

**BOONE COUNTY PUBLIC SAFETY
COMMUNICATIONS CENTER**
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT,
BURLINGTON, KENTUCKY)

June 30, 2009

*FINANCIAL STATEMENT AND INDEPENDENT AUDITORS'
REPORT*



VonLehman & Company Inc. vlcpa.com
4755 Lake Forest Drive, Suite 100 Cincinnati, OH 45242-3836 513.891.5911 F 513.891.5969
250 Grandview Drive, Suite 300 Fort Mitchell, KY 41017-5610 859.331.3300 F 859.331.4358

**BOONE COUNTY PUBLIC SAFETY COMMUNICATIONS CENTER
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT,
BURLINGTON KENTUCKY)
TABLE OF CONTENTS**

	PAGE
Independent Auditors' Report	
Management's Discussion and Analysis (MD&A)	1 – 6
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	7
Statement of Activities	8
Fund Financial Statements	
Balance Sheet – Governmental Funds	9
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	10
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	12
Notes to the Financial Statements	13 – 17
Required Supplemental Information	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – 911 Fund	19
Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	20
Supplemental Information	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21 – 22

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Boone County Public Safety Communications Center

We have audited the accompanying financial statements of the governmental activities of the Boone County Public Safety Communications Center (a component unit of Boone County Fiscal Court) as of and for the year ended June 30, 2009. These financial statements are the responsibility of Boone County Public Safety Communications Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above presents fairly, in all material respects, the respective financial position of the governmental activities of the Boone County Public Safety Communications Center as of June 30, 2009 and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules on pages 1 through 6, and 18 through 20 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2011, on our consideration of Boone County Public Safety Communications Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
May 31, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED

As management of the Boone County Public Safety Communications Center (PSCC), we offer readers of PSCC's financial statements this narrative overview and analysis of the financial activities of PSCC for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

During Fiscal Year 2007, the parties of the Interlocal Agreement creating the PSCC, the Boone County Fiscal Court and City of Florence, discussed and agreed in principle, to change the internal operation and structure of the PSCC organization. The County assumed added responsibilities with the role of providing administrative support and management assistance in a variety of areas including, but not limited to, fiscal management, procurement, human resource administration, fringe benefits, planning and policy development. The PSCC Board has continued to serve as the policy-making entity and the Boone County Fiscal Court management staff provides support in those areas noted herein. During this period the policies, procedures and fringe benefits of the PSCC were aligned with those of the County to streamline administration and ensure parity between employees. In essence, the PSCC has become a quasi-department within county government, subject to unique policy direction from an autonomous board. This transition has been successfully completed.

The capital plan approved in FY07 included a strategic five-year set of recommendations for capital upgrades along with a funding proposal that included an increase in the 911 landline fee levied on all residents and businesses within the county. The increased fee was also accompanied by a policy that would adjust the fee each year, based upon activity in the Consumer Price Index (CPI) for our region. The Boone County Fiscal Court took legislative action during Fiscal Year 2007 to increase the fee and incorporate an annual cost of living adjustment per the staff recommendation. The new fees reflected on consumer monthly bills beginning each January 1st, provided an increase in 911 surcharge revenue for six months of the Fiscal Year 2009 from \$2.41 per land line to \$2.54 per land line.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2009 for the General and Capital Funds are as follows:

- The general fund operating revenues increased due to an increase in County and City contributions. The operating revenue increase from FY2008 to FY2009 was 8% as operating expenditures decreased by 3%. The 911 capital fund had no cash transfers to the operating fund in FY09 for the third year but was replaced by a slight budget increase in the Boone County Fiscal Court's and the City of Florence's budgets. PSCC's general fund ended the year with a cash balance of \$75,056.
- The capital fund had an increase in 911 user fees of only \$14,192, nearly 1%, even though the increase due to the CPI was more than 5% on the surcharge rate. This proves more each day that land lines are dwindling and it will only get harder to run the operations of the capital fund with the 911 surcharge. Operating expenditures decreased by \$874,000, or 39% due to the last phase of the five year capital plan taking longer to implement. Three million dollars was borrowed for a term of five years to carry out this plan of upgrades to all Mobile Data Terminals, a replacement of an emergency tower, and an upgrade to the microwave system. We are in the last phase of upgrading the microwave system which should be complete by April, 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to PSCC's basic financial statements. PSCC's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements consist of a statement of net assets and a statement of activities.

The financial information of PSCC "as a whole" is reported in the two government-wide financial statements (pages 7 and 8). One of the most important questions to ask is whether PSCC 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 net assets and changes in them. You can think of PSCC's net assets – the difference between assets and liabilities – as one way to measure PSCC's financial health, or financial position. Over time, increases or decreases in PSCC's net assets are one indicator of whether its financial health is improving or deteriorating.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. PSCC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The basic governmental fund financial statements can be found on pages 9 and 11 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 17 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)

Government-Wide Financial Analysis

The perspective of the statement of net assets is of PSCC as a whole. Table 1 provides a summary of the PSCC's net assets for 2009 compared to 2008:

Table 1
Net Assets
(In Thousands)

	Governmental Activities	
	2009	2008
<u>Assets</u>		
Current Assets	\$ 4,401	4,009
Capital Assets, Net Total Assets	713	1,189
Total Assets	5,114	5,198
 <u>Liabilities</u>		
Current Liabilities	680	863
Non-Current Liabilities	1,627	2,214
Total Liabilities	2,307	3,077
 <u>Net Assets</u>		
Unrestricted	4,248	3,655
Investment in Capital Assets	(1,441)	(1,534)
Total Net Assets	\$ 2,807	\$ 2,121

PSCC's financial position is the product of several financial transactions, including the net results of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets. Total Assets remained similar to last year. Total Liabilities decreased due to payments made on the \$3 million capital lease.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)

Table 2 reflects the change in net assets for fiscal year 2009:

		Table 2	
		Change in Net Assets	
		(In Thousands)	
		<u>Governmental Activities</u>	
		<u>2009</u>	<u>2008</u>
<u>Revenues</u>			
General Revenues			
911 User Fees	\$	1,891	\$ 1,876
Intergovernmental Revenues		2,402	2,218
Earnings on Deposits		44	67
Loss on Disposal of Assets		-	(12)
Miscellaneous		<u>3</u>	<u>-</u>
Total Revenues		<u>4,340</u>	<u>4,040</u>
<u>Expenditures</u>			
Protection to Persons and Property		3,055	2,686
Administration		510	588
Debt Service		<u>89</u>	<u>63</u>
Total Expenditures		<u>3,654</u>	<u>3,337</u>
Change in Net Assets	\$	<u>686</u>	\$ <u>703</u>

Government-Wide Budgeting Highlights

PSCC's budget is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The cash balance for both accounts at the end of the Fiscal Year was \$4,187,875 with the borrowed money balance of \$2,002,083. The operating balance is \$2,185,792, an increase of \$1,110,900. This balance has continued to increase due to the Capital Fund and all capital expenditures are expended from the borrowed dollars.

For the general fund, actual revenue in the amount of \$2,408,591 was more than budgeted revenues in the amount of \$2,375,592; an excess of \$32,999. Expenditures and other financing uses were budgeted at \$2,575,592 while actual expenditures were \$2,387,208, \$188,384 or 7% under budget. This fund only contains a cash balance of \$75,000.

For the capital fund, budgeted revenues in the amount of \$1,955,000 were more than actual revenue in the amount of \$1,928,756, which is 1% under budget. Expenditures were budgeted at \$3,407,371, while actual expenditures were \$1,506,091, under budget by \$1,847,280. Less expended in this account is due to the large capital projects in progress that are time consuming. The additional dollars are held for these expenditures in a separate investment account.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)**

Capital Assets

At the end of fiscal year 2009, PSCC had \$713 thousand invested in net capital assets.

Table 3 reflects fiscal year 2009 balances compared to fiscal year 2008.

**Table 3
Capital Assets at June 30
(Net of Depreciation, In Thousands)**

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Computer Equipment and Software	\$ 4,686	\$ 4,681
Office Furniture and Equipment	153	153
Vehicles	10	10
Buildings and Infrastructure	59	59
Construction in Progress	226	144
Accumulated Depreciation	<u>(4,421)</u>	<u>(3,858)</u>
Total Capital Assets	<u>\$ 713</u>	<u>\$ 1,189</u>

The decrease in fixed assets is due to annual depreciation expense. Most of the assets have a short life expectancy at or under 5 years due to the technical nature of the equipment.

Debt

In December, 2007, PSCC entered into a \$3 million capital lease obligation for the purchase of communication equipment. At June 30, 2009, approximately \$1,198,780 of communication equipment was purchased. The remainder of this money should be used by April, 2011. The following is a summary of PSCC's long-term debt transactions for the year ended June 30, 2009:

	<u>Debt Outstanding July 1, 2008</u>	<u>Additions of New Debt</u>	<u>Repayments and Defeasance</u>	<u>Debt Outstanding June 30, 2009</u>	<u>Amount Expected To Be Paid Within One Year</u>
Capital Lease	\$ <u>2,722,936</u>	\$ <u>-</u>	\$ <u>586,797</u>	\$ <u>2,154,139</u>	\$ <u>588,939</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
UNAUDITED
(Continued)

Future Factors and Next Year's Budget

The PSCC Board along with the Boone County Fiscal Court and City of Florence approved a decrease in the 911 surcharge from \$2.52 per line to \$2.49 per line commencing January 1, 2010.

The wireless phone 911 surcharge has been reformulated to increase the amount coming back to the county which should help the revenues slightly.

Requests for Information

This financial report is designed to provide a general overview of PSCC 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, P.O. Box 960 (2950 Washington), Burlington, KY 41005.

BOONE COUNTY PUBLIC SAFETY COMMUNICATION CENTER
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT,
BURLINGTON, KENTUCKY)
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 4,187,875
Accounts Receivable	213,588
Total Current Assets	4,401,463
Capital Assets	
Depreciable Capital Assets	4,908,576
Less Accumulated Depreciation	(4,421,434)
Construction in Progress	225,741
Total Capital Assets	712,883
Total Assets	5,114,346
Liabilities	
Current Liabilities	
Accounts Payable	33,137
Lease Payable, Due Within One Year	588,939
Accrued Payroll	50,670
Compensated Absences Payable, Due Within One Year	1,076
Accrued Interest	6,301
Total Current Liabilities	680,123
Non-Current Liabilities	
Lease Payable, Due in More than One Year	1,565,200
Compensated Absences Payable, Due in More than One Year	62,188
Total Non-Current Liabilities	1,627,388
Total Liabilities	2,307,511
Net Assets	
Unrestricted Net Assets	4,248,091
Invested in Capital Assets, Net of Related Debt	(1,441,256)
Total Net Assets	\$ 2,806,835

See accompanying notes.

BOONE COUNTY PUBLIC SAFETY COMMUNICATION CENTER
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT,
BURLINGTON, KENTUCKY)
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Protection to Person and Property	\$ 3,055,377	\$ 1,890,349	\$ 2,402,392	\$ -	\$ 1,237,364
Administration	509,606	-	-	-	(509,606)
Debt Service	<u>88,965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(88,965)</u>
Total Governmental Activities	<u>\$ 3,653,948</u>	<u>\$ 1,890,349</u>	<u>\$ 2,402,392</u>	<u>\$ -</u>	<u>638,793</u>
 General Revenues:					
					44,285
					<u>2,903</u>
					<u>47,188</u>
					685,981
					<u>2,120,854</u>
					<u>\$ 2,806,835</u>

See accompanying notes.

BOONE COUNTY PUBLIC SAFETY COMMUNICATION CENTER
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT,
BURLINGTON, KENTUCKY)
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	<u>General Fund</u>	<u>911 Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and Cash Equivalents	\$ 75,056	\$ 4,112,819	\$ 4,187,875
Accounts Receivable	<u>-</u>	<u>213,588</u>	<u>213,588</u>
Total Assets	<u>\$ 75,056</u>	<u>\$ 4,326,407</u>	<u>\$ 4,401,463</u>
Liabilities			
Accounts Payable	\$ 3,989	\$ 29,148	\$ 33,137
Accrued Payroll	50,670	-	50,670
Accrued Interest	-	6,301	6,301
Compensated Absences Payable	<u>63,264</u>	<u>-</u>	<u>63,264</u>
Total Liabilities	<u>117,923</u>	<u>35,449</u>	<u>153,372</u>
Fund Balances			
Unreserved	(42,867)	-	(42,867)
Reserved for 911 Fund	<u>-</u>	<u>4,290,958</u>	<u>4,290,958</u>
Total Fund Balances	<u>(42,867)</u>	<u>4,290,958</u>	<u>4,248,091</u>
 Total Liabilities and Fund Balances	 <u>\$ 75,056</u>	 <u>\$ 4,326,407</u>	 <u>\$ 4,401,463</u>

See accompanying notes.

**BOONE COUNTY PUBLIC SAFETY COMMUNICATION CENTER
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT,
BURLINGTON, KENTUCKY)
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS
June 30, 2009**

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

Total Fund Balance - Governmental Funds	\$ 4,248,091
--	--------------

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

The Cost of Capital Assets is	\$ 5,134,317	
Accumulated Depreciation is	<u>(4,421,434)</u>	712,883

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:

Bonds and Notes Principal Payments, Due Within One Year	588,939	
Bonds and Notes Principal Payments, Due in More than One Year	<u>1,565,200</u>	<u>(2,154,139)</u>
Total Net Assets - Governmental Activities		\$ <u>2,806,835</u>

See accompanying notes.

BOONE COUNTY PUBLIC SAFETY COMMUNICATION CENTER
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT,
BURLINGTON, KENTUCKY)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2009

	<u>General</u> <u>Fund</u>	<u>911</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues			
Contracts with Other Counties and Cities	\$ 2,402,392	\$ -	\$ 2,402,392
911 User Fees	-	1,890,349	1,890,349
Miscellaneous Income	2,903	-	2,903
Interest Income	3,296	40,989	44,285
	<u>2,408,591</u>	<u>1,931,338</u>	<u>4,339,929</u>
Expenditures			
Protection to Person and Property	1,883,863	695,238	2,579,101
Administration	509,606	-	509,606
Debt Service	-	657,762	657,762
	<u>2,393,469</u>	<u>1,353,000</u>	<u>3,746,469</u>
Net Change in Fund Balances	15,122	578,338	593,460
Fund Balance July 1, 2008	<u>(57,989)</u>	<u>3,712,620</u>	<u>3,654,631</u>
Fund Balance June 30, 2009	<u>\$ (42,867)</u>	<u>\$ 4,290,958</u>	<u>\$ 4,248,091</u>

See accompanying notes.

**BOONE COUNTY PUBLIC SAFETY COMMUNICATION CENTER
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT,
BURLINGTON, KENTUCKY)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2009**

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

Total Net Change in Fund Balances - Governmental Funds	\$ 593,460
---	------------

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

Depreciation Expense	\$ (563,477)	
Capital Outlays	<u>87,201</u>	(476,276)

Repayment of bond and notes 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

568,797

Total Change in Net Assets - Governmental Activities	\$ <u><u>685,981</u></u>
---	---------------------------------

See accompanying notes.

**BOONE COUNTY PUBLIC SAFETY COMMUNICATIONS CENTER
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT, BURLINGTON, KENTUCKY)
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Boone County Public Safety Communications Center (PSCC) (formerly Public Safety Communications Center of Florence and Boone County) was created by an inter-governmental agreement between the County of Boone, Kentucky (Boone) and the Cities of Florence, Walton and Union, Kentucky (Cities). The County and the Cities entered into an agreement on January 23, 1979, pursuant to the authority of the Interlocal Cooperation Act (KRS 65.320, et.seq), which allows local governmental units to make the most efficient use of their resources by enabling them to cooperate on the basis of mutual advantage.

This agreement is perpetual in duration but may be terminated by either party at the end of any calendar year without any further obligation or liability upon ninety days written notice to the other party. The purpose of PSCC is to consolidate the communication system and the police files and records of the County and Cities.

PSCC receives funding from county and city governments and must comply with the requirements of these funding sources.

Basis of Presentation

Government-Wide Financial Statements – The Statement of Net Assets and the Statement of Activities displays information about PSCC as a whole. These statements include the financial activities of the primary government.

The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements thereof 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 function or program of PSCC's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are thereof 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 operating or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of PSCC, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of PSCC.

Fund Financial Statements – Fund financial statements report detailed information about PSCC.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The PSCC has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Unit. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of PSCC.
- (B) 911 Fund collects the 911 surcharge fee and spends those funds on capital items and maintenance agreements to improve and maintain the dispatch center. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of PSCC. This fund is managed by the Boone County Fiscal Court.

Capital Assets

General capital assets usually result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide financial statement of net assets, but are not reported in the fund financial statements.

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. PSCC maintains a capitalization threshold of \$5,000.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives for general capital assets:

<u>Description</u>	<u>Estimated Lives</u>
Computer Equipment	3 – 7 Years
Office Furniture and Equipment	5 – 10 Years
Vehicles	5 Years

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.

Compensated Absences

PSCC allows employees to accumulate unused sick leave to a maximum of 150 hours. The amount greater than 150 hours is bought back at half the hourly rate at year-end. Upon termination, accumulated sick leave is forfeited and any accumulated vacation is paid to the employee.

**BOONE COUNTY PUBLIC SAFETY COMMUNICATIONS CENTER
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT, BURLINGTON, KENTUCKY)**

NOTE 2 – CASH AND INVESTMENTS

At June 30, 2009, the carrying amount of the Center's deposits with a financial institution is \$4,187,875 and the bank balance is \$2,194,526, of that amount, \$250,000 is insured by the FDIC. The remainder is collateralized with securities held by the financial institution and pledged to collateralize the Center's deposits. Cash and cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

NOTE 3 – DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the program's deposits may not be returned. The Center's policy with regard to custodial credit risk is as follows: The Center must maintain 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.

NOTE 4 – PROPERTY AND EQUIPMENT

The following is a summary of changes in capital assets during the fiscal year:

	Balance <u>July 1, 2008</u>	Additions	Deletions	Balance <u>June 30, 2009</u>
Computer Equipment and Software	\$ 4,680,935	\$ 4,950	\$ -	\$ 4,685,885
Office Furniture and Equipment	153,483	-	-	153,483
Vehicles	9,910	-	-	9,910
Buildings & Infrastructure	59,298	-	-	59,298
Construction in Progress	<u>143,490</u>	<u>82,251</u>	-	<u>225,741</u>
 Total Assets	 5,047,116	 87,201	 -	 5,134,317
Less Depreciation	<u>3,857,957</u>	<u>563,477</u>	-	<u>4,421,434</u>
 Totals	 <u>\$ 1,189,159</u>	 <u>\$ (476,276)</u>	 <u>\$ -</u>	 <u>\$ 712,883</u>

NOTE 5 – LONG-TERM DEBT

The following is a summary of PSCC's long-term debt transactions for the year ended June 30, 2009:

	Debt Outstanding <u>July 1, 2008</u>	Additions of New <u>Debt</u>	Repayments and <u>Defeasance</u>	Debt Outstanding <u>June 30, 2009</u>	Amount Expected To Be Paid Within <u>One Year</u>
Capital Lease	\$ <u>2,722,936</u>	\$ <u>-</u>	\$ <u>568,797</u>	\$ <u>2,154,139</u>	\$ <u>588,939</u>

**BOONE COUNTY PUBLIC SAFETY COMMUNICATIONS CENTER
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT, BURLINGTON, KENTUCKY)**

NOTE 5 – LONG-TERM DEBT (Continued)

Capital Lease

PSCC has a capital lease for the purchase of communications equipment which matures December 1, 2012. This lease bears interest at 3.51%. Principal and interest payments are due June 1 and September 1. Under the terms of the lease, the entire \$3,000,000 was advanced during 2008. As of June 30, 2009, PSCC made purchases of \$1,198,780. The remaining \$2,774,259 will be spent by June 30, 2011.

The following is a schedule of future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at June 30, 2009.

Fiscal Years Ending June 30,	Amount
2010	\$ 659,426
2011	659,426
2012	659,426
2013	<u>329,712</u>
Total Minimum Lease Payments	2,307,990
Less: Amount Representing Interest	<u>(153,851)</u>
Present Value of Future Minimum Lease Payments	2,154,139
Less Current Portion	<u>588,939</u>
Non Current Portion	<u>\$ 1,565,200</u>

NOTE 6 – COMPENSATED ABSENCES PAYABLE

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

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Amount Expected To Be Paid Within One Year
Compensated Absences	\$ <u>60,236</u>	\$ <u>3,372</u>	\$ <u>344</u>	\$ <u>63,264</u>	\$ <u>1,076</u>

NOTE 7 – OPERATING LEASES

PSCC leases office space for a base rent of \$5,398 per month under an operating lease. The lease expires in August, 2031. Rental Expense was \$64,781 for the year ended June 30, 2009.

PSCC leases tower space from two individuals and a company for a base rent of \$3,300 per month. One lease expired in January, 2010, one expires in October, 2011, and one expires in January, 2015. Rental expense was \$49,200 for the year ended June 30, 2009.

**BOONE COUNTY PUBLIC SAFETY COMMUNICATIONS CENTER
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT, BURLINGTON, KENTUCKY)**

NOTE 7 – OPERATING LEASES (Continued)

The future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	<u>Office Space</u>	<u>Tower Space</u>	<u>Total</u>
2010	\$ 64,781	\$ 46,200	\$ 110,981
2011	64,781	42,000	106,781
2012	64,781	22,000	86,781
2013	64,781	12,000	76,781
2014	64,781	12,000	76,781
Thereafter	<u>1,047,300</u>	<u>7,000</u>	<u>1,054,300</u>
	<u>\$ 1,371,205</u>	<u>\$ 141,200</u>	<u>\$ 1,512,405</u>

NOTE 8 – EMPLOYEE RETIREMENT SYSTEM

PSCC 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. PSCC's contribution rate for non-hazardous employees was 13.50 percent.

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

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.

PSCC's required contributions (both withholding and match) for pension obligations to CERS for the fiscal years ended June 30, 2009, 2008, and 2007 were \$311,621 (composed of \$227,399 from PSCC and \$84,222 from the employees), \$345,516 and \$279,831, respectively; 100% has been contributed for fiscal years 2009, 2008, and 2007.

NOTE 9 – INTEREST EXPENSE

Interest expense was \$90,627 for 2009.

NOTE 10 – ECONOMIC DEPENDENCY

PSCC's operating revenue is mainly derived from Boone County and the City of Florence. Boone County provides approximately 73.4% of operating revenues and the City of Florence provides approximately 24.5% of PSCC's operating revenues.

NOTE 11 – SUBSEQUENT EVENT

Management has evaluated events through May 31, 2011, the date on which the financial statements were available for issue. The City did not have any events subsequent to June 30, 2009 through May 31, 2011 to disclose.

REQUIRED SUPPLEMENTAL INFORMATION

BOONE COUNTY PUBLIC SAFETY COMMUNICATION CENTER
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT,
BURLINGTON, KENTUCKY)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Contracts with Other Counties	\$ 2,369,592	\$ 2,369,592	\$ 2,402,392	\$ 32,800
Miscellaneous Revenue	-	-	2,903	2,903
Interest Income	6,000	6,000	3,296	(2,704)
 Total Revenues	 <u>2,375,592</u>	 <u>2,375,592</u>	 <u>2,408,591</u>	 <u>32,999</u>
Expenditures				
Protection to Person and Property	1,969,567	1,999,567	1,879,580	119,987
Administration	606,025	576,025	507,628	68,397
 Total Expenditures	 <u>2,575,592</u>	 <u>2,575,592</u>	 <u>2,387,208</u>	 <u>188,384</u>
 Net Change in Fund Balances	 (200,000)	 (200,000)	 21,383	 221,383
 Fund Balance July 1, 2008	 <u>200,000</u>	 <u>200,000</u>	 <u>53,673</u>	 <u>(146,327)</u>
 Fund Balance June 30, 2009	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 75,056</u>	 <u>\$ 75,056</u>

See accompanying notes.

BOONE COUNTY PUBLIC SAFETY COMMUNICATION CENTER
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT,
BURLINGTON, KENTUCKY)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
911 FUND
Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
911 User Fees	\$ 1,575,000	\$ 1,575,000	\$ 1,569,787	\$ (5,213)
Wireless 911 Surcharge	300,000	300,000	317,980	17,980
Interest Income	80,000	80,000	40,989	(39,011)
 Total Revenues	 <u>1,955,000</u>	 <u>1,955,000</u>	 <u>1,928,756</u>	 <u>(26,244)</u>
Expenditures				
Protection to Person and Property	2,747,944	2,747,944	900,665	1,847,279
Debt Service	659,427	659,427	659,426	1
 Total Expenditures	 <u>3,407,371</u>	 <u>3,407,371</u>	 <u>1,560,091</u>	 <u>1,847,280</u>
 Deficiency of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	 (1,452,371)	 (1,452,371)	 368,665	 1,821,036
Other Financing (Uses)				
Transfers	(1,982,629)	(1,982,629)	-	1,982,629
 Net Change in Fund Balances	 (3,435,000)	 (3,435,000)	 368,665	 3,803,665
 Fund Balance July 1, 2008	 <u>3,435,000</u>	 <u>3,435,000</u>	 <u>3,744,154</u>	 <u>309,154</u>
 Fund Balance June 30, 2009	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 4,112,819</u>	 <u>\$ 4,112,819</u>

See accompanying notes.

**BOONE COUNTY PUBLIC SAFETY COMMUNICATION CENTER
NOTES TO THE SCHEDULE OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2009**

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

	<u>General Fund</u>	<u>911 Fund</u>
<u>Revenues</u>		
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 2,408,591	\$ 1,928,756
Accounts Receivable 6/30/2008	-	(211,006)
Accounts Receivable 6/30/2009	<u>-</u>	<u>213,588</u>
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	<u>\$ 2,408,591</u>	<u>\$ 1,931,338</u>
 <u>Expenses</u>		
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 2,387,208	\$ 1,560,091
Accounts Payable 6/30/2008	(7,142)	(234,575)
Accounts Payable 6/30/2009	3,989	29,148
Accrued Payroll 6/30/2008	(44,284)	-
Accrued Payroll 6/30/2009	50,670	-
Compensated Absences Payable 6/30/2008	(60,236)	-
Compensated Absences Payable 6/30/2009	63,264	-
Additional Expenditure Recorded Accrued Interest 6/30/2008	-	(7,965)
Accrued Interest 6/30/2009	<u>-</u>	<u>6,301</u>
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	<u>\$ 2,393,469</u>	<u>\$ 1,353,000</u>

SUPPLEMENTAL INFORMATION

**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 Board of Trustees of
Boone County Public Safety
Communications Center

We have audited the financial statements of the governmental activities of PSCC as of and for the year ended June 30, 2009, which collectively comprise PSCC's basic financial statements and have issued our report thereon dated May 31, 2011. 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 PSCC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PSCC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of PSCC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

To the Board of Trustees of
Boone County Public Safety
Communications Center
Page Two

This report is intended solely for the information and use of management, board of trustees and others within PSCC and is not intended to be, and should not be, used by anyone other than these specified parties.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
May 31, 2011