

**BOONE COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2011**

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'  
REPORT INCLUDING SUPPLEMENTARY INFORMATION*

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## INDEPENDENT AUDITORS' REPORT

People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, 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, 2011, 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 which represents the following percentages of assets and revenues – 25.2% of the assets and 69.6% of the business type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our, opinion, insofar as it relates to the amounts included for the Boone County Assisted Housing Department, is based on the reports of the other auditors.

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 of Boone County, Kentucky, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The County has implemented Government Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basis financial statements.

The management's discussion and analysis, budgetary comparison schedules and the condition rating of the County's street system on pages 2 through 13, 49 through 53 and 54 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2013, on our consideration of Boone County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
September 16, 2013

**BOONE COUNTY OFFICIALS  
FISCAL YEAR ENDED JUNE 30, 2011**

**Fiscal Court Members:**

Gary W. Moore	County Judge/Executive
Cathy Flaig (ending December 31, 2010)	Commissioner
Matt Dedden (beginning January 1, 2011)	Commissioner
Charles E. Kenner, DMD	Commissioner
Terri Moore (ending December 31, 2010)	Commission
Charlie Walton (beginning January 1, 2011)	Commissioner

**Other Elected Officials:**

Robert D. Neace	County Attorney
Edward Prindle	Jailer
Rena Ping (ending December 31, 2010)	County Clerk
Kenny Brown (beginning January 1, 2011)	County Clerk
Dianne Murray	Circuit Court Clerk
Michael A. Helmig	Sheriff
Cindy Arlinghaus	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 (MD&A)  
Fiscal Year Ended June 30, 2011  
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, 2011. Please read it in conjunction with the County's financial statements that begin on page 14.

**Financial Highlights**

- As of June 30, 2011, Boone County's net assets were \$236,759,124, which is a 2.4% increase over the prior year. Total current assets of \$24,283,581 decreased by \$3,162,617, or 11.5%, and the noncurrent assets increased by 15.8%, or \$4,172,768.
  - The decrease in current assets is mainly related to the change in investment account balances within the Capital Improvements Fund, due to construction funds being depleted as projects are completed.
  - The net increase in noncurrent assets is largely due to an agreement the County signed with the Boone County Water District (BCWD). This agreement resulted in the County transferring title of certain infrastructure improvements for rural waterlines, and the associated debt for their construction. In addition to the transfer, the BCWD agreed to provide the County with necessary future cash flows to cover the debt service cost associated with construction of certain rural waterline infrastructure improvements not transferred.
  - The total liabilities decrease of 7.4% or \$4,426,501 is primarily due to principal payments against the outstanding obligations and the related debt transfer to the BCWD.
- Program revenues offset 37% of Boone County's governmental activity expenses, totaling \$52,522,519. These revenues consist of grants, contributions and charges for services that the County is collecting in order to compliment using tax revenue.
- Boone County's total indebtedness decreased by more than \$6.4 million to close out fiscal year at \$43,225,134, of which \$2,888,680 is due within one year.
- Through budgeted expenditures, grants and in-kind donations, the County capitalized nearly \$9.9 million in long-lived assets during 2011. Significant additions include the following:
  - Renovation of the Public Works Complex, which was completed and placed into service, with the project totaling \$4,359,172.
  - The construction of the Fire Training Center with expenditures totaling \$53,389 for the current year, and a total project cost of \$1,800,451 was completed.
  - Energy efficiency upgrades to the primary Administrative Building for the County were completed during the fiscal year for a total of \$1,312,524.
  - Design was completed in FY10 and all revenue secured for South Airport Connector Road. Total estimated cost of this 4 lane highway is nearly \$17,000,000. All dollars have been secured through federal and state grants with project expenditures of approximately \$5.36 million, or 94% of the construction in progress at June 30, 2011.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Fiscal Year Ended June 30, 2011  
Unaudited  
(Continued)**

**Financial Highlights (Continued)**

- Two sidewalk projects that began in previous years continued into the current fiscal year:
  - Safe Routes to School federal grant sidewalk project for the Conner Campus area. This project is estimated to cost \$341,937 in which the County received a 100% grant for a maximum of \$243,000. Expenditures for the current year were \$142,158, totaling \$287,441 for the completed project.
  - Transportation Enhancement Federal Grant (TE Grant) for the Hebron Business District, which connects to the Conner Campus sidewalks, is estimated at \$372,092, and will be reimbursed through the TE Grant at 80%, up to \$206,200. Expenditures for the current year were \$270,783, totaling \$349,523. This project should be completed in the next year.
- Operating capital purchased included \$461,457 in Sheriff's vehicles, and \$214,540 for heavy equipment for use in public work.
- The County accepted several new roads valued at \$885,852 from local developers.

**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 presentation includes the following legal entities:

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

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 14 through 16). One of the most important questions to ask is whether the County is in better financial shape as a result of the year's activities. The two government wide financial statements will help answer this question. These two statements report the County's net assets and changes in them. You can think of the County's net assets, the difference between assets and liabilities, as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating.



**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Fiscal Year Ended June 30, 2011  
Unaudited  
(Continued)**

**Government Wide Financial Statements (Continued)**

You will need to consider other nonfinancial factors; however, such as changes in the County's property tax base, and the condition of the roads and other infrastructure, to assess the overall health of the County.

In the fiscal year ending June 30, 2004, the County converted the government wide financial statements from the modified cash basis of accounting, to the modified accrual basis of accounting. During 2011, the County adopted GASB 54; Fund Balance Reporting and Governmental Fund Type Definitions. With these reporting changes, the County is in compliance with generally accepted accounting principles.

In the statement of net assets and the statement of activities, the County is divided into three types of activities: governmental, business and component unit.

- **Governmental Activities** - Most of the County's basic services are reported in this section, including police protection, roads and public works, parks, jail, emergency management, water rescue, building inspection, animal care and control, and social services. The proprietary fund of Self Insurance is also included in the governmental activities totals. Governmental activities also include the general administration of the County, all capital projects and mental health, mental retardation and aging programs. These programs and services are funded 37% by program revenues, which include charges for services and federal, state and local operating and capital grants. The statement of activities shows a positive change in net assets of \$5,503,413, but reflects a decrease of 21% in the change for the previous year of approximately \$7.6 million. Revenues were down slightly from the prior year by 1.7% and the expenses increased by 6.9%, due to more roads paved and ongoing capital projects, funded by grants and bond proceeds, continuing toward completion.
- **Business-Type Activities** – The County has business-type funds; the Jail Canteen, Assisted Housing, and Golf Course Fund. Each of these funds charges a fee to customers to help cover the cost of these services. Current year program revenues covered 99% of service costs; the Jail Canteen and Assisted Housing were self-sufficient. The Jail Canteen resulted in a negative change in net assets, but was, and will continue to be, self-sufficient. The Golf Course resulted in a negative change in assets and borrowed \$650,000 from the General Fund. The Golf Course's bonds will be paid off in FY13 and is expected to begin repayments of its General Fund borrowings in FY14. The total negative change in net assets was \$66,761.
- **Component Unit Activities** – Although the Public Safety Communications Center (PSCC) is a separate legal entity, the financial statements include its activities as a separate component unit since the County is financially accountable. PSCC is governed by a separate Board appointed by County and City officials. Boone County and the City of Florence fund any operating deficits of this entity at a 75% - 25% ratio, respectively. The capital is funded at 100% by a 911 surcharge levied by the County.

**Fund Financial Statements**

The fund financial statements (pages 17 and 19) focus on the individual funds of the County's government. These fund financial statements report the County's operations in more detail than the government wide statements by providing information on the County's most significant funds. The four funds deemed "major" are general, road and bridge, jail, and capital improvements funds.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Fiscal Year Ended June 30, 2011  
Unaudited  
(Continued)**

**Fund Financial Statements (Continued)**

- Governmental funds are used to report most of the County's basic services. These funds provide a short-term view of the County's operations. The County currently has twelve governmental funds and adopts a budget for each, except Public Properties, Self Insurance and HRA accounts. These funds provide the reader with information to help determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the difference between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation on pages 18 and 20.
- Proprietary funds are used to report operations the County treats as business-type activities. The focus is to earn a profit, or at least break even. The County charges either outside customers, or other units of government, for services reported in these funds. The County currently has three proprietary funds; Jail Canteen Fund, Assisted Housing Fund, and Golf Course Fund.
- The Self Insurance and HRA Funds are combined and considered a Governmental Activity – Internal Service Fund, and therefore combined in the governmental activities portion of the government wide statements.
- Fiduciary funds are used to account for assets held by the County in a trustee capacity, or as an agent for another group or individual. Activities from these types of funds are not included in the government wide financial statements because the County cannot use the assets from the funds in daily operations. The County currently has four fiduciary funds; Jail Prisoners Cash Fund, School Board Tax Fund, Motor Vehicle Rental Tax Fund, and Flexible Spending Account.

**Notes to the Financial Statements**

The notes to the financial statements (pages 25 through 48) provide an expanded explanation about the government wide, and fund financial statements, and are essential to the reader in obtaining a better understanding of the information provided within the financial statements.

**Required Supplementary Information**

The budgetary comparison schedules (pages 49 through 51) for the general fund and three major special revenue funds provide information that supplements the government wide and fund financial statements.

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

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Fiscal Year Ended June 30, 2011  
Unaudited  
(Continued)**

**Required Supplementary Information (Continued)**

The PQI is upgraded upon rehabilitation, and by doing this the County fulfills the requirements of the modified approach.

**Supplementary Information**

The combining balance sheet and statement of revenues, expenditures and changes in fund balances – non-major governmental funds (pages 55 and 56) present the activities of the non-major governmental funds.

The schedule of expenditures of federal awards (page 57) provides information required pursuant to the Office of Management and Budget (OMB) Circular A-133 of all federal grant money received by the County.

**Basis of Accounting**

The County has converted all financial information to the modified accrual basis of accounting as required by generally accepted accounting principles (GAAP). Under this basis of accounting, revenues are recorded when the resources are measurable and available, and expenditures are recorded in the accounting period in which the related fund liability is incurred. In previous years, certain assets such as accounts receivable and certain liabilities, such as accounts payable, were not recorded in the financial statements, therefore limiting the reader of the full effect of the financial statements. The Boone County budget is adopted on a cash basis of accounting, which is required by the Kentucky Constitution. The schedule on page 52 reconciles the actual results of the cash basis budget and the accrual basis fund statements.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Fiscal Year Ended June 30, 2011  
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.

**STATEMENTS OF NET ASSETS**

	<b>Governmental Activities</b>		<b>Business Activities</b>		<b>Total</b>	
	<b>FY10</b>	<b>FY11</b>	<b>FY10</b>	<b>FY11</b>	<b>FY10</b>	<b>FY11</b>
Current Assets	\$ 25,804,402	\$ 22,547,140	\$ 1,641,796	\$ 1,736,441	\$ 27,446,198	\$ 24,283,581
Noncurrent Assets	<u>259,874,775</u>	<u>264,381,925</u>	<u>4,169,811</u>	<u>3,835,429</u>	<u>264,044,586</u>	<u>268,217,354</u>
<b>Total Assets</b>	<u>285,679,177</u>	<u>286,929,065</u>	<u>5,811,607</u>	<u>5,571,870</u>	<u>291,490,784</u>	<u>292,500,935</u>
Current Liabilities	8,228,753	7,962,816	982,150	917,247	9,210,903	8,880,063
Long-Term Liabilities	<u>46,443,334</u>	<u>42,455,746</u>	<u>4,514,075</u>	<u>4,406,002</u>	<u>50,957,409</u>	<u>46,861,748</u>
<b>Total Liabilities</b>	<u>54,672,087</u>	<u>50,418,562</u>	<u>5,496,225</u>	<u>5,323,249</u>	<u>60,168,312</u>	<u>55,741,811</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	205,255,224	209,443,214	2,037,610	2,398,566	207,292,834	211,841,780
Restricted	12,473,429	4,460,216	286,579	586,938	12,760,008	5,047,154
Unrestricted	<u>13,278,437</u>	<u>22,607,073</u>	<u>(2,008,807)</u>	<u>(2,736,883)</u>	<u>11,269,630</u>	<u>19,870,190</u>
<b>Total Net Assets</b>	<u>\$ 231,007,090</u>	<u>\$ 236,510,503</u>	<u>\$ 315,382</u>	<u>\$ 248,621</u>	<u>\$ 231,322,472</u>	<u>\$ 236,759,124</u>

At June 30, 2011, the County's net assets exceeded its liabilities by \$236,759,124, an increase of 2.3%, or \$5,436,652, over the prior year. The majority of the County's total assets (87.2%) are invested in capital assets which include land, buildings, infrastructure, equipment and vehicles. These assets are listed under the noncurrent assets section as capital and infrastructure assets. The unassigned net asset amount of \$181,689,409 (76.7% of total net assets) represents available funds the County may use to operate on a day-to-day basis to provide basic services, all operating expenses and any capital construction.

In comparing the statement of net assets to the prior year, some other key points to consider are below:

- In governmental activity, a decrease in current assets of 2.1% (\$480,895) is attributable to the use investments for the completion of certain capital projects.
- Total liabilities under governmental activities decreased by approximately \$4.25 million (7.8%) as a result of principal payments against outstanding debt instruments, and the transfer of approximately \$2.34 million from the Kentucky Infrastructure Authority Loan to the Boone County Water District.
- Total assets decreased in the business activity by 4.1%, or approximately \$240,000, due to the depreciation of capital assets. The overall cash position of business activities increased by approximately \$100,000.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Fiscal Year Ended June 30, 2011  
Unaudited  
(Continued)**

**Financial Analysis of the County as a Whole (Continued)**

- In the business activity, a decrease in net assets of 21%, or approximately \$67,000, is predominantly due to the Jail Canteen and Golf Course, showing a net loss of \$31,716 and \$168,554, respectively.

**STATEMENTS OF ACTIVITIES**

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY10</u>	<u>FY11</u>	<u>FY10</u>	<u>FY11</u>	<u>FY10</u>	<u>FY11</u>
<b>Revenues:</b>						
<u>Program Revenues:</u>						
Charges for Services	\$ 4,662,418	\$ 4,529,305	\$ 2,813,777	\$ 2,582,209	\$ 7,476,195	\$ 7,111,514
Operating Grants and Contributions	8,867,754	8,369,903	5,668,863	5,920,613	14,536,617	14,290,516
Capital Grants and Contributions	5,693,977	6,590,500	-	-	5,693,977	6,590,500
Total Program Revenue	19,224,149	19,489,708	8,482,640	8,502,822	27,706,789	27,992,530
<u>General Revenue:</u>						
Taxes	34,224,530	34,211,574	-	-	34,224,530	34,211,574
License Fees and Permits	220,081	215,953	-	-	220,081	215,953
Excess Fees	635,991	1,244,887	-	-	635,991	1,244,887
Rental Income	138,617	183,480	-	-	138,617	183,480
Investment Earnings	155,119	217,387	11,116	10,318	166,235	227,705
Gain on Donated Roads/Land	2,317,596	945,852	-	-	2,317,596	945,852
Gain on Sale of Fixed Assets	18,863	17,785	-	-	18,863	17,785
Reimbursements	85,123	1,459,599	-	-	85,123	1,459,599
Other	-	39,707	-	-	-	39,707
Total Revenues	57,020,069	58,025,932	8,493,756	8,513,140	65,513,825	66,539,072
<b>Expenses</b>						
General Government/Administration	4,428,531	4,403,969	-	-	4,428,531	4,403,969
Protection to Persons and Property	16,081,125	17,648,454	-	-	16,081,125	17,648,454
General Health and Sanitation	1,833,336	1,903,782	-	-	1,833,336	1,903,782
Social Services	1,139,652	992,233	-	-	1,139,652	992,233
Recreation and Culture	1,945,160	2,039,366	-	-	1,945,160	2,039,366
Roads	3,478,319	6,844,219	-	-	3,478,319	6,844,219
Capital Improvements	5,133,512	4,046,236	-	-	5,133,512	4,046,236
Administration	12,904,663	12,690,028	-	-	12,904,663	12,690,028
Interest on Long-Term Debt	2,179,650	1,954,232	-	-	2,179,650	1,954,232

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Fiscal Year Ended June 30, 2011  
Unaudited  
(Continued)**

**Financial Analysis of the County as a Whole (Continued)**

**STATEMENTS OF ACTIVITIES  
(Continued)**

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY10</u>	<u>FY11</u>	<u>FY10</u>	<u>FY11</u>	<u>FY10</u>	<u>FY11</u>
<b>Expenses (Continued)</b>						
Jail Canteen Fund	-	-	386,508	423,566	386,508	423,566
Golf Course Fund	-	-	2,514,603	2,361,647	2,514,603	2,361,647
Assisted Housing Fund	-	-	5,890,715	5,794,688	5,890,715	5,794,688
Total Expenses	<u>49,123,948</u>	<u>52,522,519</u>	<u>8,791,826</u>	<u>8,579,901</u>	<u>57,915,774</u>	<u>61,102,420</u>
Change in Net Assets	7,896,121	5,503,413	(298,070)	(66,761)	7,598,051	5,436,652
Net Assets - Beginning Year	<u>223,110,969</u>	<u>231,007,090</u>	<u>613,452</u>	<u>315,382</u>	<u>223,724,421</u>	<u>231,322,472</u>
Net Assets -Ending Year	<u>\$ 231,007,090</u>	<u>\$ 236,510,503</u>	<u>\$ 315,382</u>	<u>\$ 248,621</u>	<u>\$ 231,322,472</u>	<u>\$ 236,759,124</u>

During FY11, the year end net assets totaled \$236,510,503, which was 2.4% greater than FY10 for governmental activities, and ending net assets for business-type activities were \$248,621, a decrease of 21%.

Due to the continued downturn in economic conditions over the past couple of years, the decreases in operating grants/contributions and charges for services have followed suit. The program revenues in total increased due to the large capital grants received of more than \$2.3 million from FY10. The total governmental activity revenues increased by 1.7% (approximately \$973,000).

As stated earlier, for the past couple of years, a very conservative budgeting approach has been taken by the County to eliminate most all capital projects and expenditures, employee salary freezes, hiring restrictions, and limiting training and discretionary spending. The conservative spending efforts over the years provided the County with good reserves and allowed for the continuation needed for capital projects on roads, sidewalks and other infrastructures in FY11. Most capital improvements, other than regular maintenance of roads, were funded partially, or fully, by grants. With an increase in total expenses of 5.5%, or \$3,186,646; \$3.4 million was an increase in roads, leaving a decrease in the other expense categories of nearly \$179,000. This left a positive change in net assets (actual revenues exceeding actual expenditures) of \$5,403,589.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Fiscal Year Ended June 30, 2011  
Unaudited  
(Continued)**

**Financial Analysis of the County as a Whole (Continued)**

Significant changes compared to the prior year are listed below:

- What looks to be the largest decrease in revenues, occurred in donated roads and land to the County totaling \$1,371,744, a large decrease of 59% compared to the prior year. This is strictly related to capital infrastructure asset increase, and not a revenue decrease, due to subdivisions being built and streets donated to the County being less.
- Total taxes, including real estate, personal property, payroll and net profit, for FY11 are very comparable to the prior year.
- Excess fees from the County Clerk's office increased by 96% (approximately \$609,000).
- Reimbursements increased by more than \$1.37 million due to the receipt of funding from a State Water grant.
- The business-type activity program revenues increased slightly compared to FY10 at 97% to 99%, totaling \$8,502,822.
- The Assisted Housing Fund ended the year with a positive operating income of \$133,509, while the Jail Canteen and Golf Course both had net losses of \$31,716 and \$168,554, respectively.

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

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

**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 \$30,437,347, of which approximately 34.5% is termed unassigned, which allows these dollars to be used for day-to-day operational expenses for the following year's budget. The fund financial statements for the governmental funds can be found on pages 17 and 19. An increase in fund balance in the General Fund of more than \$3.38 million, from previous years, is mainly due to the conservative budgets and a policy put in place to maintain a minimum 10% emergency reserve in the General Fund; along with the same reserves in the Public Works and Jail Funds. The Capital Improvements Fund decreased due the capital projects being completed, and construction dollars depleted.

The County's proprietary funds statements are shown on pages 21 through 23 with a total net asset decrease of \$66,761, from FY10, primarily due to accumulated depreciation.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Fiscal Year Ended June 30, 2011  
Unaudited  
(Continued)**

**Financial Analysis of the County's Funds (Continued)**

- The current year's Golf Courses net operating loss of \$168,554 was an increase of \$52,598, compared to the prior year. As mentioned earlier, concerning governmental funds, the Golf Courses also adopted a conservative budgeting approach taken by the County to eliminate most all capital projects and expenditures, employee salary freezes, hiring restrictions, and limiting training and discretionary spending with operating expenses. Operating expense, without depreciation, increased approximately \$97,000, primarily due to unseasonably dry weather, requiring the superintendent to water the courses. Utilities increased \$141,000 over the previous year.
- The bonds for the Golf Courses were refinanced in the prior year to reduce the financial burden of the debt service costs. The saving recognized in the current year is a \$356,000 reduction in interest expense. The new bonds will be paid in full by November 2013.
- The Golf Course has booked a liability to the General Fund in the amount of \$3,260,118, and \$150,000 to the Capital Improvement Fund, which is an increase of \$650,000. The Golf Course will begin to pay back these funds beginning in FY14, after the current bonds are paid in full.
- The Jail Canteen Fund's net assets ended with a net operating loss of \$32,850. This amount fluctuates from year to year depending on the expenditures taken from this account.
- Assisted Housing's Fund, with net operating income of \$133,509, is due to their operating dollars and a reduction in their operating expenses.

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

**General Budgetary Highlights**

There were no amendments to Boone County's budget in FY11, although the County made various line item transfers within the budget to increase/decrease certain line items. Some transfers were inter-fund transfers, but have no effect on the budget's bottom line. Throughout the year, General Fund revenues collected were over budget by 1.15%, while operating expenses were well below budget by 16%.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of FY11, the government activities of the County had \$255,066,914 invested in a broad range of capital assets, including land, roads, water lines, buildings, equipment and vehicles. As shown on the chart to follow, the amount represents a net increase (including additions and deductions) of approximately \$1.5 million, or 6%, on the governmental activities and a decrease of \$317,354, or a negative 8%, on the business activities from the previous year. Due to the elimination of most capital purchases throughout the past couple of years, the governmental activities' increase in capital assets were only in the categories of construction in progress, and roads. The increase in roads is partly the product of more than approximately \$886,000 in donated roads to the County. The construction in progress is road and sidewalk projects within the Capital Improvements Fund that have been funded fully or partially by grants or bonds, and are still under construction.



**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Fiscal Year Ended June 30, 2011  
Unaudited  
(Continued)**

**Capital Assets and Debt Administration (Continued)**

The business activities continue to show a decrease, due to the Golf Course and Assisted Housing having very limited capital budgets, with the Golf Course only purchasing a few pieces of turf equipment.

**STATEMENTS OF CAPITAL ASSETS**

	<b>Governmental Activities</b>		<b>Business Activities</b>		<b>Total</b>	
	<b>FY10</b>	<b>FY11</b>	<b>FY10</b>	<b>FY11</b>	<b>FY10</b>	<b>FY11</b>
Land	\$ 11,549,094	\$ 11,825,020	\$ 2,396,478	\$ 2,396,478	\$ 13,945,572	\$ 14,221,498
Roads, Modified Approach (Not Depr.)	168,962,243	169,848,095	-	-	168,962,243	169,848,095
Roads	19,841	18,219	-	-	19,841	18,219
Land Improvements	10,479,185	7,070,394	816,388	547,632	11,295,573	7,618,026
Building and Improvements	44,575,647	50,822,429	796,856	761,734	45,372,503	51,584,163
Construction In Progress	11,042,080	5,718,560	-	-	11,042,080	5,718,560
Vehicles, Machinery and Equipment	5,466,446	5,347,600	57,565	95,290	5,524,011	5,442,890
Furniture and Office Equipment	671,309	587,550	79,114	27,913	750,423	615,463
	<u>\$ 252,765,845</u>	<u>\$ 251,237,867</u>	<u>\$ 4,146,401</u>	<u>\$ 3,829,047</u>	<u>\$ 256,912,246</u>	<u>\$ 255,066,914</u>

A more detailed breakdown of the capital assets and depreciation can be found in Note 6 of the Notes to the Financial Statements, pages 36 through 38.

**Debt**

At June 30, 2011, the County had \$43,225,134 in bonds, leases and notes payable outstanding, versus \$49,668,724 last year, a decrease of 12.9%, as shown on the chart below. The primary reason this number has continued to decrease is due to the County not borrowing additional dollars, due to limited capital projects.

**STATEMENTS OF DEBT**

	<b>Governmental Activities</b>		<b>Business Activities</b>		<b>Total</b>	
	<b>FY10</b>	<b>FY11</b>	<b>FY10</b>	<b>FY11</b>	<b>FY10</b>	<b>FY11</b>
General Obligation Bonds (Backed by the County)	\$ 29,774,091	\$ 27,289,819	\$ -	\$ -	\$ 29,774,091	\$ 27,289,819
General Obligation Bonds (Backed by Specific Tax or Fee)	4,230,909	3,988,889	2,102,717	1,391,169	6,333,626	5,380,058
Revenue Bonds and Notes (Backed by Specific Tax or Fee Revenues)	11,095,000	10,455,000	-	-	11,095,000	10,455,000
Notes Payable (Backed by the County)	-	-	6,074	-	6,074	-
Capital Lease Payable	74,415	60,945	49,312	39,312	123,727	100,257
KIA Loan	2,336,206	-	-	-	2,336,206	-
	<u>\$ 47,510,621</u>	<u>\$ 41,794,653</u>	<u>\$ 2,158,103</u>	<u>\$ 1,430,481</u>	<u>\$ 49,668,724</u>	<u>\$ 43,225,134</u>

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
Fiscal Year Ended June 30, 2011  
Unaudited  
(Continued)**

**Debt (Continued)**

The County's general obligation bond rating is Aa1, a rating that has been assigned by the 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 2010 assessment, this 2% total direct debt limitation is more than \$260 million dollars, which far exceeds the County's outstanding debt.

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

FY11 witnessed the County's local economy continuing to experience evidence of the economic slowdown underway in our country. In particular, revenue sources related to the housing industry began to illustrate evidence of slippage. Revenue totals from building permit activity, development inspection fees and deed transfer tax (revenue originating from housing sales/transfers) all showed noticeable decline and overall reduced activity. Revenue from payroll tax receipts, the County's single largest source of revenue was flat, as demonstrated by a growth rate of 2.0% over the prior fiscal period. This rate of increase in FY10 was only 2%, and was noticeably low compared with a much larger rate of increase over the preceding five year period. Real and personal property tax revenue continued to post increases, but again, small in nature compared to years past. State government has also experienced a significant decline in revenue, which will translate, in part, to reductions in state aid for certain local government programs and services.

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

**Requests for Information**

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

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

	Primary Government			Component Unit
	Governmental Activities	Business- Type Activities	Total	
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 11,264,608	\$ 1,491,342	\$ 12,755,950	\$ 2,902,974
Investments	2,308,917	-	2,308,917	-
Inventory	-	67,423	67,423	-
Accounts Receivable	8,589,903	160,649	8,750,552	205,672
Deferred Charges	14,901	17,027	31,928	-
Due from Boone County Golf Course	9,538	-	9,538	-
Notes Receivable, Due Within One Year	359,273	-	359,273	-
Total Current Assets	<u>22,547,140</u>	<u>1,736,441</u>	<u>24,283,581</u>	<u>3,108,646</u>
<b>Noncurrent Assets</b>				
Capital Assets, Net of Accumulated Depreciation				
Land	11,825,020	2,396,478	14,221,498	-
Land Improvements	7,070,394	547,632	7,618,026	-
Buildings and Building Improvements	50,822,429	761,734	51,584,163	1,396,906
Furniture and Office Equipment	587,550	27,913	615,463	156,868
Vehicles and Equipment	5,347,600	95,290	5,442,890	-
Construction in Progress	5,718,560	-	5,718,560	-
Infrastructure Assets, Net of Accumulated				
Depreciation	169,866,314	-	169,866,314	-
Restricted Cash	3,462,493	-	3,462,493	-
Deferred Charges	55,948	6,382	62,330	-
Due from Boone County Golf Course	3,439,892	-	3,439,892	-
Notes Receivable, Due in More than One Year	6,185,725	-	6,185,725	-
Total Noncurrent Assets	<u>264,381,925</u>	<u>3,835,429</u>	<u>268,217,354</u>	<u>1,553,774</u>
Total Assets	<u>286,929,065</u>	<u>5,571,870</u>	<u>292,500,935</u>	<u>4,662,420</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Compensated Absences Payable, Due Within One Year	11,383	8,261	19,644	-
Capital Lease, Due Within One Year	14,142	9,538	23,680	-
Bonds Payable, Due Within One Year	2,144,329	720,671	2,865,000	-
Accrued Payroll	382,754	60,714	443,468	63,347
Accrued Interest	498,212	2,444	500,656	-
Accounts Payable	1,150,079	87,311	1,237,390	81,554
Deferred Revenue	-	28,308	28,308	-
Estimated Liability for Claims - HRA				
Accounts, Due Within One Year	251,480	-	251,480	-
Bond Premium Deferral, Due Within One Year	61,665	-	61,665	-
Accrued Other	3,448,772	-	3,448,772	-
Total Current Liabilities	<u>7,962,816</u>	<u>917,247</u>	<u>8,880,063</u>	<u>144,901</u>
<b>Noncurrent Liabilities</b>				
Compensated Absences Payable, Due in More Than One Year	424,812	67,970	492,782	66,857
Due to General Fund	-	3,260,118	3,260,118	-
Due to Capital Improvements	-	150,000	150,000	-
Capital Lease, Due in More than One Year	46,803	29,774	76,577	-
Bonds Payable, Due in More than One Year	39,589,379	670,498	40,259,877	-
Estimated Liability for Claims - HRA				
Accounts, Due in More Than One Year	1,793,517	-	1,793,517	-
Bond Premium Deferral, Due in More than One Year	601,235	-	601,235	-
Accrued Other, Due in More Than One Year	-	227,642	227,642	-
Total Noncurrent Liabilities	<u>42,455,746</u>	<u>4,406,002</u>	<u>46,861,748</u>	<u>66,857</u>
Total Liabilities	<u>50,418,562</u>	<u>5,323,249</u>	<u>55,741,811</u>	<u>211,758</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**  
**(Continued)**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>	
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	\$ 209,443,214	\$ 2,398,566	\$ 211,841,780	\$ 1,553,774
Restricted for:				
Multi-Government Self Insurance	(2,312,858)	-	(2,312,858)	-
Social Services	-	463,964	463,964	-
Protection of Persons and Property	1,555,505	-	1,555,505	-
Other Purposes	41,703	122,974	164,677	-
Other Capital Projects	2,797,672	-	2,797,672	-
Health and Welfare	419,572	-	419,572	-
Road resurfacing and maintenance	1,955,993	-	1,955,993	-
Debt Service	2,629	-	2,629	-
Unrestricted	<u>22,607,073</u>	<u>(2,736,883)</u>	<u>19,870,190</u>	<u>2,896,888</u>
<b>Total Net Assets</b>	<u>\$ 236,510,503</u>	<u>\$ 248,621</u>	<u>\$ 236,759,124</u>	<u>\$ 4,450,662</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT  
STATEMENT OF ACTIVITIES  
Fiscal Year Ended June 30, 2011**

Functions	Program Revenues Received			Net (Disbursements) Receipts and Changes in Net Assets			Component Unit
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
				Governmental Activities	Business Type Activities	Total	
<b>Governmental Activities</b>							
General Government	\$ 17,093,997	\$ 687,781	\$ -	\$ (15,828,144)	\$ -	\$ (15,828,144)	
Protection to Persons and Property	17,648,454	4,049,339	253,714	(10,264,555)	-	(10,264,555)	
General Health and Sanitation	1,903,782	1,386,082	2,499,960	2,134,888	-	2,134,888	
Social Services	992,233	596,880	-	(380,746)	-	(380,746)	
Recreation and Culture	2,039,366	147,399	-	(1,488,583)	-	(1,488,583)	
Roads	6,844,219	790,410	1,776,686	(4,011,825)	-	(4,011,825)	
Capital Improvements	4,046,236	-	2,060,140	(1,986,096)	-	(1,986,096)	
Administration	-	612,668	-	647,138	-	647,138	
Interest on Long-Term Debt	1,954,232	99,344	-	(1,854,888)	-	(1,854,888)	
Total Governmental Activities	52,522,519	8,369,903	6,590,500	(33,032,811)	-	(33,032,811)	
<b>Business-Type Activities</b>							
Jail Canteen Fund	423,566	-	-	-	(32,850)	(32,850)	
Golf Course Fund	2,361,647	-	-	-	(170,154)	(170,154)	
Assisted Housing	5,794,688	5,920,613	-	-	125,925	125,925	
Total Business-Type Activities	8,579,901	5,920,613	-	-	(77,079)	(77,079)	
<b>Total Primary Government</b>	<b>\$ 61,102,420</b>	<b>\$ 14,290,516</b>	<b>\$ 6,590,500</b>	<b>(33,032,811)</b>	<b>(77,079)</b>	<b>(33,109,890)</b>	
<b>Component Unit</b>							
Public Safety Communication Center	\$ 3,390,600	\$ 2,108,754	\$ -			\$ 530,226	
<b>General Revenues</b>							
Taxes							
Property Taxes				14,501,319	-	14,501,319	
Occupational Taxes				19,042,820	-	19,042,820	
Franchise Fees				667,435	-	667,435	
Reimbursements				1,459,599	-	1,459,599	
License Fees and Permits				215,953	-	215,953	
Excess Fees				1,244,887	-	1,244,887	
Rental/Income				183,480	-	183,480	
Unrestricted Investment Earnings				217,387	10,318	227,705	31,044
Donated Assets				945,852	-	945,852	
Gain on Sale of Fixed Assets				17,785	-	17,785	
Miscellaneous Revenues				39,707	-	39,707	8,589
Total General Revenues				38,536,224	10,318	38,546,542	39,633
Change in Net Assets				5,503,413	(66,761)	5,436,652	569,859
<b>Net Assets July 1, 2010</b>				231,007,090	315,382	231,322,472	3,880,803
<b>Net Assets June 30, 2011</b>				<b>\$ 236,510,503</b>	<b>\$ 248,621</b>	<b>\$ 236,759,124</b>	<b>\$ 4,450,662</b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2011**

	Major Funds					Total Governmental Funds
	General Fund	Road and Bridge Fund	Jail Fund	Capital Improvements Fund	Nonmajor Governmental Funds	
<b>Assets</b>						
Cash and Cash Equivalents	\$ 6,548,226	\$ 1,992,412	\$ 1,132,468	\$ 697,935	\$ 844,936	\$ 11,215,977
Investments	1,010,724	-	-	1,295,564	2,629	2,308,917
Notes Receivable	3,858,911	-	-	2,686,087	-	6,544,998
Accounts Receivable	6,944,003	476,655	509,571	66,096	593,578	8,589,903
Due from Boone County Golf Course	3,260,118	-	-	189,312	-	3,449,430
Restricted Cash	3,462,493	-	-	-	-	3,462,493
<b>Total Assets</b>	<b>\$ 25,084,475</b>	<b>\$ 2,469,067</b>	<b>\$ 1,642,039</b>	<b>\$ 4,934,994</b>	<b>\$ 1,441,143</b>	<b>\$ 35,571,718</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 222,102	\$ 291,313	\$ 55,603	\$ 74,410	\$ 190,159	\$ 833,587
Accrued Payroll	208,363	86,831	87,560	-	-	382,754
Compensated Absences Payable	240,042	134,930	61,223	-	-	436,195
Net Profit Tax Extension Payable	3,448,772	-	-	-	-	3,448,772
Total Liabilities	4,119,279	513,074	204,386	74,410	190,159	5,101,308
<b>Fund Balances</b>						
Non Spendable:						
Notes Receivable Long-Term	6,879,756	-	-	2,745,861	-	9,625,617
Restricted:						
Net Profit Extensions	-	-	-	-	-	-
Other Capital Projects	-	-	-	-	682,949	682,949
Other Purposes	13,721	-	-	-	27,982	41,703
Protection of Persons and Property	-	-	-	-	117,852	117,852
Committed:						
Health and Welfare	-	-	-	-	419,572	419,572
Assigned:						
Debt Service	-	-	-	-	2,629	2,629
Other Capital Projects	-	-	-	2,114,723	-	2,114,723
Protection of Persons and Property	-	-	1,437,653	-	-	1,437,653
Road Resurfacing and Maintenance	-	1,955,993	-	-	-	1,955,993
Unassigned	14,071,719	-	-	-	-	14,071,719
Total Fund Balances	20,965,196	1,955,993	1,437,653	4,860,584	1,250,984	30,470,410
<b>Total Liabilities and Fund Balances</b>	<b>\$ 25,084,475</b>	<b>\$ 2,469,067</b>	<b>\$ 1,642,039</b>	<b>\$ 4,934,994</b>	<b>\$ 1,441,143</b>	<b>\$ 35,571,718</b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
June 30, 2011**

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

Total Fund Balance - Governmental Funds		\$ 30,470,410
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>		
Cost of Capital Assets	\$ 276,260,075	
Accumulated Depreciation	<u>25,022,208</u>	
		251,237,867
<p>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.</p>		
		70,849
<p>Internal service fund is used by management to charge the cost of health insurance to individual funds. The assets and liabilities are included in governmental activities on the statement of net assets.</p>		
		(2,312,858)
<p>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:</p>		
Accrued Interest on Bonds	498,212	
Premium on Bonds Payable, Due within One Year	61,665	
Premium on Bonds Payable, Due in More Than One Year	601,235	
Bonds, Notes and Lease Principal Payments, Due within One Year	2,158,471	
Bonds, Notes and Lease Principal Payments, Due in More than One Year	<u>39,636,182</u>	
		<u>(42,955,765)</u>
<b>Total Net Assets - Governmental Activities</b>		<b>\$ <u>236,510,503</u></b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 Fiscal Year Ended June 30, 2011

	Major Funds					Total Governmental Funds
	General Fund	Road and Bridge Fund	Jail Fund	Capital Improvements Fund	Nonmajor Governmental Funds	
<b>Revenues</b>						
Taxes	\$ 33,133,787	\$ -	\$ -	\$ -	\$ 2,145,936	\$ 35,279,723
In Lieu Tax Payments	105,419	-	-	-	-	105,419
Excess Fees	1,793,917	-	-	-	-	1,793,917
Licenses and Permits	1,226,103	23,131	-	-	-	1,249,234
Intergovernmental	4,574,299	2,350,756	4,681,273	2,333,947	1,593,154	15,533,429
Charges for Services	849,390	142,283	226,858	-	-	1,218,531
Miscellaneous	965,292	214,494	528,537	-	35,219	1,743,542
Interest	137,554	8,325	8,403	12,407	6,949	173,638
<b>Total Revenues</b>	<b>42,785,761</b>	<b>2,738,989</b>	<b>5,445,071</b>	<b>2,346,354</b>	<b>3,781,258</b>	<b>57,097,433</b>
<b>Expenditures</b>						
General Government	3,860,309	-	-	-	-	3,860,309
Protection to Persons and Property	12,806,149	-	4,193,768	-	32,385	17,032,302
General Health and Sanitation	552,677	-	-	-	1,320,171	1,872,848
Social Services	156,934	-	-	-	832,674	989,608
Recreation and Culture	1,868,931	-	-	-	-	1,868,931
Roads	-	6,493,915	-	-	159,367	6,653,282
Capital Projects	-	-	-	5,363,313	117,397	5,480,710
Administration	10,044,855	992,900	1,071,595	-	281,711	12,391,061
Debt Service	3,053,431	286,905	-	214,345	1,170,219	4,724,900
<b>Total Expenditures</b>	<b>32,343,286</b>	<b>7,773,720</b>	<b>5,265,363</b>	<b>5,577,658</b>	<b>3,913,924</b>	<b>54,873,951</b>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	10,442,475	(5,034,731)	179,708	(3,231,304)	(132,666)	2,223,482
<b>Other Financing Sources (Uses)</b>						
Proceeds from Issuance of Refunding, Including Premium	12,924,882	-	-	-	-	12,924,882
Bond Issuance Cost	(105,734)	-	-	-	-	(105,734)
Transfer to Bond Escrow Agent - Advance Refunding Bonds	(12,819,148)	-	-	-	-	(12,819,148)
Transfers to Other Funds	(7,472,262)	-	-	-	(450,000)	(7,922,262)
Transfers from Other Funds	450,000	5,710,262	-	1,312,000	450,000	7,922,262
<b>Total Other Financing (Uses) Sources</b>	<b>(7,022,262)</b>	<b>5,710,262</b>	<b>-</b>	<b>1,312,000</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>3,420,213</b>	<b>675,531</b>	<b>179,708</b>	<b>(1,919,304)</b>	<b>(132,666)</b>	<b>2,223,482</b>
<b>Fund Balances July 1, 2010</b>	<b>17,544,983</b>	<b>1,280,462</b>	<b>1,257,945</b>	<b>6,779,888</b>	<b>1,383,650</b>	<b>28,246,928</b>
<b>Fund Balances June 30, 2011</b>	<b>\$ 20,965,196</b>	<b>\$ 1,955,993</b>	<b>\$ 1,437,653</b>	<b>\$ 4,860,584</b>	<b>\$ 1,250,984</b>	<b>\$ 30,470,410</b>

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  
Fiscal Year Ended June 30, 2011**

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

Total Net Change in Fund Balances - Governmental Funds	\$ 2,223,482
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.</p>	
Depreciation Expense	\$ (2,815,655)
Capital Outlays	<u>3,672,567</u> 856,912
<p>Repayment of bond and capital lease principal is an expenditure in the governmental funds but it reduces long-term liabilities in the statement of net assets, and does not affect the statement of activities.</p>	2,670,614
<p>Donated capital assets are not reported on the governmental fund statements. However, for governmental activities, these assets are reported on the statement of net assets.</p>	945,852
<p>The cost from the issuance of bonds are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over the life of the bond as annual amortization in the statement of activities.</p>	19,995
<p>Net value of assets and bond principal transferred to the Boone County Water District are not reported in the governmental fund statements.</p>	(965,207)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities; however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is a result of the change in accrued interest on bonds.</p>	80,059
<p>Internal Service Funds are used by management to charge the cost of health insurance to individual funds. The net revenues (expenses) of this fund are reported with governmental activities.</p>	(298,965)
<p>Proceeds from the disposal of capital assets are recorded at the gross amount received. On the statement of activities, the proceeds from the sale are netted against the net book value of the asset.</p>	<u>(29,329)</u>
<b>Total Change in Net Assets - Governmental Activities</b>	<b>\$ <u><u>5,503,413</u></u></b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**June 30, 2011**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Assisted Housing Fund	Golf Course Fund	Total	Self Insurance Fund
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 122,974	\$ 1,090,696	\$ 277,672	\$ 1,491,342	\$ 48,631
Inventory	-	-	67,423	67,423	-
Accounts Receivable	-	160,649	-	160,649	-
Deferred Charges	-	-	17,027	17,027	-
Total Current Assets	<u>122,974</u>	<u>1,251,345</u>	<u>362,122</u>	<u>1,736,441</u>	<u>48,631</u>
<b>Noncurrent Assets</b>					
Land	-	-	2,396,478	2,396,478	-
Land Improvements	-	-	5,523,656	5,523,656	-
Buildings and Building Improvements	-	137,417	2,249,488	2,386,905	-
Vehicles, Machinery and Equipment	-	18,412	1,221,872	1,240,284	-
Furniture and Office Equipment	-	154,891	-	154,891	-
	-	310,720	11,391,494	11,702,214	-
Less Accumulated Depreciation	-	158,783	7,714,384	7,873,167	-
Net Capital Assets	-	151,937	3,677,110	3,829,047	-
Restricted Cash	-	-	-	-	-
Deferred Charges	-	-	6,382	6,382	-
Total Noncurrent Assets	<u>-</u>	<u>151,937</u>	<u>3,683,492</u>	<u>3,835,429</u>	<u>-</u>
Total Assets	<u>122,974</u>	<u>1,403,282</u>	<u>4,045,614</u>	<u>5,571,870</u>	<u>48,631</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Bonds Payable, Due Within One Year	-	-	720,671	720,671	-
Note Payable, Due to Capital Improvements, Due Within One Year	-	-	9,538	9,538	-
Accounts Payable	-	53	87,258	87,311	316,492
Accrued Payroll	-	18,243	42,471	60,714	-
Accrued Interest Payable	-	-	2,444	2,444	-
Estimated Liability for Claims - HRA Accounts	-	-	-	-	251,480
Deferred Revenue	-	28,308	-	28,308	-
Compensated Absences Payable, Due Within One Year	-	1,192	7,069	8,261	-
Total Current Liabilities	<u>-</u>	<u>47,796</u>	<u>869,451</u>	<u>917,247</u>	<u>567,972</u>
<b>Noncurrent Liabilities</b>					
Compensated Absences Payable	-	22,637	45,333	67,970	-
Due to General Fund	-	-	3,260,118	3,260,118	-
Due to Capital Improvements	-	-	150,000	150,000	-
Note Payable, Due to Capital Improvements, Due in More than One Year	-	-	29,774	29,774	-
Bonds Payable, Due in More than One Year	-	-	670,498	670,498	-
Estimated Liability for Claims - HRA Accounts	-	-	-	-	1,793,517
Accrued Other - Noncurrent	-	227,642	-	227,642	-
Total Noncurrent Liabilities	<u>-</u>	<u>250,279</u>	<u>4,155,723</u>	<u>4,406,002</u>	<u>1,793,517</u>
Total Liabilities	<u>-</u>	<u>298,075</u>	<u>5,025,174</u>	<u>5,323,249</u>	<u>2,361,489</u>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt Restricted	-	151,937	2,246,629	2,398,566	-
Other Purposes	122,974	-	-	122,974	-
Other Capital Projects	-	-	-	-	-
Social Services	-	463,964	-	463,964	-
Protection of Persons and Property	-	-	-	-	-
Multi-Governmental Self Insurance	-	-	-	-	(2,312,858)
Unrestricted	-	489,306	(3,226,189)	(2,736,883)	-
Total Net Assets	<u>\$ 122,974</u>	<u>\$ 1,105,207</u>	<u>\$ (979,560)</u>	<u>\$ 248,621</u>	<u>\$ (2,312,858)</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -**  
**PROPRIETARY FUNDS**  
**Fiscal Year Ended June 30, 2011**

	<u>Business-Type Activities - Enterprise Funds</u>				<b>Governmental Activities - Internal Service Fund</b>
	<u>Jail Canteen Fund</u>	<u>Assisted Housing Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>	<u>Self Insurance Fund</u>
<b>Operating Revenues</b>					
Governmental Grants	\$ -	\$ 5,860,035	\$ -	\$ 5,860,035	\$ -
Canteen Receipts	390,716	-	-	390,716	-
Green Fees	-	-	1,134,667	1,134,667	-
Power Cart Rentals	-	-	519,398	519,398	-
Memberships	-	-	93,779	93,779	-
Commission	-	-	1,485	1,485	-
Pro Shop Sales and Pull Cart Rentals	-	-	111,556	111,556	-
Food and Beverage	-	-	327,338	327,338	-
Employer / Employee Contributions	-	-	-	-	4,843,562
Miscellaneous	-	60,578	3,270	63,848	-
<b>Total Operating Revenues</b>	<u>390,716</u>	<u>5,920,613</u>	<u>2,191,493</u>	<u>8,502,822</u>	<u>4,843,562</u>
<b>Operating Expenses</b>					
Cost of Merchandise Sold	361,179	-	78,683	439,862	-
Educational and Recreational	62,387	-	-	62,387	-
Housing Assistance Payment	-	5,059,001	-	5,059,001	-
Salaries and Wages	-	415,060	824,629	1,239,689	-
Employee Benefits	-	188,476	257,292	445,768	-
Contract Services	-	11,800	31,571	43,371	-
Materials and Supplies	-	-	940	940	-
Golf Cart Lease	-	-	116,981	116,981	-
Utilities	-	-	258,268	258,268	-
Maintenance and Repairs	-	-	90,121	90,121	-
Fertilizer and Chemicals	-	-	119,234	119,234	-
Petroleum Products	-	-	61,034	61,034	-
Uniforms	-	-	4,668	4,668	-
Food and Beverage	-	-	142,713	142,713	-
Depreciation	-	28,827	305,584	334,411	-
Other Operating Expenses	-	91,524	38,318	129,842	-
Insurance Claims	-	-	-	-	5,145,915
<b>Total Operating Expenses</b>	<u>423,566</u>	<u>5,794,688</u>	<u>2,330,036</u>	<u>8,548,290</u>	<u>5,145,915</u>
<b>Operating (Loss) Income</b>	<u>(32,850)</u>	<u>125,925</u>	<u>(138,543)</u>	<u>(45,468)</u>	<u>(302,353)</u>
<b>Non-Operating Revenues (Expenses)</b>					
Interest Income	1,134	7,584	1,600	10,318	3,388
Interest Expense	-	-	(31,611)	(31,611)	-
<b>Total Non-Operating Revenues</b>	<u>1,134</u>	<u>7,584</u>	<u>(30,011)</u>	<u>(21,293)</u>	<u>3,388</u>
<b>Net Income (Loss)</b>	<u>(31,716)</u>	<u>133,509</u>	<u>(168,554)</u>	<u>(66,761)</u>	<u>(298,965)</u>
<b>Net Assets July 1, 2010</b>	<u>154,690</u>	<u>971,698</u>	<u>(811,006)</u>	<u>315,382</u>	<u>(2,013,893)</u>
<b>Net Assets June 30, 2011</b>	<u>\$ 122,974</u>	<u>\$ 1,105,207</u>	<u>\$ (979,560)</u>	<u>\$ 248,621</u>	<u>\$ (2,312,858)</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**Fiscal Year Ended June 30, 2011**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Assisted Housing Fund	Golf Course Fund	Totals	Self Insurance Fund
<b>Cash Flows From Operating Activities</b>					
Receipts from Customers	\$ 390,716	\$ -	\$ 2,190,007	\$ 2,580,723	\$ -
Receipts from Commissions	-	-	1,485	1,485	-
Receipts from Governmental Grants	-	5,892,546	-	5,892,546	-
Receipts from Employees/Intergovernmental	-	-	-	-	4,843,562
Payments to Suppliers	(423,566)	(5,322,095)	(1,059,239)	(6,804,900)	-
Payments to Employees	-	(430,918)	(1,079,141)	(1,510,059)	-
Payments for Claims	-	-	-	-	(5,109,467)
Other Receipts (Expenses)	-	38,686	-	38,686	-
Net Cash (Used) Provided by Operating Activities	<u>(32,850)</u>	<u>178,219</u>	<u>53,112</u>	<u>198,481</u>	<u>(265,905)</u>
<b>Cash Flows from Non Capital Financing Activities</b>					
Proceeds from Other Funds	-	-	-	-	-
Payments to Other Funds	-	-	-	-	-
Net Cash Provided by Non Capital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Purchase of Capital Assets	-	-	(17,058)	(17,058)	-
Proceeds from General Fund Obligation	-	-	650,000	650,000	-
Payments on Bond Obligations	-	-	(711,548)	(711,548)	-
Payments on Capital Lease Obligations	-	-	(16,074)	(16,074)	-
Interest Paid on Bond Obligations	-	-	-	-	-
Interest Paid on Capital Lease Obligations	-	-	(14,417)	(14,417)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(109,097)</u>	<u>(109,097)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>					
Interest Income	1,134	7,584	1,600	10,318	3,386
Net Change in Cash	(31,716)	185,803	(54,385)	99,702	(262,519)
<b>Cash and Cash Equivalents July 1, 2010</b>	<u>154,690</u>	<u>904,893</u>	<u>332,057</u>	<u>1,391,640</u>	<u>311,150</u>
<b>Cash and Cash Equivalents June 30, 2011</b>	<u>\$ 122,974</u>	<u>\$ 1,090,696</u>	<u>\$ 277,672</u>	<u>\$ 1,491,342</u>	<u>\$ 48,631</u>
Reconciliation of Operating Income					
Net Cash Provided by Operating Activities					
Operating (Loss) Income	\$ (32,850)	\$ 125,925	\$ (138,543)	\$ (45,468)	\$ (302,353)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation	-	28,827	305,584	334,411	-
Change in Assets and Liabilities					
Accounts Receivable	-	14,294	-	14,294	-
Inventory	-	-	(9,238)	(9,238)	-
Accounts Payable	-	(1,551)	(107,472)	(109,023)	(274,673)
Estimated Liability for Claims - HRA	-	-	-	-	311,121
Accrued Payroll	-	3,056	2,903	5,959	-
Accrued Other	-	7,012	-	7,012	-
Compensated Absences Payable	-	656	(122)	534	-
<b>Net Cash (Used) Provided by Operating Activities</b>	<u>\$ (32,850)</u>	<u>\$ 178,219</u>	<u>\$ 53,112</u>	<u>\$ 198,481</u>	<u>\$ (265,905)</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**June 30, 2011**

	<b>Agency Funds</b>			
	<b>School Board Tax Fund</b>	<b>Jail Prisoners Funds</b>	<b>Motor Vehicle Rental Tax Fund</b>	<b>Flexible Spending Account</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 590,039	\$ 291,040	\$ 2	\$ 1,922
Accounts Receivable	1,880,393	-	402,238	-
Total Assets	2,470,432	291,040	402,240	1,922
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	2,470,432	291,040	402,240	1,922
<b>Net Assets</b>	\$ -	\$ -	\$ -	\$ -

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 unit is reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

Additional – Boone County Constitutional Elected Officials:

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

The Kentucky constitution provides for election of the above officials from the geographic area constituting Boone County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the County, and the board of education. In exercising these responsibilities; however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually, and can be obtained from their respective administrative offices.

**Blended Component Units**

The following organizations are shown as blended component units:

The Boone County Public Properties Corporation (BCPP) was formed to act as an issuing agent for long-term debt, the proceeds of which are to be used for the acquisition and construction of public building facilities in Boone County, Kentucky. The governing body is the County Commissioners. Separate financial statements are not required or prepared. The BCPP is a blended component unit because the boards are the same.

The Boone County Public Properties Corporation Golf Course (BCGC) owns and operates two golf courses on behalf of the County. Separate financial statements are not required or prepared. The BCGC is a blended component unit because the boards are the same.

The Boone County Assisted Housing Department provides rental assistance to low income families in Boone County, Kentucky under a contract with the U.S. Department of the Housing and Urban Development. The Boone County Assisted Housing Department is a blended component unit because the Boards are the same.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Discretely Presented Component Unit**

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

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

The following is a summary of certain significant accounting policies followed in the preparation of these financial statements.

**Basis of Presentation**Government Wide Statements

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

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

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

Fund Financial Statements

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

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

The government reports the following major government funds:

General Fund

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

Road and Bridge Fund

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

Jail Fund

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

Capital Improvements Fund

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

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Federal Grants Fund, TIF District #1 Fund, Mental Health Fund, JAG Recovery Grant Fund, Earl Parker Robinson Fund, and Public Properties Fund.

Special Revenue Funds

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Federal Grants Fund, TIF District #1 Fund, Mental Health Fund, JAG Recovery Grant Fund and Earl Parker Robinson Fund. Special Revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Capital Improvements Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction or major capital facilities.

Debt Service Fund

The Boone County Public Properties Corporation Fund is presented as debt service funds. Debt service funds are to account for the accumulation of resources for and the payment of general long term debt principal and interest.



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

The government reports the following major proprietary funds:

Jail Canteen Fund

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

Golf Course Fund

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

Assisted Housing Fund

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

Self Insurance Fund

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

The government reports the following fiduciary funds:

School Board Tax Fund

This fund is used to collect and remit the occupational payroll and net profit taxes collected on behalf of the Boone County Board of Education.

Jail Prisoners Fund

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

Motor Vehicle Rental Tax Fund

This fund is used to collect a 3% motor vehicle rental tax placed on most car rental agencies by Boone County Ordinance 430.8 in 1995. These dollars are remitted to the Tri-County Economic Development less a 3% administration fee, through enabling legislation passed in the 1994 General Assembly House Bill 662.

Flexible Spending Account

This fund is used as a pass through of any Cafeteria 125 plan dollars for tax exempt purposes from employees' payroll checks.

As a general rule, the effect of interfund activity has been eliminated from the government wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include taxes and unrestricted state funds.

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

Proprietary funds distinguish operating revenues and expenses from non-operating 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 non-operating 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 1.5% 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 1.5% per month from April 1 until paid. After May 1 of each year and following proper procedures, a court order may be issued to seize and sell the property.

**Basis of Accounting**

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

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 pages 52 and 53 for the reconciliation of the actual results to the fund statements.

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

**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 (Deposits and Investments note), investments exclude certificates of deposit.

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

**Inventories**

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

**Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Fiscal Court maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life, are not.

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

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

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

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

**Net Assets**

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

**Fund Equity**

The County has implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government itself takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The County establishes (and modifies or rescinds) fund balance commitments by passage of resolutions.

**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 and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

**NOTE 2 - EMPLOYEE RETIREMENT SYSTEM (Continued)**

Non-hazardous covered employees are required to contribute 5% of their salary to the plan. Non-hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6% of their salaries to be allocated as follows; 5% will go to the member's account and 1% will go to the KRS Insurance Fund. The County's contribution rate for non-hazardous employees was 16.93%.

Hazardous covered employees are required to contribute 8% of their salary to the plan. Hazardous covered employees who begin participation after September 1, 2008, are required to contribute 9% of their salaries to be allocated as follows; 8% will go to the member's account and 1% will go to the KRS Insurance Fund. The County's contribution rate for hazardous employees was 33.25%.

The County's contribution (both withholding and match) for FY11 was \$2,270,356, FY10 was \$2,226,322 and FY09 was \$2,055,670.

Benefits fully vest on reaching 5 years of service for hazardous and non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65. Non-hazardous employees who begin on or after September 1, 2008, must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008, aspects include retirement after 25 years of service or the member is age 60, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% Paid by Insurance Fund	% Paid by Member Through Payroll Deduction
20 or More	100%	0%
15 – 19	75%	25%
10 – 14	50%	50%
4 – 9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

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. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**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, 2011, the County's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County's agent in the County's name, or provided surety bond which named the County as beneficiary/obligee on the bond.

**Investments**

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

Interest Rate Risk

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

Credit Risk

The policy limits investments to the following:

- Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken, either directly or through an authorized custodian. The investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky.
- Obligations and contracts for future delivery, or purchase, of obligations backed by the full faith and credit of the United States or a United States government agency.
- Obligations of any corporation of the United States government.
- Certificates of deposit issued by, or other interest-bearing accounts of any bank or savings and loan institute, which are insured by the Federal Deposit Insurance Corporation or similar entity, or which are collateralized to the extent uninsured, by any obligations permitted by KRS 41.240(4).
- Bankers' acceptances for banks rated in one of the three highest categories by a nationally recognized rating agency.
- Commercial paper rated in the highest category by a nationally recognized rating agency.
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
- Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency.

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

Concentration of Credit Risk

The policy limits the concentration of credit risk as follows:

- The amount of money invested at any time by the County in bankers' acceptances, commercial paper, or bonds or certificates of indebtedness of Kentucky, shall not exceed 20% of the total amount of money invested by the County.
- The County shall not purchase any investment on a margin basis or through the use of any similar leveraging technique.
- With the exception of fully insured or fully collateralized investments, no more than 10% of the County's total investment portfolio shall be invested in a single security type or with a single financial institution.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy on custodial credit risk. As of June 30, 2011, the County investments are neither insured nor registered, but are held by the County's counter party in the County's name.

At June 30, 2011, the County's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
U.S. Treasuries	\$ 1,298,210	N/A	N/A
Certificates of Deposit	767,435	Various	N/A
Money Market Funds	<u>243,272</u>	N/A	N/A
Total	<u>\$ 2,308,917</u>		

**NOTE 4 - NOTES RECEIVABLE**

The Walton Fire Protection District has a lease/purchase agreement with Boone County Fiscal Court for the construction of a single level firehouse. Principal payments are due yearly with interest due semi-annually. The note matures in October, 2018. The receivable balance on the lease/purchase agreement at June 30, 2011 is \$167,969 and the Walton Fire Protection District is in substantial compliance with the terms of the agreement.

The Boone County Health Taxing District has a lease/purchase agreement with Boone County Fiscal Court for the construction of a building. Principal payments are due yearly with interest due semi-annually. The note matures in December, 2012. The receivables balance on the lease agreement at June 30, 2011 is \$115,000 and the Boone County Health Taxing District is in substantial compliance with the terms of the agreement.

The Boone County Water District has a lease/purchase agreement with Boone County Fiscal Court for the construction of rural water lines. Principal payments are due yearly with interest due semi-annually. The note matures in August, 2035. The receivables balance on the lease agreement at June 30, 2011 is \$2,290,885 and the Boone County Water District is in substantial compliance with the terms of the agreement.

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

The Boone County Fiscal Court has agreed to use a portion of the \$2,200,000 General Obligation Multi-Purpose Public Project Bond, Series 2006 to complete improvements to the Petersburg Fire Protection Firehouse and apparatus bays (the "Project"). The Petersburg Fire Protection District has determined to operate and maintain the Project and to make certain annual payments to the County. These annual payments equal Petersburg Fire District's portion of principal and interest due on these bonds. The receivables balance on the lease agreement at June 30, 2011 totaled \$1,285,057.

The Boone County Fiscal Court has agreed to use a portion of the \$7,000,000 General Obligation Public Project Bonds, Series 2007 to complete construction of a fire training facility to be used by numerous fire districts in Bone County. An inter-local agreement was signed by the Boone County Fiscal Court and the various fire districts. The districts have agreed that 25% of one cent of their real property assessments will be sent to the fiscal court as payment on the note receivable. As of June 30, 2011, the note receivable balance is \$2,686,087. The note is expected to be paid off by June, 2028.

The remaining maturities on the notes are as follows:

Years Ending June 30,		
2012	\$	359,273
2013		320,013
2014		266,773
2015		277,395
2016		292,775
Thereafter		5,028,769
	\$	6,544,998

**NOTE 5 - ACCOUNTS RECEIVABLE**

Accounts Receivable consists of the following at June 30, 2011:

	Governmental Activities	Business- Type Activities	Total
Taxes - Current	\$ 5,667,736	\$ -	\$ 5,667,736
Taxes - Delinquent	27,387	-	27,387
Excess Fees	795,078	-	795,078
Charges for Service	136,728	-	136,728
Intergovernmental	1,780,852	-	1,780,852
License Fees	81,335	-	81,335
Miscellaneous	100,787	160,649	261,436
	\$ 8,589,903	\$ 160,649	\$ 8,750,552



**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 11,549,094	\$ 275,926	\$ -	\$ 11,825,020
Roads	168,962,243	885,852	-	169,848,095
Construction in Progress	<u>11,042,080</u>	<u>2,436,068</u>	<u>7,759,588</u>	<u>5,718,560</u>
Total Capital Assets Not Being Depreciated	<u>191,553,417</u>	<u>3,597,846</u>	<u>7,759,588</u>	<u>187,391,675</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	13,535,933	287,441	3,588,493	10,234,881
Buildings and Building Improvements	55,731,149	7,472,147	-	63,203,296
Equipment	6,352,716	272,461	-	6,625,177
Furniture and Office Equipment	1,533,558	37,547	5,162	1,565,943
Vehicles	7,079,993	710,565	636,358	7,154,200
Roads	<u>84,903</u>	<u>-</u>	<u>-</u>	<u>84,903</u>
Total Depreciable Capital Assets	<u>84,318,252</u>	<u>8,780,161</u>	<u>4,230,013</u>	<u>88,868,400</u>
 Total Capital Assets at Historical Cost	 <u>275,871,669</u>	 <u>12,378,007</u>	 <u>11,989,601</u>	 <u>276,260,075</u>
<b>Less Accumulated Depreciation</b>				
Land Improvements	3,056,748	394,819	287,080	3,164,487
Buildings and Building Improvements	11,155,502	1,225,365	-	12,380,867
Equipment	2,368,259	442,242	-	2,810,501
Furniture and Office Equipment	862,249	121,306	5,162	978,393
Vehicles	5,598,004	630,301	607,029	5,621,276
Roads	<u>65,062</u>	<u>1,622</u>	<u>-</u>	<u>66,684</u>
Total Accumulated Depreciation	<u>23,105,824</u>	<u>2,815,655</u>	<u>899,271</u>	<u>25,022,208</u>
 Depreciable Capital Assets, Net	 <u>61,212,428</u>	 <u>5,964,506</u>	 <u>3,330,742</u>	 <u>63,846,192</u>
 Governmental Activities Capital Assets - Net	 <u>\$ 252,765,845</u>	 <u>\$ 9,562,352</u>	 <u>\$ 11,090,330</u>	 <u>\$ 251,237,867</u>

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

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

<b><u>Business-Type Activities</u></b>	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
Capital Assets Not Being Depreciated				
Land	\$ 2,396,478	\$ -	\$ -	\$ 2,396,478
Depreciable Capital Assets				
Land Improvements	5,523,656	-	-	5,523,656
Buildings and Building Improvements	2,386,905	-	-	2,386,905
Furniture and Office Equipment	154,891	-	-	154,891
Vehicles, Machinery and Equipment	<u>1,223,227</u>	<u>17,057</u>	<u>-</u>	<u>1,240,284</u>
Totals at Historical Cost	<u>9,288,679</u>	<u>17,057</u>	<u>-</u>	<u>9,305,736</u>
Total Capital Assets at Historical Value	<u>11,685,157</u>	<u>17,057</u>	<u>-</u>	<u>11,702,214</u>
Less Accumulated Depreciation				
Land Improvements	4,761,419	214,605	-	4,976,024
Buildings and Building Improvements	1,560,556	64,615	-	1,625,171
Furniture and Office Equipment	105,268	21,710	-	126,978
Vehicles, Machinery and Equipment	<u>1,111,513</u>	<u>33,481</u>	<u>-</u>	<u>1,144,994</u>
Total Accumulated Depreciation	<u>7,538,756</u>	<u>334,411</u>	<u>-</u>	<u>7,873,167</u>
Depreciable Capital Assets, Net	<u>1,749,923</u>	<u>(317,354)</u>	<u>-</u>	<u>1,432,569</u>
Business - Type Activities Capital Assets - Net	<u>\$ 4,146,401</u>	<u>\$ (317,354)</u>	<u>\$ -</u>	<u>\$ 3,829,047</u>

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

Component Unit	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 564,447	\$ 689,335	\$ 1,253,782	\$ -
Depreciable Capital Assets				
Computer Equipment and Software	4,685,886	144,846	62,257	4,768,475
Office Furniture and Equipment	152,814	-	9,423	143,391
Vehicles	9,910	-	-	9,910
Buildings/Infrastructure	187,088	1,269,351	-	1,456,439
Totals at Historical Cost	<u>5,035,698</u>	<u>1,414,197</u>	<u>71,680</u>	<u>6,378,215</u>
Total Capital Assets at Historical Value	<u>5,600,145</u>	<u>2,103,532</u>	<u>1,325,462</u>	<u>6,378,215</u>
Less Accumulated Depreciation				
Computer Equipment and Software	4,494,905	180,980	62,257	4,613,628
Office Furniture and Equipment	148,101	2,692	9,423	141,370
Vehicles	9,910	-	-	9,910
Buildings/Infrastructure	11,504	48,029	-	59,533
Total Accumulated Depreciation	<u>4,664,420</u>	<u>231,701</u>	<u>71,680</u>	<u>4,824,441</u>
Depreciable Capital Assets, Net	<u>935,725</u>	<u>1,871,831</u>	<u>1,253,782</u>	<u>1,553,774</u>
Capital Assets - Net	<u>\$ 935,725</u>	<u>\$ 1,871,831</u>	<u>\$ 1,253,782</u>	<u>\$ 1,553,774</u>

Depreciation expense was charged to functions of the primary government as follows for the fiscal year ended June 30, 2011:

**Governmental Activities**

General Government	\$ 877,611
Protection to Persons and Property	1,188,140
General Health and Sanitation	56,434
Social Services	2,625
Recreation and Culture	215,055
Roads, Including Depreciation of General Infrastructure Assets	<u>475,790</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,815,655</u>

**Business-Type Activities**

General Government	\$ 305,584
Protection to Persons and Property	<u>28,827</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 334,411</u>

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable consists of the following at June 30, 2011:

	Governmental Activities	Business- Type Activities	Total
General Government	\$ 41,843	\$ -	\$ 41,843
Protection to Persons and Property	148,749	-	148,749
General Health and Sanitation	3,187	-	3,187
Social Services	148,529	53	148,582
Recreation and Culture	48,264	87,258	135,522
Roads	291,313	-	291,313
Capital Projects	74,410	-	74,410
Administration	77,292	-	77,292
Insurance Claims	316,492	-	316,492
	<u>\$ 1,150,079</u>	<u>\$ 87,311</u>	<u>\$ 1,237,390</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, 2011:

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 34,005,000	\$ 12,110,000	\$ 14,836,292	\$ 31,278,708	\$ 1,484,329
Special Revenue Bonds	11,095,000	-	640,000	10,455,000	660,000
Note Payable	2,336,206	-	2,336,206	-	-
Financing Obligations	74,415	-	13,470	60,945	14,142
	<u>\$ 47,510,621</u>	<u>\$ 12,110,000</u>	<u>\$ 17,825,968</u>	<u>\$ 41,794,653</u>	<u>\$ 2,158,471</u>
<u>Business-Type Activities</u>					
General Obligation Bonds	\$ 2,102,717	\$ -	\$ 711,548	\$ 1,391,169	\$ 720,671
Financing Obligations	55,386	-	16,074	39,312	9,538
	<u>\$ 2,158,103</u>	<u>\$ -</u>	<u>\$ 727,622</u>	<u>\$ 1,430,481</u>	<u>\$ 730,209</u>

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

**Series 2001 - General Fund**

The County issued General Obligation Bonds for the purpose of discharging the outstanding amount of the Boone County Public Properties Corporation Multiple Projects Revenue Bonds, Series 1992. The series 2001, dated June 1, 2001, were issued at various interest rates ranging from 4.00% to 4.38%, and will be retired by December 1, 2012. Interest payments are due by June 1 and December 1, with principal payments due December 1 of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2012	\$ 30,019	\$ 445,000
2013	<u>10,281</u>	<u>470,000</u>
Total	<u>\$ 40,300</u>	<u>\$ 915,000</u>

**Series 2002 - General Fund**

The County issued General Obligation Bonds for the purpose of building a Public Safety Complex. The series 2002 dated April 18, 2002, were issued at various interest rates ranging from 3.00% to 5.00% and will be retired by April 1, 2022. Interest payments are due April 1 and October 1, with principal payments due April 1 of each year. This was refunded in 2011 by the Series 2010C. Net of the proceeds from the Series 2010C Bonds, the County still owes \$409,877 in principal and \$569,571 in interest. Final payment was due in April, 2012.

<u>Year Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2012	<u>\$ 569,571</u>	<u>\$ 409,877</u>

The County issued General Obligation Bonds for the purpose of installing a water system. The series 2002, dated October 2, 2002, were issued at various interest rates ranging from 3.50% to 4.50% and will be retired by August 1, 2027. Interest payments are due February 1 and August 1, with principal payments due August 1 of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2012	\$ 195,812	\$ 190,000
2013	188,113	195,000
2014	180,113	205,000
2015	171,713	215,000
2016	163,013	220,000
2017-2021	664,770	1,260,000
2022-2026	349,427	1,580,000
2027-2028	<u>33,413</u>	<u>735,000</u>
Total	<u>\$ 1,946,374</u>	<u>\$ 4,600,000</u>

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

**Series 2003C - General Fund**

The County issued General Obligation Bonds for the purpose of the construction of the Law Enforcement and Detention Center. The series 2003C, dated October, 2005, was issued at various interest rates ranging from 2.75% to 4.25%, and will be retired by December 1, 2021. Interest payments are due by June 1 and December 1, with principal payments due December 1 of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2012	\$ 170,363	\$ 325,000
2013	159,137	335,000
2014	146,931	350,000
2015	133,287	365,000
2016	118,387	380,000
2017-2021	337,912	2,145,000
2022	10,307	485,000
Total	\$ 1,076,324	\$ 4,385,000

**Series 2006 - General Fund**

The County issued General Obligation Multi-Purpose Public Project Bonds for the purpose of financing a fire station, library, and community center in Petersburg, Kentucky. The series, dated March 1, 2006, were issued with an interest rate of 3.70% and will be retired by March 1, 2026. Interest payments are due by March 1 and September 1, with principal payments due March 1 of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2012	\$ 66,414	\$ 90,000
2013	63,084	90,000
2014	59,754	95,000
2015	56,240	100,000
2016	52,542	105,000
2017-2021	201,466	585,000
2022-2026	83,066	730,000
Total	\$ 582,566	\$ 1,795,000

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

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

The County issued General Obligation Bonds for the purpose of construction of a fire training center and renovations to the public works facility in the amount of \$7,000,000. The series 2007, dated February 27, 2007, was issued at an interest rate of 3.70% and will be retired by February 1, 2027. Interest payments are due by February 1 and August 1, with principal payments due February 1 of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2012	\$ 221,260	\$ 280,000
2013	210,900	290,000
2014	200,172	300,000
2015	189,072	315,000
2016	177,416	325,000
2017-2021	698,008	1,810,000
2022-2026	336,706	2,175,000
2027	<u>17,946</u>	<u>485,000</u>
Total	<u>\$ 2,051,480</u>	<u>\$ 5,980,000</u>

**Special Revenue Bonds - Public Properties**

The County has issued bonds where the County pledges income derived from the acquired, or constructed assets, to pay debt service. Revenue bonds outstanding at June 30, 2011, are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
Justice Center	4.00% - 5.13%	\$ <u>10,455,000</u>

The minimum obligations at June 30, 2011 for debt service of these bonds are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2012	\$ 501,368	\$ 660,000
2013	470,763	685,000
2014	437,853	730,000
2015	402,458	760,000
2016	364,618	800,000
2017-2021	1,169,128	4,625,000
2022-2023	<u>113,903</u>	<u>2,195,000</u>
Total	<u>\$ 3,460,091</u>	<u>\$ 10,455,000</u>

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

**Series 2010A - General Obligation Refunding Bonds**

The County issued General Obligation Bonds for the purpose of refunding the outstanding amount of the General Obligation Public Project Bonds, Series 1999. The series 2010, dated May 6, 2010, were issued at various interest rates ranging from .5% to 1.25% and will be retired November, 2012. Interest payments are due by May 15 and November 15 with principal payments due November 15 each year. Principal payments are required and scheduled interests for the retirement of the bonds are as follows:

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2012	\$ 1,066	\$ 69,329
2013	403	64,502
Total	<u>\$ 1,469</u>	<u>\$ 133,831</u>

**Series 2010B - Build America Bonds**

The County issued General Obligation Bonds for the purpose of funding the energy savings performance project. These particular bonds are known as Build America Bonds (BAB) and were allowed by the American Recovery and Reinvestment Act of 2009 (ARRA). The BAB provide for a federal subsidy paid to state or local government issuers in an amount equal to 35% of the total coupon interest payable to investors. The series, dated May 6, 2010, were issued at various interest rates ranging from 4.05% to 5.05% and will be retired November, 2025. Interest payments are due by May 15 and November 15 with principal payments due by November 15 of each year. The first principal payment is due in November, 2013. Principal payments are required and scheduled interests for the retirement of the bonds are as follows:

Years Ending June 30,	Total Interest	Government Interest Subsidy	County Interest	Scheduled Principal
2012	\$ 44,395	\$ 15,538	\$ 28,857	\$ -
2013	44,395	15,538	28,857	-
2014	43,180	15,112	28,068	60,000
2015	40,751	14,262	26,489	60,000
2016	38,118	13,341	24,777	70,000
2017 - 2021	144,826	50,685	94,141	370,000
2022 - 2026	57,318	20,060	37,258	430,000
Total	<u>\$ 412,983</u>	<u>\$ 144,536</u>	<u>\$ 268,447</u>	<u>\$ 990,000</u>



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

**Series 2010C - General Obligation Refunding Bonds**

The County issued General Obligation Bonds for the purpose of refunding the outstanding amount of the General Obligation Public Project Bonds, Series 2002. The series 2010C, dated November 16, 2010, were issued at various interest rates ranging from 2.0% to 4.0% and will be retired on April 1, 2022. Interest payments are due by October 1 and April 1 with principal payments due April 1 each year. Principal payments are required and scheduled interests for the retirement of the bonds are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2012	\$ 381,650	\$ 85,000
2013	379,950	1,065,000
2014	358,650	1,085,000
2015	336,950	1,110,000
2016	314,750	1,135,000
2017-2021	1,028,650	6,200,000
2022	<u>55,600</u>	<u>1,390,000</u>
Total	<u>\$ 2,856,200</u>	<u>\$ 12,070,000</u>

**Revenue Refunding Bonds - Golf Course**

In June, 1998, the Golf Course sold \$8,060,000 of its Revenue Refunding Bonds for the purpose of refunding, in advance of maturity, the Golf Course's outstanding Certificates of Participation dated April 1, 1992, in the principal amount of \$8,100,000. The Series 1998, dated June 1, 1998, were issued at various interest rates ranging from 3.80% to 4.80% and were retired by June, 2012. These bonds were refinanced during FY10.

In May 2010, the Boone County Fiscal Court issued General Obligation Refunding Bonds for the purpose of refinancing outstanding bonds of the Golf Course and the Walton Fire Station. Of the \$2,305,000 bonds issued, the Golf Course was allocated \$2,192,717 to refinance its Revenue Refunding Bonds dated June 1998. The Series 2010A, dated May 6, 2010, were issued at various interest rates ranging from .5% to 1.25%, and will be retired by November 2012. Principal payments are required, and scheduled interest for the retirement of the bonds is as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2012	\$ 11,084	\$ 720,671
2013	<u>4,191</u>	<u>670,498</u>
Total	<u>\$ 15,275</u>	<u>\$ 1,391,169</u>

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

**Note Payable - General Fund**

In May 2006, the County entered into an assistance agreement with the Kentucky Infrastructure Authority (KIA) for the acquisition and construction of certain water facilities and to improve the County's water service system, in the amount of \$2,506,118, and bears an interest rate of 2.71%, commencing on December 1, 2007. The loan term for this agreement is 30 years and principal and interest payments are due on June 1 and December 1. Principal payments are due following the last draw of funds. As of June 30, 2009, the County had borrowed \$2,506,118. On July 1, 2010, the County entered into an agreement with the Boone County Water District (BCWD), as part of the agreement the BCWD assumed the legal and financial obligation of the outstanding principal of \$2,236,206, in return the County transferred certain water facilities to the BCWD.

**NOTE 9 - CAPITAL LEASE PURCHASE AGREEMENTS**

**Road and Bridge Fund**

In December 2007, Boone County entered into a lease-purchase agreement for a rubber tire loader for the Public Works Department. The lease term for this agreement is 7 years. The total balance of the agreement is \$60,945 as of June 30, 2011.

Debt Outstanding July 1, 2010	Additions	Repayments	Debt Outstanding June 30, 2011	Amount Expected to be Paid Within One Year
\$ 74,415	-	\$ 13,470	\$ 60,945	\$ 14,142

The following is a schedule of future minimum lease payments as of June 30, 2011:

Years Ending June 30,	
2012	\$ 17,183
2013	17,183
2014	17,184
2015	<u>17,183</u>
Total Minimum Lease Payment	68,733
Less Interest Remaining	<u>7,788</u>
Present Value of Minimum Lease Payments	<u>\$ 60,945</u>

**Golf Course**

During 2006, the Golf Course entered into a lease-purchase agreement for equipment. The lease term for this agreement is 5 years. This agreement was paid off during 2011.

During 2010, the Golf Course entered into a lease purchase agreement for equipment with the Capital Improvement Fund. The lease term for this agreement is 5 years. The balance of the agreement is \$39,312 as of June 30, 2011.

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

**Golf Course (Continued)**

The following is a summary of the Golf Course's capital lease purchase agreement transactions for the fiscal year ended June 30, 2011:

<u>Debt Outstanding July 1, 2010</u>	<u>Additions</u>	<u>Repayments</u>	<u>Debt Outstanding June 30, 2011</u>	<u>Amount Expected to be Paid Within One Year</u>
\$ 55,386	\$ -	\$ 16,074	\$ 39,312	\$ 9,538

The following is a schedule of future minimum lease payments as of June 30, 2011:

<u>Years Ending June 30,</u>	
2012	\$ 10,324
2013	10,324
2014	10,324
2015	<u>10,324</u>
Total Minimum Lease Payment	41,296
Less Interest Remaining	<u>1,984</u>
Present Value of Minimum Lease Payments	<u>\$ 39,312</u>

**NOTE 10 - OPERATING LEASES**

The County owns various buildings throughout Boone County that are leased to organizations, accounted for under an operating lease. Seven leases renew annually, one expiring in March, 2015, and the other one expiring in December, 2023. Rental income for the fiscal year ended June 30, 2011 was \$209,423. The future minimum lease payments to be received are as follows:

<u>Years Ending June 30,</u>	
2012	\$ 162,840
2013	101,604
2014	101,604
2015	100,404
2016	44,404
Thereafter	<u>393,476</u>
Total Minimum Lease Payment	<u>\$ 904,332</u>

The County leases various equipment and office space accounted for under operating leases. The leases are month-to-month and annual renewals. The County may also rent equipment on an as-needed basis. Rental expense for the fiscal year ended June 30, 2011 was \$110,826.

**NOTE 11 - INSURANCE**

For the fiscal year ended June 30, 2011, 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 12 - GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND**

**Self Insurance Fund**

The Self Insurance Fund was established in 1999 to cover all health insurance cost, including medical and dental claims, prescriptions and any fixed administrative cost related to health insurance. In fiscal year 2007, in an effort to decrease insurance costs to the County's health insurance, and increase reserves in the account, a Health Reimbursement Arrangement (HRA) was set up for each employee on the plan to coincide with a higher deductible plan. These dollars are to reimburse any covered persons' out of pocket deductible or co-insurance expenses. Each single plan was given \$1,000 and all other plans \$2,000 in January of 2009.

The total liability of these HRA dollars at the fiscal year ending 2011 was \$2,044,997, which includes all departments on the plan (Fiscal Court, Sheriff, County Clerk, Public Safety Communications Center, and Planning Commission). In the statement of cash flows, the Self Insurance Fund shows a cash balance of \$48,631 in the account, but with the liability of the HRA account, our net assets on June 30, 2011 is a negative \$2,312,858.

In 2011, the County paid out 11.41% of total HRA liability, including the rolled over amounts from 2010, and 40.89% of that year's liability, with no rollover. Another 4.21% was forfeited, either through waiving the health plan or leaving employment. Through studies conducted, the Kentucky Government Block (employers with similar HRA programs), the average amount of claims paid as a percentage of total liability is 20.00% with rollover amounts, and 64.31% without the rollover.

Cash Balance - June 30, 2010	\$	311,150
Premiums Collected		4,843,562
Interest Earned		3,388
Claims Paid		5,109,469
Cash Balance - June 30, 2011	\$	48,631

**NOTE 13 – INTERFUND TRANSACTIONS**

The following is a list of interfund transactions as of June 30, 2011:

	Total	General Fund	Road Fund	Capital Improve- ments	Mental Health Fund
\$	-	\$ (450,000) <sup>2</sup>	\$ -	\$ -	\$ 450,000 <sup>2</sup>
	-	(5,710,262) <sup>1</sup>	5,710,262 <sup>1</sup>	-	-
	-	(1,312,000) <sup>1</sup>	-	1,312,000 <sup>1</sup>	-
	-	450,000 <sup>2</sup>	-	-	(450,000) <sup>2</sup>
Total Transfer to Other Funds	\$ (7,922,262)	\$ (7,472,262)	\$ -	\$ -	\$ (450,000)
Total Transfer from Other Funds	\$ 7,922,262	\$ 450,000	\$ 5,710,262	\$ 1,312,000	\$ 450,000

1. To remove resources from the funds recording to the revenue to the funds that will expend th
2. Loan and loan payback.

**NOTE 14 – DEFERRED COMPENSATION**

On February 24, 2000, the Boone County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 1 8A .275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862 or by telephone at (502) 573-7925.

**NOTE 15 – CHANGING IN ACCOUNTING PRINCIPLE**

The Bone County Fiscal Court implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type definitions which has altered the classification of fund balance on the Balance Sheet – Governmental Funds.

**NOTE 16 – SUBSEQUENT EVENTS**

The date to which events occurring after June 30, 2011, the date of the most recent statement of net assets, have been evaluated for possible adjustments to the financial statements or disclosure is September 16, 2013, which is the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BOONE COUNTY FISCAL COURT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Fiscal Year Ended June 30, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 32,931,874	\$ 32,931,874	\$ 33,164,290	\$ 232,416
In Lieu Tax Payments	150,000	150,000	105,419	(44,581)
Excess Fees	1,275,250	1,275,250	1,234,480	(40,770)
Licenses and Permits	1,197,145	1,197,145	1,222,534	25,389
Intergovernmental	2,462,917	2,462,917	2,586,544	123,627
Charges for Services	780,613	780,613	859,797	79,184
Miscellaneous	1,037,317	1,037,317	1,099,043	61,726
Interest	115,000	115,000	137,327	22,327
<b>Total Revenues</b>	<b>39,950,116</b>	<b>39,950,116</b>	<b>40,409,434</b>	<b>459,318</b>
<b>Expenditures</b>				
General Government	4,583,731	4,638,751	3,875,825	762,926
Protection to Persons and Property	12,459,750	12,469,750	12,723,345	(253,595)
General Health and Sanitation	545,304	545,304	549,939	(4,635)
Social Services	521,706	521,706	158,397	363,309
Recreation and Culture	2,164,434	2,164,434	1,853,695	310,739
Debt Service	1,694,918	1,699,800	1,306,287	393,513
Administration	15,188,109	15,118,207	10,737,717	4,380,490
<b>Total Expenditures</b>	<b>37,157,952</b>	<b>37,157,952</b>	<b>31,205,205</b>	<b>5,952,747</b>
<b>Excess of Revenues Over Expenditures</b>	<b>2,792,164</b>	<b>2,792,164</b>	<b>9,204,229</b>	<b>6,412,065</b>
<b>Other Financing Sources (Uses)</b>				
Bond Principal Payments	(2,531,625)	(2,531,625)	(1,747,144)	784,481
Operating Transfers In	150	150	700,000	699,850
Operating Transfers Out	(6,010,689)	(6,010,689)	(7,472,262)	(1,461,573)
<b>Total Other Financing Sources (Uses)</b>	<b>(8,542,164)</b>	<b>(8,542,164)</b>	<b>(8,519,406)</b>	<b>22,758</b>
<b>Deficit of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(5,750,000)</b>	<b>(5,750,000)</b>	<b>684,823</b>	<b>6,434,823</b>
<b>Fund Balance July 1, 2010</b>	<b>5,750,000</b>	<b>5,750,000</b>	<b>6,874,127</b>	<b>1,124,127</b>
<b>Fund Balance June 30, 2011</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,558,950</b>	<b>\$ 7,558,950</b>

**BOONE COUNTY FISCAL COURT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - ROAD AND BRIDGE FUND**  
**Fiscal Year Ended June 30, 2011**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Licenses and Permits	\$ 20,000	\$ 20,000	\$ 23,084	\$ 3,084
Intergovernmental	2,454,833	2,454,833	2,317,377	(137,456)
Charges for Services	165,000	165,000	140,695	(24,305)
Miscellaneous	275,000	275,000	214,598	(60,402)
Interest	6,000	6,000	8,325	2,325
<b>Total Revenues</b>	<b>2,920,833</b>	<b>2,920,833</b>	<b>2,704,079</b>	<b>(216,754)</b>
<b>Expenditures</b>				
Roads	7,049,280	7,907,710	6,286,571	1,621,139
Debt Service	131,905	131,905	131,905	-
Administration	2,644,910	1,786,480	994,717	791,763
<b>Total Expenditures</b>	<b>9,826,095</b>	<b>9,826,095</b>	<b>7,413,193</b>	<b>2,412,902</b>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<b>(6,905,262)</b>	<b>(6,905,262)</b>	<b>(4,709,114)</b>	<b>2,196,148</b>
<b>Other Financing Sources (Uses)</b>				
Bond Principal Payment	(155,000)	(155,000)	(155,000)	-
Operating Transfers In	5,710,262	5,710,262	5,710,262	-
Operating Transfers Out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>5,555,262</b>	<b>5,555,262</b>	<b>5,555,262</b>	<b>-</b>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<b>(1,350,000)</b>	<b>(1,350,000)</b>	<b>846,148</b>	<b>2,196,148</b>
<b>Fund Balance July 1, 2010</b>	<b>1,350,000</b>	<b>1,350,000</b>	<b>1,146,264</b>	<b>(203,736)</b>
<b>Fund Balance June 30, 2011</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,992,412</b>	<b>\$ 1,992,412</b>



**BOONE COUNTY FISCAL COURT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - JAIL FUND**  
**Fiscal Year Ended June 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>with Final Budget Favorable (Unfavorable)</b>
<b>Revenues</b>				
Intergovernmental	\$ 3,900,600	\$ 3,900,600	\$ 4,738,466	\$ 837,866
Charges for Services	245,100	245,100	233,535	(11,565)
Miscellaneous	147,500	147,500	532,043	384,543
Interest	10,000	10,000	8,403	(1,597)
	<u>4,303,200</u>	<u>4,303,200</u>	<u>5,512,447</u>	<u>1,209,247</u>
<b>Expenditures</b>				
Protection to Persons and Property	4,156,518	4,519,204	4,196,350	322,854
Administration	2,031,714	1,669,028	1,065,349	603,679
	<u>6,188,232</u>	<u>6,188,232</u>	<u>5,261,699</u>	<u>926,533</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>(1,885,032)</u>	<u>(1,885,032)</u>	<u>250,748</u>	<u>2,135,780</u>
<b>Other Financing Sources (Uses)</b>				
Operating Transfers In	935,032	935,032	-	(935,032)
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	(950,000)	(950,000)	250,748	1,200,748
<b>Fund Balance July 1, 2010</b>	<u>950,000</u>	<u>950,000</u>	<u>881,721</u>	<u>(68,279)</u>
<b>Fund Balance June 30, 2011</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,132,469</u>	<u>\$ 1,132,469</u>

**BOONE COUNTY FISCAL COURT**  
**NOTES TO THE SCHEDULE OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**Fiscal Year Ended June 30, 2011**

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>
<b>Revenues</b>			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 40,409,434	\$ 2,704,079	\$ 5,512,447
Accounts Receivable 6/30/2010	(6,720,244)	(441,745)	(576,947)
Accounts Receivable 6/30/2011	6,944,003	476,655	509,571
Change in Note Receivable Balance	2,153,672	-	-
Reclass of Reimbursements	<u>(1,104)</u>	<u>-</u>	<u>-</u>
<b>Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds</b>	<b><u>\$ 42,785,761</u></b>	<b><u>\$ 2,738,989</u></b>	<b><u>\$ 5,445,071</u></b>
<b>Expenses</b>			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 31,205,205	\$ 7,413,193	\$ 5,261,699
Bond and Capital Lease Principal Payments	1,747,144	155,000	-
Transfer to Golf Course	(650,000)	-	-
Accounts Payable 6/30/2010	(192,251)	(97,339)	(69,990)
Accounts Payable 6/30/2011	222,102	291,313	55,603
Accrued Payroll 6/30/2010	(203,622)	(79,856)	(74,185)
Accrued Payroll 6/30/2011	208,363	86,831	87,560
Compensated Absences Payable 6/30/10	(235,306)	(130,352)	(56,547)
Compensated Absences Payable 6/30/11	240,042	134,930	61,223
Reclass of Reimbursements	<u>1,609</u>	<u>-</u>	<u>-</u>
<b>Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds</b>	<b><u>\$ 32,343,286</u></b>	<b><u>\$ 7,773,720</u></b>	<b><u>\$ 5,265,363</u></b>

**BOONE COUNTY FISCAL COURT  
NOTES TO THE SCHEDULE OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Fiscal Year Ended June 30, 2011  
(Continued)**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>
<b>Other Financing Sources (Uses)</b>			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ (8,519,406)	\$ 5,555,262	\$ -
Transfer from Capital Improvements	(250,000)	-	-
Bond Principal Payments	<u>1,747,144</u>	<u>155,000</u>	<u>-</u>
<b>Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds</b>	<u>\$ (7,022,262)</u>	<u>\$ 5,710,262</u>	<u>\$ -</u>
<b>Ending Balance</b>			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 7,558,950	\$ 1,992,412	\$ 1,132,469
Notes Receivable	3,858,911	-	-
Accounts Receivable	6,944,003	476,655	509,571
Due from Boone County Golf Course	3,462,493	-	-
Restricted Cash	3,260,118	-	-
Accounts Payable	(222,102)	(291,313)	(55,603)
Accrued Payroll	(208,363)	(86,831)	(87,560)
Compensated Balances Payable	(240,042)	(134,930)	(61,223)
Net Profit Tax Extension Payable	(3,448,772)	-	-
Rounding Adjustment	<u>-</u>	<u>-</u>	<u>(1)</u>
<b>Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds</b>	<u>\$ 20,965,196</u>	<u>\$ 1,955,993</u>	<u>\$ 1,437,653</u>

**BOONE COUNTY FISCAL COURT**  
**CONDITION RATING OF THE COUNTY'S STREET SYSTEM**  
**Fiscal Year Ended June 30, 2011**

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

<b>2011</b>	<b>2010</b>	<b>2009</b>
97%	98%	97%

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

<b>2011</b>	<b>2010</b>	<b>2009</b>
3%	2%	3%

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

	<b>2011</b>	<b>2010</b>	<b>2009</b>
Bridge			
Needed	\$ -	\$ -	\$ -
Actual	-	-	-
Roads			
Needed	762,000	507,600	522,335
Actual	500,456	412,237	295,393
Subdivision			
Needed	3,048,000	2,030,400	2,089,340
Actual	2,001,824	1,648,949	1,181,572

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.

**SUPPLEMENTARY INFORMATION**

**BOONE COUNTY FISCAL COURT**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
 June 30, 2011

	Local Government Economic Assistance Fund	Federal Grants Fund	TIF District #1 Fund	Mental Health Fund	JAG Recovery Grant Fund	Earl Parker Robinson Fund	Public Properties Fund	Total Nonmajor Governmental Funds
<b>Assets</b>								
Cash and Cash Equivalents	\$ 1,999	\$ -	\$ 298,466	\$ 90,334	\$ 118,108	\$ 336,029	\$ -	\$ 844,936
Investments	-	-	-	-	-	-	2,629	2,629
Notes Receivable	-	-	-	-	-	-	-	-
Accounts Receivable	25,983	17,109	48,454	502,032	-	-	-	593,578
Restricted Cash	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 27,982</b>	<b>\$ 17,109</b>	<b>\$ 346,920</b>	<b>\$ 592,366</b>	<b>\$ 118,108</b>	<b>\$ 336,029</b>	<b>\$ 2,629</b>	<b>\$ 1,441,143</b>
<b>Liabilities and Fund Balances Liabilities</b>								
Accounts Payable	\$ -	\$ 17,109	\$ -	\$ 172,794	\$ 256	\$ -	\$ -	\$ 190,159
Accrued Payroll	-	-	-	-	-	-	-	-
Compensated Absences Payable	-	-	-	-	-	-	-	-
Total Liabilities	-	17,109	-	172,794	256	-	-	190,159
<b>Fund Balances</b>								
Restricted	-	-	346,920	-	-	336,029	-	682,949
Other Capital Projects	-	-	-	-	-	-	-	27,982
Other Purposes	27,982	-	-	-	-	-	-	117,852
Protection of Persons and Property Committed	-	-	-	-	117,852	-	-	-
Health and Welfare Assigned	-	-	-	419,572	-	-	-	419,572
Debt Service	-	-	-	-	-	-	2,629	2,629
Unassigned	-	-	-	-	-	-	-	-
Total Fund Balances	27,982	-	346,920	419,572	117,852	336,029	2,629	1,250,984
<b>Total Liabilities and Fund Balances</b>	<b>\$ 27,982</b>	<b>\$ 17,109</b>	<b>\$ 346,920</b>	<b>\$ 592,366</b>	<b>\$ 118,108</b>	<b>\$ 336,029</b>	<b>\$ 2,629</b>	<b>\$ 1,441,143</b>

**BOONE COUNTY FISCAL COURT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Fiscal Year Ended June 30, 2011**

	Local Government Economic Assistance Fund	Federal Grants Fund	TIF District #1 Fund	Mental Health Fund	JAG Recovery Grant Fund	Earl Parker Robinson Fund	Public Properties Fund	Total Nonmajor Governmental Funds
<b>Revenues</b>								
Taxes	\$ -	\$ -	193,983	\$ 1,951,953	\$ -	\$ -	\$ -	2,145,936
In Lieu Tax Payments	-	-	-	-	-	-	-	-
Excess Fees	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-
Intergovernmental	109,902	235,424	-	-	75,109	-	1,172,719	1,593,154
Charges for Services	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	35,219	-	-	-	35,219
Interest	415	-	-	3,745	112	2,677	-	6,949
<b>Total Revenues</b>	<b>110,317</b>	<b>235,424</b>	<b>193,983</b>	<b>1,990,917</b>	<b>75,221</b>	<b>2,677</b>	<b>1,172,719</b>	<b>3,781,258</b>
<b>Expenditures</b>								
General Government	-	-	-	-	-	-	-	-
Protection to Persons and Property	-	-	-	-	32,385	-	-	32,385
General Health and Sanitation	-	-	-	1,320,171	-	-	-	1,320,171
Social Services	-	235,424	-	597,250	-	-	-	832,674
Recreation and Culture	-	-	-	-	-	-	-	-
Roads	159,367	-	-	-	-	-	-	159,367
Capital Projects	-	-	117,397	-	-	-	-	117,397
Administration	-	-	-	279,211	-	-	2,500	281,711
Debt Service	-	-	-	-	-	-	1,170,219	1,170,219
<b>Total Expenditures</b>	<b>159,367</b>	<b>235,424</b>	<b>117,397</b>	<b>2,196,632</b>	<b>32,385</b>	<b>-</b>	<b>1,172,719</b>	<b>3,913,924</b>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	(49,050)	-	76,586	(205,715)	42,836	2,677	-	(132,666)
<b>Other Financing Sources (Uses)</b>								
Bond Principal Payments	-	-	-	-	-	-	-	-
Transfers to Other Funds	-	-	-	(450,000)	-	-	-	(450,000)
Transfers from Other Funds	-	-	-	450,000	-	-	-	450,000
Bond Proceeds	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(49,050)</b>	<b>-</b>	<b>76,586</b>	<b>(205,715)</b>	<b>42,836</b>	<b>2,677</b>	<b>-</b>	<b>(132,666)</b>
<b>Net Change in Fund Balances</b>	<b>77,032</b>	<b>-</b>	<b>270,334</b>	<b>625,287</b>	<b>75,016</b>	<b>333,352</b>	<b>2,629</b>	<b>1,383,650</b>
<b>Fund Balances July 1, 2010</b>	<b>27,982</b>	<b>-</b>	<b>346,920</b>	<b>419,572</b>	<b>117,852</b>	<b>336,029</b>	<b>2,629</b>	<b>1,250,984</b>

**BOONE COUNTY FISCAL COURT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Fiscal Year Ended June 30, 2011**

<u>Federal Grants/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Direct Program:			
Section Eight Housing Rental Assistance Program	14.871		\$ 5,860,035
Passed-Through Department for Local Government			
Community Development Block Grant -Kentucky Recovery Grant - Year 3 -Brighton Center (Operating)	14.228	07-120	196,201
Passed-Through Department for Local Government			
Community Development Block Grant -Kentucky Recovery Grant - Year 4 -Brighton Center (Operating)	14.228	10-125	<u>39,223</u>
Total U.S. Department of Housing and Urban Development			<u>6,095,459</u>
<b><u>U.S. Department of Justice</u></b>			
Direct Program:			
Bulletproof Vest Partnership Program Grant	16.607	OMB#1121-0235	24,326
Recovery Act-Edward Byrne Memorial Justice Assistance Grant	16.804		<u>106,982</u>
Total U.S. Department of Justice			<u>131,308</u>
<b><u>U.S. Department of Homeland Security</u></b>			
Passed-Through State Department of Military Affairs:			
Emergency Management Assistance Program -Support Emergency Preparedness	97.042	PON2 095 080000079301	43,915
Passed-Through State Department of Military Affairs:			
KY Emergency Management -Severe Storms, Tornados and Flooding	97.036	FEMA-1976 DR - KY	33,063
Direct Program:			
Port Authority Grant - Domestic Preparedness -Water Reuse	97.056	2008GBT8K082	62,201
Port Authority Grant - Domestic Preparedness -Water Reuse	97.056	2009PUT9K016	<u>25,921</u>
Total U.S. Department of Homeland Security			<u>165,100</u>
<b><u>U.S. Department of Interior</u></b>			
Passed-Through Kentucky Heritage Council			
Historic Preservation Fund Grant	15.904	21-09-21823	<u>9,000</u>
<b><u>U.S. Department of Transportation</u></b>			
Passed-Through Kentucky Transportation Cabinet			
Transportation Enhancement Program Hebron Business District	20.205	PO2 628 08000015908	128,602
Passed-Through Kentucky Transportation Cabinet			
Safe Routes to School Conner Campus	20.205	PO2 628 07000012914	<u>21,262</u>
Total U.S. Department of Transportation			<u>149,864</u>
<b>Total Cash Expenditures of Federal Awards</b>			<b>\$ <u>6,550,731</u></b>



**BOONE COUNTY FISCAL COURT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FISCAL YEAR ENDED JUNE 30, 2011**

**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 the Summary of Significant Accounting Policies note 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**

Honorable Gary W. Moore, Boone County Judge/Executive  
Members of the Boone County Fiscal Court

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Boone County, Kentucky (the County) as of and for the fiscal year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents, and have issued our report thereon dated September 16, 2013. We did not audit the Boone County Assisted Housing Department, which is a blended component unit. These were audited by other auditors whose reports thereon have been furnished to us. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

*VonLehman & Company Inc.*

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

Honorable Gary W. Moore, Boone County Judge/Executive  
Members of the Boone County Fiscal Court

Compliance

We have audited the compliance of Boone County, Kentucky (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2011. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program, in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

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

*VonLehman & Company Inc.*

**BOONE COUNTY FISCAL COURT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FISCAL YEAR ENDED JUNE 30, 2011**

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

<b>FINANCIAL STATEMENTS</b>	
Type of Financial Statement Opinion	Unqualified
Material weakness(es) identified?	No
Control deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No
<b>FEDERAL AWARDS</b>	
Material weakness (es) identified?	No
Control deficiencies identified not considered to be material weaknesses?	None Reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Are there any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510?	No
Major Programs (list):	Section Eight Housing Rental Assistance Program [CFDA 14.871]; Recovery Act – Edward Byrne Memorial Justice Assistance Grant [CFDA 16.804]; Community Development Block Grants [CFDA 14.228]; Recovery Act - Highway Planning and Construction [CFDA 20.205]
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
Low Risk Auditee?	No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

NONE

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

NONE

**BOONE COUNTY FISCAL COURT  
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FISCAL YEAR ENDED JUNE 30, 2011**

**PRIOR YEAR - FINANCIAL STATEMENT FINDINGS**

NONE

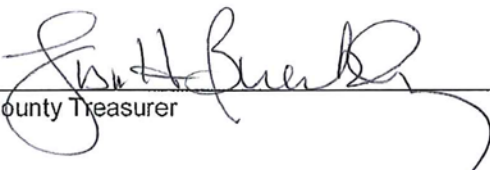
**PRIOR YEAR - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

NONE

**CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
BOONE COUNTY FISCAL COURT  
FOR THE YEAR ENDED JUNE 30, 2011**

The Boone County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statues.

  
\_\_\_\_\_  
County Judge/Executive

  
\_\_\_\_\_  
County Treasurer