\$ 6,453,052	\$ 4,392,425	\$ 2,520,083	\$ 7,164,792
Operating Grants and Contributions	11,917,144	9,736,591	4,181,895	4,549,898
Capital Grants and Contributions	5,167,884	8,855,006	-	-
<u>General Revenue</u>				
Taxes	24,132,430	26,469,210	-	-
Excess Fees	685,596	551,473	-	-
Investment Earnings	981,662	558,262	15,154	33,894
Other	<u>338,611</u>	<u>396,233</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>49,676,379</u>	<u>50,959,200</u>	<u>6,717,132</u>	<u>11,748,584</u>
Expenses				
General Government	21,842,668	16,779,153	-	-
Protection to Persons and Property	8,285,196	9,420,480	-	-
General Health and Sanitation	3,029,093	2,022,964	-	-
Social Services	1,655,034	1,687,299	-	-
Recreation and Culture	1,993,600	1,344,487	-	-
Roads	7,225,364	6,064,603	-	-
Capital Improvements	-	2,157,163	-	-
Interest on Long-Term Debt	2,491,778	2,894,757	-	-
Jail Canteen Fund	-	-	144,191	155,371
Golf Course Fund	-	-	2,731,535	3,989,377
Self Insurance Fund	-	-	-	3,753,738
Assisted Housing Fund	-	-	4,097,548	4,518,025
Total Expenses	<u>46,522,733</u>	<u>42,370,906</u>	<u>6,973,274</u>	<u>12,416,511</u>
Change in Net Assets	3,153,646	8,588,294	(256,142)	(667,927)
Net Assets				
July 1, 2003, Restated	<u>157,837,026</u>	<u>163,649,694</u>	<u>1,567,929</u>	<u>2,009,680</u>
Net Assets June 30, 2004	<u>\$ 160,990,672</u>	<u>\$ 172,237,988</u>	<u>\$ 1,311,787</u>	<u>\$ 1,341,753</u>

BOONE COUNTY FISCAL COURT

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2004

Unaudited
(Continued)

During FY 2004, the net assets increased by \$11,247,316 for governmental activities and increased by \$441,751 for the business-type. The business-type activity of Assisted Housing changed positively but the Jail Canteen, Golf Course and Self Insurance fund had a loss for the year. The large increase in net assets is a result of the following:

- Donated capital increased from previous year over \$5.2 million. Over \$5 million of this resulted in roads that were turned over to Boone County Fiscal Court from subdivision developers.
- Increase of over \$2.3 million in payroll, property and franchise taxes.

Program revenues for the governmental activities were 45% of total revenue received. This explains that 45% 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, emergency management and building inspections) and roads, which contain the maintenance, upgrades and new additions to the County's road system, along with snow removal, storm sewer maintenance and the daily operations of the Public Works Department.

One function that looks to be substantially self-supporting is the general health and sanitation function which is due to the collection of the sewer surcharge. This 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.

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 \$39,643,492, of which \$25,171,788 is unreserved to be used for day-to-day operations. The fund financial statements for the governmental funds can be found on pages 14 and 16. The net change in fund balance for the general fund is \$13,336,065. Most of this positive change is due to a refunding of bonds with bonds proceeds of over \$12 million. Many other large variances from prior year statements are the result of Boone County Fiscal Court converting all financial statements to the modified accrual basis from modified cash.

The County's proprietary funds' statements are shown on pages 18 through 20 with total net assets of \$1,341,753. With a net operating loss in the golf course fund of \$536,874, the net assets decreased for the golf course to \$181,469. The jail canteen fund ended with \$25,478, assisted housing's fund net assets were \$604,961 and self insurance fund net assets were \$529,845.

BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004
Unaudited
(Continued)

The County has three fiduciary funds, jail prisoners' fund, waterline fund, and school board tax fund, for which the statements are shown on pages 21. These monies are restricted and we exclude them from the other statements because the County cannot use these assets to finance operations.

General Budgetary Highlights

There were no amendments to Boone County's budget in Fiscal Year 2004 although the County made various line item transfers within the budget to increase certain line items and decreasing others. These transactions have no effect on the budget's bottom line. Throughout the year, general fund revenues collected were over budget by \$3,855,880 and operating expenses were below budget by \$4,219,115.

Capital Assets and Debt Administration

Capital Assets

At the end of Fiscal Year 2004, the government activities of the County had \$202,429,273 invested in a broad range of capital assets, including land, roads, park facilities, bridges, water lines, buildings, equipment and vehicles. As shown on the chart to follow, the amount represents a net increase (including additions and deductions) of over \$22 million, or 12%, on the governmental activities and a decrease of \$708,125, or 11%, on the business activities from the previous year. The business activities are showing a decrease due to the Golf Course having a very limited capital budget for the past several years.

Capital Assets, Net of Accumulated Depreciation

	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>FY03</u>	<u>FY04</u>	<u>FY03</u>	<u>FY04</u>
Land	\$ 8,019,655	\$ 11,918,448	\$ 2,396,478	\$ 2,396,478
Roads, Modified Approach (Not Depr.)	130,154,432	136,851,297	-	-
Other Infrastructure	122,148	671,693	-	-
Land Improvements	1,649,293	3,110,718	2,795,914	2,359,191
Building and Improvements	22,089,723	21,989,432	1,255,747	1,143,173
Construction in Progress	12,347,109	24,473,899	-	-
Vehicles, Machinery and Equipment	2,736,873	3,092,370	173,591	22,331
Other Equipment	<u>2,995,079</u>	<u>321,416</u>	<u>20,992</u>	<u>13,423</u>
	<u>\$ 180,114,312</u>	<u>\$ 202,429,273</u>	<u>\$ 6,642,722</u>	<u>\$ 5,934,596</u>

BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004
Unaudited
(Continued)

A more detailed breakdown of the capital assets and depreciation can be found in Note 5 of the Notes to the Financial Statements, pages 30 through 32. The year brought about more than \$22 million in additional capital projects, including the construction in progress of over \$24 million for Public Safety Complex and Jail facility, water lines to rural Boone County and an Educational Facility at Maplewood. Also, an increase of over \$7 million dollars in roads which includes approximately \$6 million in donated roads from subdivision developers.

Debt

At June 30, 2004, the County had \$74,976,783 in bonds, leases and note payable outstanding versus \$67,275,155 last year, an increase of 4% - as shown on the chart below. This increase is due to new general obligation debt, Series 2003, issued during FY04 which included construction dollars for the new jail and sheriff's complex and refunding sewer debt.

	<u>Outstanding Debt at Year-End</u>			
	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>FY03</u>	<u>FY04</u>	<u>FY03</u>	<u>FY04</u>
General Obligation Bonds (Backed by the County)	\$ 34,901,974	\$ 37,815,000	\$ -	\$ -
Revenue Bonds, Capital Leases, and Notes (Backed by Specific Tax or Fee Revenues)	26,408,181	30,722,000	5,965,000	5,475,000
Notes Payable (Backed by the County)	<u>-</u>	<u>964,783</u>	<u>-</u>	<u>-</u>
	<u>\$ 61,310,155</u>	<u>\$ 69,501,783</u>	<u>\$ 6,642,722</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 2001 assessment this 2% total direct debt limitation is more than \$210 million dollars, which far exceeds the County's outstanding debt.

Economic Factors and Next Year's Budget

While establishing the FY2005 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 FY2004 to FY2005.

BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2004
Unaudited
(Continued)

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, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	
ASSETS				
Current Assets				
Cash and Cash Equivalents	\$ 9,366,240	\$ 1,476,839	\$ 10,843,079	\$ 962,274
Investments	23,381,862	-	23,381,862	-
Inventory	-	65,009	65,009	-
Accounts Receivable	6,043,339	263,898	6,307,237	-
Deferred Charges	51,855	-	51,855	-
Due from Boone County Golf Course	1,160,718	-	1,160,718	-
Deposit on Land	10,000	-	10,000	-
Notes Receivable, Due Within One Year	102,000	-	102,000	-
Prepaid Expenses	-	-	-	4,993
Total Current Assets	<u>40,116,014</u>	<u>1,805,746</u>	<u>41,921,760</u>	<u>967,267</u>
Non-current Assets				
Capital Assets, Net of Accumulated Depreciation				
Land	11,918,448	2,396,478	14,314,926	-
Land Improvements	3,110,718	2,359,191	5,469,909	-
Buildings and Building Improvements	21,989,432	1,143,173	23,132,605	-
Furniture and Office Equipment	321,416	13,423	334,839	1,919,022
Vehicles and Equipment	3,092,370	22,331	3,114,701	-
Construction in Progress	24,473,899	-	24,473,899	-
Infrastructure Assets, Net of Accumulated Depreciation				
Depreciation	137,522,990	-	137,522,990	-
Restricted Cash	7,418	328,959	336,377	-
Deferred Charges	-	653,442	653,442	-
Notes Receivable, Due in More than One Year	1,010,000	-	1,010,000	-
Total Non-current Assets	<u>203,446,691</u>	<u>6,916,997</u>	<u>210,363,688</u>	<u>1,919,022</u>
Total Assets	<u>243,562,705</u>	<u>8,722,743</u>	<u>252,285,448</u>	<u>2,886,289</u>
LIABILITIES				
Current Liabilities				
Compensated Absences Payable, Due Within One Year	51,202	-	51,202	-
Capital Lease, Due Within One Year	52,000	-	52,000	-
Bonds Payable, Due Within One Year	3,965,000	515,000	4,480,000	440,000
Note Payable, Due Within One Year	160,797	-	160,797	55,773
Accounts Payable	774,748	504,900	1,279,648	40,971
Accrued Payroll	144,004	23,278	167,282	17,291
Accrued Interest	394,849	31,206	426,055	2,926
Accrued Other	-	86,282	86,282	68,268
Total Current Liabilities	<u>5,542,600</u>	<u>1,160,666</u>	<u>6,703,266</u>	<u>625,229</u>
Non-current Liabilities				
Compensated Absences Payable, Due in More Than One Year	458,131	99,606	557,737	-
Due to General Fund	-	1,010,718	1,010,718	-
Due to Public Properties	-	150,000	150,000	-
Note Payable, Due in More than One Year	803,986	-	803,986	-
Capital Lease, Due in More than One Year	360,000	-	360,000	-
Bonds Payable, Due in More than One Year	64,160,000	4,960,000	69,120,000	1,105,000
Total Non-current Liabilities	<u>65,782,117</u>	<u>6,220,324</u>	<u>72,002,441</u>	<u>1,105,000</u>
Total Liabilities	<u>71,324,717</u>	<u>7,380,990</u>	<u>78,705,707</u>	<u>1,730,229</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	132,927,490	459,596	133,387,086	318,249
Restricted	-	283,136	283,136	-
Unrestricted	39,310,498	599,021	39,909,519	837,811
Total Net Assets	<u>\$ 172,237,988</u>	<u>\$ 1,341,753</u>	<u>\$ 173,579,741</u>	<u>\$ 1,156,060</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2004

	Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Road and Bridge Fund	Jail Fund	Capital Improvements Fund		
Assets						
Cash and Cash Equivalents	\$ 7,193,667	\$ 266,691	\$ 65,338	\$ 130,752	\$ 1,709,792	\$ 9,366,240
Investments	12,182,967	-	-	11,096,845	102,050	23,381,862
Notes Receivable	1,112,000	-	-	-	-	1,112,000
Accounts Receivable	4,714,650	321,496	117,492	14,653	875,048	6,043,339
Due from Boone County Golf Course	1,010,718	-	-	-	150,000	1,160,718
Restricted Cash	7,418	-	-	-	-	7,418
Total Assets	\$ 26,221,420	\$ 588,187	\$ 182,830	\$ 11,242,250	\$ 2,836,890	\$ 41,071,577
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ 139,979	\$ 188,064	\$ 46,972	\$ -	\$ 399,733	\$ 774,748
Accrued Payroll	103,605	22,747	17,652	-	-	144,004
Compensated Absences Payable	331,917	142,264	35,152	-	-	509,333
Total Liabilities	575,501	353,075	99,776	-	399,733	1,428,085
Fund Balances						
Reserved for:						
Road Projects	-	235,112	-	-	-	235,112
Special Projects	1,248,967	-	-	11,128,517	79,876	12,457,360
Contractual Tax Agreements	-	-	-	-	1,676,886	1,676,886
Debt Service	-	-	-	-	102,346	102,346
Unreserved	24,396,952	-	83,054	113,733	578,049	25,171,788
Total Fund Balances	25,645,919	235,112	83,054	11,242,250	2,437,157	39,643,492
Total Liabilities and Fund Balances	\$ 26,221,420	\$ 588,187	\$ 182,830	\$ 11,242,250	\$ 2,836,890	\$ 41,071,577

See accompanying notes.

**BOONE COUNTY FISCAL COURT
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2004**

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

Total Fund Balance - Governmental Funds		\$ 39,643,492
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	\$ 215,339,502	
Accumulated Depreciation	<u>12,910,229</u>	
		202,429,273
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.		
		51,855
Cash outlays for deposits on capital assets are recorded as expenditures in the fund statements. For the governmental statements the deposit is recorded as an asset until the purchase of the capital asset is complete.		
		10,000
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	394,849	
Bonds, Notes and Lease Principal Payments, Due within One Year	4,177,797	
Bonds, Notes and Lease Principal Payments, Due in More than One Year	<u>65,323,986</u>	
		<u>(69,896,632)</u>
Total Net Assets - Governmental Activities		\$ <u>172,237,988</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	Major Funds					Total Governmental Funds
	General Fund	Road and Bridge Fund	Jail Fund	Capital Improvements Fund	Nonmajor Governmental Funds	
Revenues						
Taxes	\$ 25,738,998	\$ -	\$ -	\$ -	\$ 3,268,169	\$ 29,007,167
In Lieu Tax Payments	79,619	-	-	-	-	79,619
Excess Fees	998,452	-	-	-	-	998,452
Licenses and Permits	1,519,320	132,793	-	-	-	1,652,113
Intergovernmental	2,781,918	1,651,542	1,370,466	1,383,941	1,411,577	8,599,444
Charges for Services	1,588,969	133,528	231,438	-	779,362	2,733,297
Miscellaneous	600,624	511,352	93,776	54,908	72,183	1,332,843
Interest	273,890	8,711	1,147	283,088	39,941	606,777
Total Revenues	<u>33,581,790</u>	<u>2,437,926</u>	<u>1,696,827</u>	<u>1,721,937</u>	<u>5,571,232</u>	<u>45,009,712</u>
Expenditures						
General Government	3,678,666	-	-	-	2,500	3,681,166
Protection to Persons and Property	6,853,138	-	2,364,930	-	11,549	9,229,617
General Health and Sanitation	395,871	-	-	-	1,606,422	2,002,293
Social Services	1,077,149	-	-	-	590,730	1,667,879
Recreation and Culture	1,175,491	-	-	-	-	1,175,491
Roads	-	6,256,630	-	-	-	6,256,630
Debt Service	2,185,257	-	-	-	688,719	2,873,976
Capital Projects	-	-	-	19,319,510	1,116,779	20,436,289
Administration	11,206,261	-	-	-	1,561,120	12,767,381
Debt Service	3,100,000	-	-	-	480,000	3,580,000
Total Expenditures	<u>29,671,833</u>	<u>6,256,630</u>	<u>2,364,930</u>	<u>19,319,510</u>	<u>6,057,819</u>	<u>63,670,722</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>3,909,957</u>	<u>(3,818,704)</u>	<u>(668,103)</u>	<u>(17,597,573)</u>	<u>(486,587)</u>	<u>(18,661,010)</u>
Other Financing Sources (Uses)						
Proceeds From the Sale of Fixed Assets	29,790	-	-	-	-	29,790
Transfers to Other Funds	(9,846,071)	-	-	-	(6,384,409)	(16,230,480)
Transfers from Other Funds	6,384,409	3,050,000	555,000	6,241,071	-	16,230,480
Bond Proceeds	12,880,000	-	-	-	-	12,880,000
Bond Issuance Cost	(22,020)	-	-	-	-	(22,020)
Total Other Financing Sources (Uses)	<u>9,426,108</u>	<u>3,050,000</u>	<u>555,000</u>	<u>6,241,071</u>	<u>(6,384,409)</u>	<u>12,887,770</u>
Net Change in Fund Balances	<u>13,336,065</u>	<u>(768,704)</u>	<u>(113,103)</u>	<u>(11,356,502)</u>	<u>(6,870,996)</u>	<u>(5,773,240)</u>
Fund Balances July 1, 2003, Restated	<u>12,309,854</u>	<u>1,003,816</u>	<u>196,157</u>	<u>22,598,752</u>	<u>9,308,153</u>	<u>45,416,732</u>
Fund Balances June 30, 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>

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, 2004**

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

Total net change in fund balances - governmental funds \$ (5,773,240)

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	\$ 1,549,379	
Capital Outlays	<u>(19,289,976)</u>	
		17,740,597

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. (12,880,000)

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. 3,580,000

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. 5,949,494

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. 21,577

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. (20,344)

Proceeds from the disposal of fixed 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. (29,790)

Total Change in Net Assets - Governmental Activities \$ 8,588,294

**BOONE COUNTY FISCAL COURT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2004**

	<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	\$ 25,478	\$ 117,972	\$ 938,171	\$ 395,218	\$ 1,476,839
Inventory	-	-	-	65,009	65,009
Accounts Receivable	-	263,898	-	-	263,898
Total Current Assets	<u>25,478</u>	<u>381,870</u>	<u>938,171</u>	<u>460,227</u>	<u>1,805,746</u>
Non-current Assets					
Land	-	-	-	2,396,478	2,396,478
Land Improvements	-	-	-	5,523,656	5,523,656
Buildings and Building Improvements	-	-	-	2,249,488	2,249,488
Vehicles, Machinery and Equipment	-	19,970	-	1,109,527	1,129,497
Furniture and Office Equipment	-	47,246	-	-	47,246
	-	67,216	-	11,279,149	11,346,365
Less Accumulated Depreciation	-	52,462	-	5,359,307	5,411,769
Net Capital Assets	-	14,754	-	5,919,842	5,934,596
Restricted Cash	-	327,963	-	996	328,959
Deferred Charges	-	-	-	653,442	653,442
Total Non-current Assets	<u>-</u>	<u>342,717</u>	<u>-</u>	<u>6,574,280</u>	<u>6,916,997</u>
Total Assets	<u>25,478</u>	<u>724,587</u>	<u>938,171</u>	<u>7,034,507</u>	<u>8,722,743</u>
Liabilities					
Current Liabilities					
Bonds Payable, Due Within One Year	-	-	-	515,000	515,000
Accounts Payable	-	14,072	408,326	82,502	504,900
Accrued Payroll	-	5,057	-	18,221	23,278
Accrued Interest Payable	-	-	-	31,206	31,206
Accrued Other	-	86,282	-	-	86,282
Total Current Liabilities	<u>-</u>	<u>105,411</u>	<u>408,326</u>	<u>646,929</u>	<u>1,160,666</u>
Non-current Liabilities					
Compensated Absences Payable	-	14,215	-	85,391	99,606
Due to General Fund	-	-	-	1,010,718	1,010,718
Due to Public Properties	-	-	-	150,000	150,000
Bonds Payable, Due in More than One Year	-	-	-	4,960,000	4,960,000
Total Non-current Liabilities	<u>-</u>	<u>14,215</u>	<u>-</u>	<u>6,206,109</u>	<u>6,220,324</u>
Total Liabilities	<u>-</u>	<u>119,626</u>	<u>408,326</u>	<u>6,853,038</u>	<u>7,380,990</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	-	14,754	-	444,842	459,596
Restricted	-	283,136	-	-	283,136
Unrestricted	25,478	307,071	529,845	(263,373)	599,021
Total Net Assets	<u>\$ 25,478</u>	<u>\$ 604,961</u>	<u>\$ 529,845</u>	<u>\$ 181,469</u>	<u>\$ 1,341,753</u>

See accompanying notes.

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

	Year Ended June 30, 2004			Eighteen Months Ended June 30, 2004	Totals
	Jail Canteen Fund	Assisted Housing	Self Insurance Fund	Golf Course Fund	
Operating Revenues					
Governmental Grants	\$ -	\$ 4,541,930	\$ -	\$ -	\$ 4,541,930
Canteen Receipts	149,833	-	-	-	149,833
Green Fees	-	-	-	2,239,476	2,239,476
Power Cart Rentals	-	-	-	788,111	788,111
Memberships	-	-	-	137,984	137,984
Commission	-	-	-	102,317	102,317
Pro Shop Sales and Pull Cart Rentals	-	-	-	166,550	166,550
Employer / Employee Contributions	-	-	3,570,064	-	3,570,064
Miscellaneous	-	7,968	-	10,457	18,425
Total Operating Revenues	<u>149,833</u>	<u>4,549,898</u>	<u>3,570,064</u>	<u>3,444,895</u>	<u>11,714,690</u>
Operating Expenses					
Cost of Merchandise Sold	138,546	-	-	113,084	251,630
Educational and Recreational	16,825	-	-	-	16,825
Housing Assistance Payment	-	3,966,862	-	-	3,966,862
Salaries and Wages	-	344,490	-	1,361,362	1,705,852
Employee Benefits	-	129,252	-	322,642	451,894
Contract Services	-	6,000	-	57,792	63,792
Materials and Supplies	-	-	-	37,159	37,159
Golf Cart Lease	-	-	-	193,503	193,503
Utilities	-	-	-	144,745	144,745
Maintenance and Repairs	-	-	-	93,151	93,151
Fertilizer and Chemicals	-	-	-	344,828	344,828
Petroleum Products	-	-	-	47,122	47,122
Uniforms	-	-	-	16,850	16,850
Depreciation	-	11,563	-	696,562	708,125
Other Operating Expenses	-	59,858	-	57,745	117,603
Insurance Claims	-	-	3,753,738	-	3,753,738
Total Operating Expenses	<u>155,371</u>	<u>4,518,025</u>	<u>3,753,738</u>	<u>3,486,545</u>	<u>11,913,679</u>
Operating (Loss) Income	<u>(5,538)</u>	<u>31,873</u>	<u>(183,674)</u>	<u>(41,650)</u>	<u>(198,989)</u>
Non-Operating Revenues (Expenses)					
Interest Income	-	10,660	15,626	7,608	33,894
Interest Expense	-	-	-	(502,832)	(502,832)
Total Non-Operating Revenues	<u>-</u>	<u>10,660</u>	<u>15,626</u>	<u>(495,224)</u>	<u>(468,938)</u>
Net Income (Loss)	<u>(5,538)</u>	<u>42,533</u>	<u>(168,048)</u>	<u>(536,874)</u>	<u>(667,927)</u>
Net Assets July 1, 2003	<u>31,016</u>	<u>562,428</u>	<u>697,893</u>	<u>718,343</u>	<u>2,009,680</u>
Net Assets June 30, 2004	<u>\$ 25,478</u>	<u>\$ 604,961</u>	<u>\$ 529,845</u>	<u>\$ 181,469</u>	<u>\$ 1,341,753</u>

See accompanying notes.

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

	Year Ended June 30, 2004				Eighteen Months Ended June 30, 2004
	Jail Canteen Fund	Assisted Housing	Self Insurance Fund	Golf Course Fund	Totals
	Cash Flows From Operating Activities				
Receipts from Customers	\$ 149,833	\$ -	\$ -	\$ 3,332,121	\$ 3,481,954
Receipts from Commissions	-	-	-	102,317	102,317
Receipts from Governmental Grants	-	4,179,813	-	-	4,179,813
Receipts from Employees/Intergovernmental	-	-	3,570,064	-	3,570,064
Payments to Suppliers	(155,371)	(3,966,862)	-	(1,088,568)	(5,210,801)
Payments to Employees	-	(536,349)	-	(1,671,774)	(2,208,123)
Payments for Claims	-	-	(3,596,020)	-	(3,596,020)
Other Receipts (Expenditures)	-	7,968	-	10,458	18,426
Net Cash Provided by Operating Activities	<u>(5,538)</u>	<u>(315,430)</u>	<u>(25,956)</u>	<u>684,554</u>	<u>337,630</u>
Cash Flows from Non Capital Financing Activities					
Proceeds from Other Funds	-	-	-	960,717	960,717
Payments to Other Funds	-	-	-	(415,000)	(415,000)
Net Cash Provided by Non Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>545,717</u>	<u>545,717</u>
Cash Flows from Capital and Related Financing Activities					
Purchase of Capital Assets	-	-	-	-	-
(Decrease) Increase in Restricted Cash	-	9,524	-	-	9,524
Payments on Bond Obligations	-	-	-	(490,000)	(490,000)
Interest Paid on Bond Obligations	-	-	-	(395,540)	(395,540)
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>9,524</u>	<u>-</u>	<u>(885,540)</u>	<u>(876,016)</u>
Cash Flows from Investing Activities					
Interest Income	-	-	15,626	7,608	23,234
Net Change in Cash	(5,538)	(305,906)	(10,330)	352,339	30,565
Cash and Cash Equivalents July 1, 2003	<u>31,016</u>	<u>423,878</u>	<u>948,501</u>	<u>42,879</u>	<u>1,446,274</u>
Cash and Cash Equivalents June 30, 2004	<u>\$ 25,478</u>	<u>\$ 117,972</u>	<u>\$ 938,171</u>	<u>\$ 395,218</u>	<u>\$ 1,476,839</u>
Reconciliation of Operating Income Net Cash					
Net Cash Provided by Operating Activities					
Operating Income	\$ (5,538)	\$ 31,873	\$ (183,674)	\$ (41,650)	\$ (198,989)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation	-	11,563	-	696,563	708,126
Change in Assets and Liabilities					
Accounts Receivable	-	(362,117)	-	-	(362,117)
Inventory	-	-	-	(34,600)	(34,600)
Accounts Payable	-	(2,944)	157,718	52,011	206,785
Accrued Payroll	-	(3,495)	-	589	(2,906)
Compensated Absences Payable	-	9,690	-	11,641	21,331
Net Cash Provided by Operating Activities	<u>\$ (5,538)</u>	<u>\$ (315,430)</u>	<u>\$ (25,956)</u>	<u>\$ 684,554</u>	<u>\$ 337,630</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2004**

	Agency Funds		
	School Board Tax Fund	Jail Prisoners Funds	Waterline Fund
Assets			
Cash and Cash Equivalents	\$ 158,414	\$ 74,206	\$ 25,975
Accounts Receivable	1,039,007	-	-
Total Assets	1,197,421	74,206	25,975
Liabilities			
Accounts Payable and Accrued Liabilities	1,197,421	74,206	25,975
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. In past years, BCGC has been presented on a calendar year basis. Starting with fiscal year 2005, BCGC will be presented on a fiscal year basis. The last report issued for BCGC was for the year ended December 31, 2002; therefore for this report eighteen months of activity have been presented.

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 Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road and Bridge Fund

This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund

The primary purpose of this fund is to account for the jail expenses of the County. The primary sources of revenue for this fund are reimbursements from the state and federal government, and other counties for housing prisoners and transfers from the General Fund. The Government 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 Public Properties Golf Course accounts for the activities of the Public Properties Golf Course, a blended component unit of the County. The Public Properties Golf Course owns and operates two golf courses. The Golf Course's financial statements are prepared for the eighteen months ended June 30, 2004.

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

The Government 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 fixed assets are recorded at their fair market values as of the date received. The Fiscal Court maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The County’s contribution rate for hazardous employees was 18.51 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, 2004, 2003, and 2002 were \$1,202,208 (composed of \$746,229 from the County and \$455,979 from the employees), \$1,056,807 and \$1,024,939, respectively; 100% has been contributed for fiscal years 2004, 2003, and 2002.

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, 2004, 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 County's investments are categorized below to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered or the securities are held by the County or by the County's agent in the County's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the County's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the County's name.

Types of Investments	Category			Carrying Amount	Market Value
	1	2	3		
Treasury Fund	\$ -	\$ -	\$23,381,862	\$23,381,862	\$23,381,862

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, 2004 is \$290,000 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, 2004 is \$412,000 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, 2004 is \$410,000 and the Boone County Health Taxing District is in substantial compliance with the terms of the agreement.

The remaining maturities on the notes are as follows:

Year Ended <u>June 30,</u>	
2005	\$ 102,000
2006	104,000
2007	112,000
2008	114,000
2009	121,000
Thereafter	<u>559,000</u>
	<u>\$ 1,112,000</u>

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts Receivable consists of the following at June 30, 2004:

Taxes - Current	\$ 4,882,170
Taxes – Delinquent	13,517
Excess Fees	272,637
Charges for Service	44,650
Intergovernment	879,231
License Fees	175,494
Miscellaneous	<u>39,538</u>
	<u>\$ 6,307,237</u>

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004 was as follows:

Governmental Activities	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Capital Assets Not Being Depreciated				
Land	\$ 8,019,655	\$ 3,898,793	\$ -	\$ 11,918,448
Roads	130,154,432	6,696,865	-	136,851,297
Construction in Progress	<u>12,347,109</u>	<u>14,133,269</u>	<u>2,006,479</u>	<u>24,473,899</u>
Total Capital Assets Not Being Depreciated	<u>150,521,196</u>	<u>24,728,927</u>	<u>2,006,479</u>	<u>173,243,644</u>
Depreciable Capital Assets				
Land Improvements	2,302,398	1,583,861	-	3,886,259
Buildings and Building Improvements	27,958,354	346,568	56,228	28,248,694
Equipment	1,414,015	244,047	57,474	1,600,588
Furniture and Office Equipment	5,059,988	236,425	4,788,072	508,341
Vehicles	7,045,699	504,370	428,855	7,121,214
Roads	<u>174,235</u>	<u>556,527</u>	<u>-</u>	<u>730,762</u>
Total Depreciable Capital Assets	<u>43,954,689</u>	<u>3,471,798</u>	<u>5,330,629</u>	<u>42,095,858</u>
Total Capital Assets at Historical Cost	<u>194,475,885</u>	<u>28,200,725</u>	<u>7,337,108</u>	<u>215,339,502</u>
Less Accumulated Depreciation				
Land Improvements	653,105	122,436	-	775,541
Buildings and Building Improvements	5,868,631	446,859	56,228	6,259,262
Equipment	840,722	82,979	57,474	866,227
Furniture and Office Equipment	2,638,202	36,679	2,487,956	186,925
Vehicles	4,308,826	853,444	399,065	4,763,205
Roads	<u>52,087</u>	<u>6,982</u>	<u>-</u>	<u>59,069</u>
Total Accumulated Depreciation	<u>14,361,573</u>	<u>1,549,379</u>	<u>3,000,723</u>	<u>12,910,229</u>
Depreciable Capital Assets, Net	<u>29,593,116</u>	<u>1,922,419</u>	<u>2,329,906</u>	<u>29,185,629</u>
Governmental Activities Capital Assets - Net	<u>\$ 180,114,312</u>	<u>\$ 26,651,346</u>	<u>\$ 4,336,385</u>	<u>\$ 202,429,273</u>

NOTE 6 – CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended June 30, 2004 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	-	-	1,129,497
Totals at Historical Cost	<u>8,949,887</u>	<u>-</u>	<u>-</u>	<u>8,949,887</u>
Total Capital Assets at Historical Value	<u>11,346,365</u>	<u>-</u>	<u>-</u>	<u>11,346,365</u>
Less Accumulated Depreciation				
Land Improvements	2,727,742	436,723	-	3,164,465
Buildings and Building Improvements	993,741	112,574	-	1,106,315
Furniture and Office Equipment	26,254	7,569	-	33,823
Vehicles, Machinery and Equipment	955,906	151,260	-	1,107,166
Total Accumulated Depreciation	<u>4,703,643</u>	<u>708,126</u>	<u>-</u>	<u>5,411,769</u>
Depreciable Capital Assets, Net	<u>4,246,244</u>	<u>(708,126)</u>	<u>-</u>	<u>3,538,118</u>
Business - Type Activities				
Capital Assets - Net	<u>\$ 6,642,722</u>	<u>\$ (708,126)</u>	<u>\$ -</u>	<u>\$ 5,934,596</u>
Component Unit	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Depreciable Capital Assets				
Furniture, Office Equipment, and Vehicles	\$ 5,855,589	\$ 170,573	\$ -	\$ 6,026,162
Less Accumulated Depreciation				
Furniture, Office Equipment, and Vehicles	<u>3,432,914</u>	<u>674,226</u>	<u>-</u>	<u>4,107,140</u>
Depreciable Capital Assets, Net	<u>2,422,675</u>	<u>(503,653)</u>	<u>-</u>	<u>1,919,022</u>
Component Unit				
Capital Assets - Net	<u>\$ 2,422,675</u>	<u>\$ (503,653)</u>	<u>\$ -</u>	<u>\$ 1,919,022</u>

NOTE 6 – CAPITAL ASSETS (Continued)

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

	<u>June 30, 2004</u>
Governmental Activities	
General Government	\$ 425,323
Protection to Persons and Property	667,370
General Health and Sanitation	20,671
Social Services	26,258
Recreation and Culture	191,970
Roads, Including Depreciation of General Infrastructure Assets	<u>217,781</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 1,549,379</u>
Business-Type Activities	
Golf Course	\$ 696,563
Assisted Housing	<u>11,563</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 708,126</u>

The County has active construction projects as of June 30, 2004. Total accumulated commitments for ongoing capital projects is \$24,640,559.

NOTE 7 – ACCOUNTS PAYABLE

Accounts Payable consists of the following at June 30, 2004:

Contract Services	\$ 552,941
Supplies and Materials	217,100
Other Charges	101,281
Claims Payable	<u>408,326</u>
	<u>\$ 1,279,648</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, 2004:

	<u>Debt Outstanding July 1, 2003</u>	<u>Additions of New Debt</u>	<u>Repayments & Defeasance</u>	<u>Debt Outstanding June 30, 2004</u>	<u>Amount Expected to Be Paid Within One Year</u>
General Obligation Bonds	\$ <u>33,020,000</u>	\$ <u>6,415,000</u>	\$ <u>1,620,000</u>	\$ <u>37,815,000</u>	\$ <u>2,080,000</u>
Revenue Bonds	\$ <u>31,720,000</u>	\$ <u>6,465,000</u>	\$ <u>2,400,000</u>	\$ <u>35,785,000</u>	\$ <u>2,400,000</u>
Note Payable	\$ <u>-</u>	\$ <u>1,125,580</u>	\$ <u>160,797</u>	\$ <u>964,783</u>	\$ <u>160,797</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>Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 122,539	\$ 585,000
2006	100,133	610,000
2007	76,095	630,000
2008	50,395	655,000
2009	23,696	680,000
2010-2014	40,237	95,000
2015-2019	<u>15,035</u>	<u>120,000</u>
Totals	<u>\$ 428,130</u>	<u>\$ 3,375,000</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>Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 142,812	\$ 360,000
2006	128,012	380,000
2007	113,012	370,000
2008	97,912	385,000
2009	82,112	405,000
2010-2013	<u>154,255</u>	<u>1,765,000</u>
Totals	<u>\$ 718,115</u>	<u>\$ 3,665,000</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>Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 814,936	\$ 725,000
2006	792,280	750,000
2007	766,968	775,000
2008	737,904	800,000
2009	705,904	835,000
2010-2014	2,992,140	4,705,000
2015-2019	1,873,378	5,830,000
2020-2022	<u>425,750</u>	<u>4,190,000</u>
Totals	<u>\$ 9,109,260</u>	<u>\$18,610,000</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>Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 238,225	\$ 145,000
2006	232,975	155,000
2007	227,463	160,000
2008	221,775	165,000
2009	215,913	170,000
2010-2014	977,125	945,000
2015-2019	766,620	1,155,000
2020-2024	485,439	1,445,000
2025-2028	<u>130,271</u>	<u>1,410,000</u>
Totals	<u>\$ 3,495,806</u>	<u>\$ 5,750,000</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, 2003 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>Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 228,694	\$ 265,000
2006	221,269	275,000
2007	213,638	280,000
2008	205,800	290,000
2009	197,688	300,000
2010-2014	846,251	1,630,000
2015-2019	509,264	1,980,000
2020-2022	<u>90,631</u>	<u>1,395,000</u>
Totals	<u>\$ 2,513,235</u>	<u>\$ 6,415,000</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 2003A dated October, 2003, 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>Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 113,100	\$ 1,385,000
2006	83,388	1,410,000
2007	81,325	1,440,000
2008	<u>17,562</u>	<u>1,405,000</u>
Totals	<u>\$ 295,375</u>	<u>\$ 5,640,000</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, 2004, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Sewer System	4.50 - 5.15%	\$ <u>10,290,000</u>

The minimum obligations at June 30, 2004 for debt service of these bonds are as follows:

<u>Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2006	\$ <u>263,231</u>	\$ <u>10,290,000</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 \$964,783 at June 30, 2004.

The remaining maturities on the note are as follows:

<u>Year Ended June 30,</u>	<u>Scheduled Interest</u>
2005	\$ 160,797
2006	160,797
2007	160,797
2008	160,797
2009	160,797
Thereafter	<u>160,798</u>
	<u>\$ 964,783</u>

Special Revenue Bonds – Public Properties

The County has issued bonds where the County pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2004, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Justice Center	4.00 - 5.125%	\$ <u>14,380,000</u>

The minimum obligations at June 30, 2004 for debt service of these bonds are as follows:

<u>Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 669,119	\$ 500,000
2006	648,719	520,000
2007	627,519	540,000
2008	605,444	550,000
2009	582,094	575,000
2010-2014	2,497,324	3,315,000
2015-2019	1,608,759	4,195,000
2020-2023	<u>441,553</u>	<u>4,185,000</u>
Totals	<u>\$ 7,680,531</u>	<u>\$ 14,380,000</u>

NOTE 8 – LONG-TERM DEBT (Continued)

Revenue Refunding Bonds – Golf Course

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

<u>Year Ended June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2005	\$ 238,446	\$ 515,000
2006	215,475	535,000
2007	191,385	560,000
2008	166,195	585,000
2009	139,600	610,000
2010-2013	<u>257,173</u>	<u>2,670,000</u>
Totals	<u>\$ 1,208,274</u>	<u>\$ 5,475,000</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 \$412,000 as of June 30, 2004.

The following is a summary of the county's capital lease purchase agreement transactions for the year ended June 30, 2004:

<u>Debt Outstanding July 1, 2003</u>	<u>Additions</u>	<u>Repayments</u>	<u>Debt Outstanding June 30, 2004</u>	<u>Amount Expected to Be Paid Within One Year</u>
\$ <u>462,000</u>	\$ <u>-</u>	\$ <u>50,000</u>	\$ <u>412,000</u>	\$ <u>52,000</u>

The following is a schedule of future minimum lease payments as of June 30, 2004:

<u>Year</u>	<u>Point Pleasant Fire Department</u>
2005	\$ 71,236
2006	70,633
2007	70,910
2008	70,060
2009	69,111
2010-2011	<u>135,960</u>
Total Minimum Lease Payment	487,910
Less Interest	<u>75,910</u>
Present Value of Minimum Lease Payments	<u>\$ 412,000</u>

NOTE 10 – COMPENSATED ABSENCES PAYABLE

Changes in the County's compensated absences during fiscal year 2004 were as follows:

<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2004</u>	<u>Amount</u> <u>Expected to Be</u> <u>Paid Within</u> <u>One Year</u>
\$ <u>567,770</u>	\$ <u>68,236</u>	\$ <u>27,067</u>	\$ <u>608,939</u>	\$ <u>56,223</u>

NOTE 11 – OPERATING LEASES

The County owns various buildings throughout Boone County that are leased to organizations accounted for under an operating lease. Three leases renew annually and the other three expire at various times through January, 2024. Rental income for the year ended June 30, 2004 was \$69,808. The future minimum lease payments to be received are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Scheduled</u> <u>Interest</u>
2005	\$ 67,317
2006	44,408
2007	44,408
2008	44,408
2009	44,408
Thereafter	<u>643,913</u>
	<u>\$ 888,862</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 future minimum lease payments are as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Scheduled</u> <u>Interest</u>
2005	\$ 9,949
2006	9,949
2007	9,949
2008	9,949
2009	<u>9,949</u>
	<u>\$ 49,745</u>

NOTE 12 – INSURANCE

For the fiscal year ended June 30, 2004, 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, 2004 was \$5,973.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2004, the County has converted its governmental funds from the modified cash basis of accounting to the modified accrual basis of accounting. Therefore, the governmental fund balances as of July 1, 2003 have been restated for the change. The effect of the reinstatement was to increase the total governmental fund balances as July 1, 2003 by \$4,890,332.

NOTE 15 – PUBLIC SAFETY FUND

Beginning July 1, 2003, the Public Safety Fund will be reported with Boone County Public Safety Communications Center, which is a component unit. The net assets as of July 1, 2003 have been restated to reflect this change. The effect of the change was to decrease net assets by \$2,922,938.

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, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 23,644,500	\$ 23,644,500	\$ 25,392,960	\$ 1,748,460
In Lieu Tax Payments	80,000	80,000	79,619	(381)
Excess Fees	550,500	550,500	1,085,137	534,637
Licenses and Permits	1,280,000	1,280,000	1,513,475	233,475
Intergovernmental	2,915,360	2,915,360	2,889,730	(25,630)
Charges for Services	382,951	382,951	1,586,893	1,203,942
Miscellaneous	640,328	640,328	727,903	87,575
Interest	201,000	201,000	274,802	73,802
Total Revenues	<u>29,694,639</u>	<u>29,694,639</u>	<u>33,550,519</u>	<u>3,855,880</u>
Expenditures				
General Government	3,988,673	4,062,478	3,663,317	399,161
Protection to Persons and Property	7,241,940	7,384,074	6,852,019	532,055
General Health and Sanitation	478,950	478,950	408,573	70,377
Social Services	1,306,408	1,317,208	1,061,642	255,566
Recreation and Culture	1,328,108	1,330,108	1,185,021	145,087
Debt Service	1,659,892	1,763,367	2,183,564	(420,197)
Administration	14,680,848	14,348,634	11,201,568	3,147,066
Total Expenditures	<u>30,684,819</u>	<u>30,684,819</u>	<u>26,555,704</u>	<u>4,129,115</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(990,180)</u>	<u>(990,180)</u>	<u>6,994,815</u>	<u>7,984,995</u>
Other Financing Sources (Uses)				
Miscellaneous	-	-	-	-
Bond Principal Payments	(2,110,000)	(2,110,000)	(3,050,000)	(940,000)
Capital Lease Principal Payments	(50,000)	(50,000)	(50,000)	-
Bond Proceeds	-	-	12,857,980	12,857,980
Operating Transfers In	-	-	6,384,409	6,384,409
Operating Transfers Out	(4,003,820)	(4,003,820)	(10,471,430)	(6,467,610)
Total Other Financing Sources (Uses)	<u>(6,163,820)</u>	<u>(6,163,820)</u>	<u>5,670,959</u>	<u>11,834,779</u>
(Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(7,154,000)</u>	<u>(7,154,000)</u>	<u>12,665,774</u>	<u>19,819,774</u>
Fund Balance July 1, 2003	<u>7,154,000</u>	<u>7,154,000</u>	<u>6,610,860</u>	<u>(543,140)</u>
Fund Balance June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,276,634</u>	<u>\$ 19,276,634</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, 2004**

	<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	102,802	2,802
Intergovernmental	1,886,895	1,886,895	1,634,992	(251,903)
Charges for Services	100,000	100,000	116,076	16,076
Miscellaneous	488,000	488,000	493,679	5,679
Interest	15,000	15,000	8,712	(6,288)
Total Revenues	<u>2,589,895</u>	<u>2,589,895</u>	<u>2,356,261</u>	<u>(233,634)</u>
Expenditures				
General Government	-	-	-	-
Protection to Persons and Property	-	-	-	-
General Health and Sanitation	-	-	-	-
Social Services	-	-	-	-
Recreation and Culture	-	-	-	-
Roads	7,335,055	7,335,055	6,258,981	1,076,074
Administration	-	-	-	-
Total Expenditures	<u>7,335,055</u>	<u>7,335,055</u>	<u>6,258,981</u>	<u>1,076,074</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(4,745,160)</u>	<u>(4,745,160)</u>	<u>(3,902,720)</u>	<u>842,440</u>
Other Financing Sources (Uses)				
Miscellaneous	-	-	-	-
Proceeds from Sale of Fixed Assets	-	-	-	-
Bond Fees Paid to Fiscal Agent	-	-	-	-
Bond Proceeds	-	-	-	-
Operating Transfers In	3,395,160	3,395,160	3,050,000	(345,160)
Operating Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>3,395,160</u>	<u>3,395,160</u>	<u>3,050,000</u>	<u>(345,160)</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(1,350,000)</u>	<u>(1,350,000)</u>	<u>(852,720)</u>	<u>497,280</u>
Fund Balance July 1, 2003	<u>1,350,000</u>	<u>1,350,000</u>	<u>1,119,410</u>	<u>(230,590)</u>
Fund Balance June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 266,690</u>	<u>\$ 266,690</u>

**BOONE COUNTY FISCAL COURT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
JAIL FUND
Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
In Lieu Tax Payments	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	1,388,500	1,388,500	1,381,462	(7,038)
Charges for Services	239,500	239,500	229,331	(10,169)
Miscellaneous	80,300	80,300	85,541	5,241
Interest	2,000	2,000	1,147	(853)
Total Revenues	<u>1,710,300</u>	<u>1,710,300</u>	<u>1,697,481</u>	<u>(12,819)</u>
Expenditures				
General Government	-	-	-	-
Protection to Persons and Property	1,888,960	1,939,465	1,852,814	86,651
General Health and Sanitation	-	-	-	-
Social Services	-	-	-	-
Recreation and Culture	-	-	-	-
Capital Projects	-	-	-	-
Administration	530,000	479,495	501,312	(21,817)
Total Expenditures	<u>2,418,960</u>	<u>2,418,960</u>	<u>2,354,126</u>	<u>64,834</u>
Excess (Deficit) of Revenues Over Expenditures	<u>(708,660)</u>	<u>(708,660)</u>	<u>(656,645)</u>	<u>52,015</u>
Other Financing Sources (Uses)				
Miscellaneous	-	-	-	-
Proceeds from Sale of Fixed Assets	-	-	-	-
Bond Fees Paid to Fiscal Agent	-	-	-	-
Bond Proceeds	-	-	-	-
Operating Transfers In	608,660	608,660	555,000	(53,660)
Operating Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>608,660</u>	<u>608,660</u>	<u>555,000</u>	<u>(53,660)</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(100,000)</u>	<u>(100,000)</u>	<u>(101,645)</u>	<u>(1,645)</u>
Fund Balance July 1, 2003	<u>100,000</u>	<u>100,000</u>	<u>166,982</u>	<u>66,982</u>
Fund Balance June 30, 2004	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,337</u>	<u>\$ 65,337</u>

BOONE COUNTY
NOTES TO THE SCHEDULE OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2004

The Boone County budget is adopted on a cash basis of accounting and 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	\$ 33,550,519	\$ 2,356,261	\$ 1,697,481
Accounts Receivable 6/30/2003	(4,553,589)	(239,831)	(118,146)
Accounts Receivable 6/30/2004	4,714,650	321,496	117,492
Change in Note Receivable Balance	<u>(100,000)</u>	<u>-</u>	<u>-</u>
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	<u>\$ 33,611,580</u>	<u>\$ 2,437,926</u>	<u>\$ 1,696,827</u>
<u>Expenses</u>			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget And Actual	\$ 26,555,704	\$ 6,258,981	\$ 2,354,126
Accounts Payable 6/30/2003	(103,894)	(180,511)	(23,566)
Accounts Payable 6/30/2004	132,561	188,064	46,972
Accrued Payroll 6/30/2003	(141,627)	(45,503)	(33,089)
Accrued Payroll 6/30/2004	103,605	22,747	17,652
Compensated Absences Payable 6/30/2003	(306,433)	(129,412)	(32,317)
Compensated Absences Payable 6/30/2004	<u>331,917</u>	<u>142,264</u>	<u>35,152</u>
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	<u>\$ 26,571,833</u>	<u>\$ 6,256,630</u>	<u>\$ 2,364,930</u>

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

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

2004	2003	2002
99%	98%	97%

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

2004	2003	2002
1%	2%	3%

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

	2004	2003	2002
Bridge			
Needed	\$ 200,000	\$ 100,000	\$ 125,000
Actual	50,535	-	7,116
Roads			
Needed	604,120	631,550	455,135
Actual	604,893	573,267	415,139
Subdivision			
Needed	2,141,880	2,150,607	1,549,865
Actual	2,144,622	1,952,139	1,413,665

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, 2004

	Local Government Economic Assistance Fund	Federal Grants Fund	Local Law Enforcement Fund	Mental Health Fund	Revolving Loan Fund	Motor Vehicle Rental Tax Fund	Scattered Sewer Assessment Fund	Earl Parker Robinson Fund	Public Properties Fund	Total Nonmajor Governmental Funds
Assets										
Cash and Cash Equivalents	\$ 84,038	\$ -	\$ -	\$ 1,213,463	\$ 84,197	\$ 1,287	\$ 813	\$ 273,495	\$ 52,499	\$ 1,709,792
Investments	-	-	-	-	-	-	-	-	102,050	102,050
Notes Receivable	-	-	-	-	-	-	-	-	-	-
Accounts Receivable	29,926	-	-	478,430	-	366,692	-	-	-	875,048
Due from Boone County	-	-	-	-	-	-	-	-	-	-
Golf Course	-	-	-	-	-	-	-	-	150,000	150,000
Restricted Cash	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 113,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,691,893</u>	<u>\$ 84,197</u>	<u>\$ 367,979</u>	<u>\$ 813</u>	<u>\$ 273,495</u>	<u>\$ 304,549</u>	<u>\$ 2,836,890</u>
Liabilities and Fund Balances										
Liabilities										
Accounts Payable	\$ 9,377	\$ 5,134	\$ -	\$ 382,986	\$ -	\$ -	\$ -	\$ -	\$ 2,236	\$ 399,733
Accrued Payroll	-	-	-	-	-	-	-	-	-	-
Compensated Absences Payable	-	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>9,377</u>	<u>5,134</u>	<u>-</u>	<u>382,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,236</u>	<u>399,733</u>
Fund Balances										
Reserved for:										
Road Projects	-	-	-	-	-	-	-	-	-	-
Special Projects	-	(5,134)	-	-	84,197	-	813	-	-	79,876
Contractual Tax Agreements	-	-	-	1,308,907	-	367,979	-	-	-	1,676,886
Debt Service	-	-	-	-	-	-	-	-	102,346	102,346
Unreserved	104,587	-	-	-	-	-	-	273,495	199,967	578,049
Total Fund Balances	<u>104,587</u>	<u>(5,134)</u>	<u>-</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>
Total Liabilities and Fund Balances	<u>\$ 113,964</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,691,893</u>	<u>\$ 84,197</u>	<u>\$ 367,979</u>	<u>\$ 813</u>	<u>\$ 273,495</u>	<u>\$ 304,549</u>	<u>\$ 2,836,890</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	Local Government Economic Assistance Fund	Federal Grants Fund	Local Law Enforcement Fund	Mental Health Fund	Revolving Loan Fund	Motor Vehicle Rental Tax Fund	Scattered Sewer Assessment Fund	Earl Parker Robinson Fund	Public Properties Fund	Total Nonmajor Governmental Funds
Revenues										
Taxes	\$ -	\$ -	\$ -	\$ 1,802,585	\$ -	\$ 1,465,584	\$ -	\$ -	\$ -	\$ 3,268,169
In Lieu Tax Payments	-	-	-	-	-	-	-	-	-	-
Excess Fees	-	-	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	120,809	108,017	11,531	-	-	-	-	-	1,171,220	1,411,577
Charges for Services	-	-	-	-	-	-	-	-	779,362	779,362
Miscellaneous	-	-	-	7,183	-	-	65,000	-	-	72,183
Interest	1,541	-	18	18,633	1,290	2,029	9,603	4,221	2,606	39,941
Total Revenues	<u>122,350</u>	<u>108,017</u>	<u>11,549</u>	<u>1,828,401</u>	<u>1,290</u>	<u>1,467,613</u>	<u>74,603</u>	<u>4,221</u>	<u>1,953,188</u>	<u>5,571,232</u>
Expenditures										
General Government	-	-	-	-	-	-	-	-	2,500	2,500
Protection to Persons and Property	-	-	11,549	-	-	-	-	-	-	11,549
General Health and Sanitation	126,506	113,151	-	1,364,138	-	-	-	2,627	-	1,606,422
Social Services	-	-	-	590,730	-	-	-	-	-	590,730
Recreation and Culture	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	688,719	688,719
Capital Projects	-	-	-	-	-	-	705,740	-	411,039	1,116,779
Administration	-	-	-	70,794	-	1,490,326	-	-	-	1,561,120
Debt Service	-	-	-	-	-	-	-	-	480,000	480,000
Total Expenditures	<u>126,506</u>	<u>113,151</u>	<u>11,549</u>	<u>2,025,662</u>	<u>-</u>	<u>1,490,326</u>	<u>705,740</u>	<u>2,627</u>	<u>1,582,258</u>	<u>6,057,819</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>(4,156)</u>	<u>(5,134)</u>	<u>-</u>	<u>(197,261)</u>	<u>1,290</u>	<u>(22,713)</u>	<u>(631,137)</u>	<u>1,594</u>	<u>370,930</u>	<u>(486,587)</u>
Other Financing Sources (Uses)										
Capital Lease Principal Payments	-	-	-	-	-	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-	-	-	-	(6,384,409)	(6,384,409)
Transfers from Other Funds	-	-	-	-	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,384,409)</u>	<u>(6,384,409)</u>
Net Change in Fund Balances	<u>(4,156)</u>	<u>(5,134)</u>	<u>-</u>	<u>(197,261)</u>	<u>1,290</u>	<u>(22,713)</u>	<u>(631,137)</u>	<u>1,594</u>	<u>(6,013,479)</u>	<u>(6,870,996)</u>
Fund Balances July 1, 2003, Restated	<u>108,743</u>	<u>-</u>	<u>-</u>	<u>1,506,168</u>	<u>82,907</u>	<u>390,692</u>	<u>631,950</u>	<u>271,901</u>	<u>6,315,792</u>	<u>9,308,153</u>
Fund Balances June 30, 2004	<u>\$ 104,587</u>	<u>\$ (5,134)</u>	<u>\$ -</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>

See accompanying notes.

**BOONE COUNTY FISCAL COURT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004**

<u>Federal Grants/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Direct Program:			
Section Eight Housing Rental Assistance Program	14.871	KY135-CE-0012	\$ 4,541,930
Passed-Through State Department for Local Government:			
Emergency Shelter Grants Program	14.231	S01-DC21-0001	8,765
Community Development Block Grant	14.228	B-98-DC21-0001	<u>54,000</u>
Total U.S. Department of Housing and Urban Development			<u>4,604,695</u>
U.S. Department of Justice			
Passed-Through State Justice Cabinet:			
Local Law Enforcement Block Grant			
Police Equipment	16.597	03-LB-VX-1960	11,531
Bulletproof Vest Partnership Program	16.607	1121-0235	<u>9,143</u>
Total U.S. Department of Justice			<u>20,674</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	19,400
Citizens Corp	83.564	M-03052269	4,782
CERT Funds - Local	97.054	M-03432646	5,750
CERT Funds - Counties	97.054	M-03053041	16,034
Planning MOA	83.562	M-03055032	13,198
Weapons of Mass Destruction - Part II	16.007	M-03254738	13,018
Weapons of Mass Destruction - Direct	16.007	M-03138124	<u>40,999</u>
Total U.S. Department of Homeland Security			<u>113,181</u>
Total Cash Expenditures of Federal Awards			<u>\$ 4,738,550</u>

BOONE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

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

We have audited the financial statements of 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, 2004, which collectively comprise the Boone County's basic financial statements and have issued our report thereon dated January 13, 2005. 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 opinion 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 over financial reporting 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

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 that are required to be reported under *Government Auditing Standards*.

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

VonLehman & Company Inc.

Fort Mitchell, Kentucky
January 13, 2005



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

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

Compliance

We have audited the compliance of Boone County with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB Circular A-133 Compliance Supplement*) that are applicable to each of its major federal programs for the year ended June 30, 2004. 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, 2004.

Internal Control Over Compliance

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

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary, Finance and Administration Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court
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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 the audit committee, management, others within the Organization, county commissioners and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
January 13, 2005

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2004

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
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2004

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

No matters were reported.

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.