

BOONE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2018

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



Boone County
Kentucky

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INDEPENDENT AUDITORS' REPORT

People of Kentucky
Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boone County Fiscal Court, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Boone County Fiscal Court's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Boone County Assisted Housing Fund which represents the following percentages of assets and revenues – 20.9% of the assets and 68.1% of the operating revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Boone County Assisted Housing Fund, is based on the reports of the other auditors.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boone County Fiscal Court as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in the notes to the financial statements, the previously issued financial statements for the year ended June 30, 2017 have been restated for the correction of a material misstatement as well as the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as noted in the footnotes. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 2 – 15), budgetary comparison information (pages 64 – 65), condition rating of the County's street system (pages 66 – 67), and pension and OPEB schedules (pages 68 – 71), be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boone County Fiscal Court's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, both the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2020, on our consideration of the Boone County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions and 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 effectiveness of the Boone County Fiscal Courts' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Boone County Fiscal Court's internal control over financial reporting and compliance.

VonLehman & Company Inc.

Fort Wright, Kentucky
February 13, 2020

**BOONE COUNTY OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2018**

Fiscal Court Members:

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

Other Elected Officials:

Robert D. Neace	County Attorney
Jason Maydak	Jailer
Kenny Brown	County Clerk
Dianne Murray	Circuit Court Clerk
Michael A. Helmig	Sheriff
Cindy Arlinghaus Martin	Property Valuation Administrator
Elizabeth Rittinger	Coroner

Appointed Personnel:

Benjamin T. Reece, CPA	County Treasurer
Scott D. Pennington, P.E.	County Engineer

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018
Unaudited**

Management's discussion and analysis (MD&A) of the Boone County Fiscal Court's (the County) financial performance provides a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2018. The MD&A does not include the effects of GASB 68 – Accounting and Financial Reporting for Pensions and GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other than Pensions as management believes the impact significantly distorts an operational discussion. Management provides a table at the end of its discussion to reconcile current year activities with the results; please read it in conjunction with the County's financial statements that begin on page 16.

Financial Highlights

- As of June 30, 2018, Boone County's net position was \$342,203,014, which is an increase of \$16,210,800 or 5.0% over the prior year. Total current assets of \$76,496,492 increased by \$7,683,018 or 11.1% and the noncurrent and capital assets (including deferred outflows) increased by \$396,289 or 0.1%.
 - The \$7,683,018 net increase in current assets is attributable to an increase in cash across the majority of funds as a result of strong revenues and focused spending. All governmental funds, except the General Fund, experienced a total increase of approximately \$8.6 million, this was offset by a decrease of \$1.9 million in the General Fund. This was expected based on management's strategic year-end planning and inter-fund transfers focused on improving and maintaining infrastructure, public safety and citizen satisfaction. The self-insurance fund cash position improved by 17.3% as a result of management's decision to shift from traditional insurance practices to referenced based pricing.
 - Noncurrent and capital assets (including deferred outflows) increased again this year by \$396,289 due to the net activity associated with the self development and acceptance of new roads from local developers, along with management's commitment to improving the financial viability of the Golf Course by eliminating the inter-fund notes receivable of approximately \$4.97 million.
 - Total liabilities decreased \$8,181,361 or 22.9% when compared to the previous year as the County eliminated the inter-fund notes payable of \$4.97 million relating to its support of the Golf Course and scheduled payments on the three remaining bonds of \$2.55 million.
- Program revenues offset 38.4% of Boone County's governmental activity expenses, totaling \$56,199,940. These revenues consist of grants, contributions and charges for services that the County collects to complement its use of general revenue.
- Boone County's total bond indebtedness decreased by \$2,615,000. As of June 30, 2018, the County has \$14,860,000 of outstanding bonds, of which \$2,685,000 is due within one year.
- Through budgeted expenditures, grants and in-kind donations, the County capitalized nearly \$10.3 million in long lived assets during 2018. Significant additions include the following:
 - Development of a new and enhanced public safety communication system continues with an additional investment of \$2,535,500, final costs are expected to exceed \$6.0 million. The County continues to make progress on several infrastructure improvements relating to local roads and sidewalks, a salt storage dome for use during snow removal events in the southwestern portion of the county and several public use spaces for \$1,616,400.
 - Renovations were completed on the "old court house" and were placed into service with a completed costs of approximately \$1.85 million. Other completed projects included a new walking bridge at the Middle Creek Park for \$100,700 and new sidewalks on Cayton Road for \$268,500.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018
Unaudited
(Continued)**

- Operating capital purchases included \$534,000 for 2D body scanners for use by the jailer's office, \$149,980 for equipment and technology for use in law enforcement and first response services, \$159,011 for information technology infrastructure and records retention, \$320,250 for equipment and material handling for use in various departments.
- Vehicles purchased included \$300,666 in heavy equipment for use in Public Works, \$591,512 in for patrol and detective use by the Sheriff's Office and \$224,845 in light duty equipment for use in various other County departments.
- The County accepted new subdivision streets valued at \$2,013,395 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 position 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.

The primary government includes the following legal entity:

- Boone County Public Properties Corporation

The financial information of the County "as a whole" is reported in the two government wide financial statements (pages 16 – 18). 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 position and changes from the prior period. You can think of the County's net position – 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 position are one indicator of whether its financial health is improving or declining. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the roads and other infrastructure, to assess the overall health of the County.

In the Statement of Net Position and the Statement of Activities, the County is divided into two types of activities: governmental and business.

- **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 internal service fund for 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, intellectual disabilities and aging programs. These programs and services are funded 38.4% 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 position of \$10,313,275. Revenues increased \$757,505 or 1.1% (excluding elimination of inter-fund notes) when compared to the previous year and the expenses increased by \$3,007,567 or 5.7%.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018
Unaudited
(Continued)**

- Business-Type Activities - The County has business-type funds; the Jail Canteen, Assisted Housing, and Golf Course fund. Generally these funds charge a fee to customers to help cover the cost of these activities. Current year program revenues covered 98.7% of service costs. Both Assisted Housing and the Golf Course experienced an increase in their net position. The Golf Course received \$278,500 in budgeted support from the General Fund and \$750,000 from the Capital Fund for repaving of cart paths in the following year. The combined operations of all business-type activities resulted in a positive change in net position of \$910,025 (excluding elimination of inter-fund notes).

Fund Financial Statements

The fund financial statements (pages 19 – 26) 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.

- 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 ten 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. Narrative describing the difference between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are included in the reconciliations on pages 20 and 22.
- Proprietary funds consists of enterprise funds and internal services funds. The focus for the enterprise funds is to be self-sufficient are used to report operations the County treats as business-type activities. The County charges either outside customers or other units of government for services reported in these funds. The County currently has three enterprise funds; Jail Canteen Fund, Assisted Housing Fund, and Golf Course Fund. The Self-Insurance and HRA Funds are combined and considered an 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 five fiduciary funds; Jail Prisoners Fund, School Board Tax Fund, Motor Vehicle Rental Tax Fund, Bullittsville Cemetery Trust Fund, and Flexible Spending Account.

Notes to the Financial Statements

The notes to the financial statements (pages 27 – 60) provide expanded explanation about the government wide and fund financial statements and are essential to the reader in obtaining a better understanding of the information provided within the financial statements.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018
Unaudited
(Continued)**

Required Supplementary Information

The budgetary comparison schedules (pages 61 – 63) for three major operating governmental funds provide information that supplements the government wide and fund financial statements.

Other required information is the Condition Rating of the County's Street 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 Condition Index (PCI) when the roads are analyzed (every 3 to 4 years) on a range from 0 to 100. The County has and will continue its commitment to preserve and maintain the road system at a level of at least 65 or higher. 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 recorded value of the road will not change unless a significant change in condition or use of the road occurs. 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 PCI in a given fiscal year, the road/street will be listed to be rehabilitated in that year and placed on the yearly paving list submitted to the Court through the budget process. The PCI is upgraded upon rehabilitation and by doing this the County fulfills the requirements of the Modified Approach. For more information relating to Condition Rating of the County's Street System, please see its more detailed report on pages 66 and 67.

Supplementary Information

The Combining Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds (pages 72 – 73) present the activities of the nonmajor governmental funds.

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 pages 61 through 63 reconciles the actual results of the cash basis budget and the accrual basis fund statements.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018
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 POSITION

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY17</u>	<u>FY18</u>	<u>FY17</u>	<u>FY18</u>	<u>FY17</u>	<u>FY18</u>
Current Assets	\$ 67,621,982	\$ 74,397,713	\$ 1,191,492	\$ 2,098,779	\$ 68,813,474	\$ 76,496,492
Noncurrent Assets	16,339,672	10,623,987	-	-	16,339,672	10,623,987
Capital Assets	<u>273,186,513</u>	<u>279,217,870</u>	<u>3,114,940</u>	<u>3,195,557</u>	<u>276,301,453</u>	<u>282,413,427</u>
Total Assets	357,148,167	364,239,570	4,306,432	5,294,336	361,454,599	369,533,906
Deferred Outflows of Resources	<u>254,060</u>	<u>204,192</u>	<u>-</u>	<u>-</u>	<u>254,060</u>	<u>204,192</u>
Total Assets and Deferred Outflows of Resources	<u>357,402,227</u>	<u>364,443,762</u>	<u>4,306,432</u>	<u>5,294,336</u>	<u>361,708,659</u>	<u>369,738,098</u>
Current Liabilities	12,925,126	12,513,365	145,873	181,590	13,070,999	12,694,955
Noncurrent Liabilities	<u>17,545,656</u>	<u>14,685,677</u>	<u>5,099,790</u>	<u>154,452</u>	<u>22,645,446</u>	<u>14,840,129</u>
Total Liabilities	<u>30,470,782</u>	<u>27,199,042</u>	<u>5,245,663</u>	<u>336,042</u>	<u>35,716,445</u>	<u>27,535,084</u>
Net Investment in Capital Assets	255,444,013	264,132,554	3,114,940	3,195,557	258,558,953	267,328,111
Restricted						
Other Capital Projects	2,103,305	2,532,148	-	-	2,103,305	2,532,148
Other Purposes	381,613	325,647	254,642	245,817	636,255	571,464
PPP	7,197,519	7,832,274	-	-	7,197,519	7,832,274
Unrestricted	<u>61,804,995</u>	<u>62,422,097</u>	<u>(4,308,813)</u>	<u>1,516,920</u>	<u>57,496,182</u>	<u>63,939,017</u>
Total Net Position	<u>\$ 326,931,445</u>	<u>\$ 337,244,720</u>	<u>\$ (939,231)</u>	<u>\$ 4,958,294</u>	<u>\$ 325,992,214</u>	<u>\$ 342,203,014</u>

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018
Unaudited
(Continued)**

At June 30, 2018, the County's net position exceeded its liabilities by \$314,667,930, an increase of \$24,392,161 or 8.4%, over the prior year. The majority of the County's total assets (76.4%) are invested in capital assets which include land, buildings, infrastructure, equipment and vehicles. These assets are listed under the capital assets section. The unrestricted net position amount of \$63,939,017, an increase of \$6,442,835 or 11.2%, 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 Position to the prior year, some other key points to consider are below:

- In governmental activity, current assets increased by \$6,775,731 (10.0%), which is attributable to an increase in the cash balance of the majority of major and minor funds.
- Total liabilities under governmental activities decreased by \$3,271,740 (10.7%), net of debt service activities (\$2,615,000) on outstanding bond obligations, reduction of the estimated HRA liability (\$179,200) and a decrease in net profit tax extension payables (\$388,950).
- Total assets increased in the business activities by \$987,904 (22.9%) due to net increase in capital assets of approximately \$81,000 and a year-end cash transfer from the Capital Fund for \$750,000 for cart path rehabilitation in the following year. The overall cash position of business activities increased by approximately \$913,000.
- In the business activities, an increase in net position of \$5,897,525 is attributable Management's decision to eliminate the previous notes payable to both the General and Capital Funds, along with the cash transfer for cart path rehabilitation in the following year.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018
Unaudited
(Continued)**

STATEMENTS OF ACTIVITIES

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY17</u>	<u>FY18</u>	<u>FY17</u>	<u>FY18</u>	<u>FY17</u>	<u>FY18</u>
Revenues						
<u>Program Revenues:</u>						
Charges for Services	\$ 9,301,504	\$ 9,515,725	\$ 2,932,379	\$ 2,910,745	\$ 12,233,883	\$ 12,426,470
Operating Grants and Contributions	10,220,302	10,196,382	6,327,826	6,210,651	16,548,128	16,407,033
Capital Grants and Contributions	1,374,459	1,883,534	-	-	1,374,459	1,883,534
Program Revenues Funded	<u>20,896,265</u>	<u>21,595,641</u>	<u>9,260,205</u>	<u>9,121,396</u>	<u>30,156,470</u>	<u>30,717,037</u>
<u>General Revenue:</u>						
Taxes	44,867,128	46,070,976	-	-	44,867,128	46,070,976
License Fees and Permits	338,757	343,161	-	-	338,757	343,161
Excess Fees	1,505,278	1,497,692	-	-	1,505,278	1,497,692
Rental Income	178,137	178,073	-	-	178,137	178,073
Unrestricted Investment Earnings	431,146	676,479	5,395	10,496	436,541	686,975
Donated Assets	2,680,627	2,013,395	-	-	2,680,627	2,013,395
Gain on Sale of Capital Assets	51,932	42,509	-	12,500	51,932	55,009
Miscellaneous	96,558	88,907	-	-	96,558	88,907
Total General Revenue	<u>50,149,563</u>	<u>50,911,192</u>	<u>5,395</u>	<u>22,996</u>	<u>50,154,958</u>	<u>50,934,188</u>
Total Revenues	<u>71,045,828</u>	<u>72,506,833</u>	<u>9,265,600</u>	<u>9,144,392</u>	<u>80,311,428</u>	<u>81,651,225</u>
Expenses						
General Government/Administration	17,772,174	18,079,498	-	-	17,772,174	18,079,498
Protection to Persons and Property	22,261,552	23,404,436	-	-	22,261,552	23,404,436
General Health and Sanitation	1,947,605	2,968,215	-	-	1,947,605	2,968,215
Social Services	1,126,541	1,162,598	-	-	1,126,541	1,162,598
Recreation and Culture	2,317,555	2,511,238	-	-	2,317,555	2,511,238
Roads	6,911,997	5,894,178	-	-	6,911,997	5,894,178
Fleet Services	-	732,155	-	-	-	732,155
Capital Improvements	264,019	1,018,000	-	-	264,019	1,018,000
Interest on Long-Term Debt	590,930	429,622	-	-	590,930	429,622
Jail Canteen Fund	-	-	803,999	734,763	803,999	734,763
Golf Course Fund	-	-	2,399,818	2,476,628	2,399,818	2,476,628
Assisted Housing Fund	-	-	6,204,369	6,029,094	6,204,369	6,029,094
Total Expenses	<u>53,192,373</u>	<u>56,199,940</u>	<u>9,408,186</u>	<u>9,240,485</u>	<u>62,600,559</u>	<u>65,440,425</u>
Change in Net Position, Before Transfers	17,853,455	16,306,893	(142,586)	(96,093)	17,710,869	16,210,800
Transfers	<u>(325,000)</u>	<u>(5,993,618)</u>	<u>325,000</u>	<u>5,993,618</u>	<u>-</u>	<u>-</u>
Change in Net Position	17,528,455	10,313,275	182,414	5,897,525	17,710,869	16,210,800
Net Position - Beginning Year (As Restated)	<u>309,402,990</u>	<u>326,931,445</u>	<u>(1,121,645)</u>	<u>(939,231)</u>	<u>308,281,345</u>	<u>325,992,214</u>
Net Position - Ending Year	<u>\$ 326,931,445</u>	<u>\$ 337,244,720</u>	<u>\$ (939,231)</u>	<u>\$ 4,958,294</u>	<u>\$ 325,992,214</u>	<u>\$ 342,203,014</u>

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018
Unaudited
(Continued)**

For the year ended June 30, 2018, governmental activities net position totaled \$337,244,720, an increase of 3.2% over the previous fiscal year. Net position for business-type activities was \$4,958,294, an increase of the prior year due to positive operating results within the Assisted Housing Fund and a combination of the elimination of the notes payable and capital planning support of the Golf Course Fund.

Total program revenues increased \$560,567 or 1.9% compared to the previous fiscal year. Revenue from all sources increased \$1,339,797 or 1.7%.

The County continues to maintain a very conservative approach to budgeting by limiting capital projects for which it cannot obtain grants or contributions to offset the expenditures, discretionary spending, and strategic hiring practices. These conservative spending efforts have provided the County with adequate reserves and allowed for the investment in needed capital projects on roads, sidewalks and other infrastructure. Most capital improvements, other than regular maintenance of roads, were funded partially or fully by grants. Total expenditures increased by \$2,283,000 or 4.5%. Overall total revenues exceeded total expenditures, resulting in a positive change in net position of \$16,210,800.

Significant changes compared to the prior year are listed below:

- The County continues to see positive housing growth as developers donated \$2,013,395 in new subdivision streets and sidewalks.
- Tax collections maintain their year of year growth, \$1,203,850 (2.7%) when compared to the prior year. This reflects an increase of approximately \$379,700 (1.3%) in payroll taxes and approximately \$824,200 (5.1%) in occupational/payroll taxes. All other taxes remain comparable to prior year collections.
- The business-type activity program revenues as a percentage of total expenditures were approximately 98.7%.

Program revenues for the governmental activities were 32.5% of total revenues received. This means that 32.5% 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 linked to a function.

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, including the Transit Authority of Northern Kentucky (TANK). The other major use of general revenue is the protection to persons and property, which includes emergency management, water rescue, building inspector, Public Safety Communication Center (911 Emergency Dispatch) and support of the Sherriff's Office and Jail.

Financial Analysis of the County's Funds

Fund financial statements generally distinguish between major and nonmajor 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 \$70,815,967 of which approximately 33.0% is described as, 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 19 through 22. The General Fund balance decrease of approximately \$7,030,000 from the previous year is related to the continuing net growth in tax collections (approximately \$1,176,000) offset by an additional year-end inter-fund transfer of approximately \$2,250,000 to the Public Safety Communication Center to fund the capital project relating to the enhanced 911 radio network and \$6,450,000 to the Capital Fund for future projects and infrastructure improvements. The County remains focused on conservative budgeting and a policy to maintain a minimum 25.0% emergency reserve in the General Fund; along with additional reserves in all major funds.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018
Unaudited
(Continued)**

The County's proprietary funds' statements are shown on pages 23 through 25 with a total increase in net position of \$5,695,166 for the enterprise funds from the prior fiscal year.

- The current year's Golf Course's operating activities reflect an increase in the net position of \$5,582,122. During 2018 the General Fund Provided \$278,500 is budget support in operations, \$750,000 in funding was provided from the Capital Fund for cart path rehabilitation, both of the notes payable to the General and Capital fund were eliminated as a result of management's review of Golf Course activities and facilities. Operating expenses, without depreciation, increased by \$131,948 (5.6%) from the prior fiscal year. During the fiscal year, management determined there was a need to significantly reinvest in the Golf Course, specifically Boone Links facility to update the club house, add an eighteen-hole miniature golf course, and rehabilitate the cart paths. In addition to the \$750,000 from the Capital Fund, \$4.4 million in general obligation bonds were issued subsequent to June 30, 2018.
- The Jail Canteen Fund's net position decreased with a net loss of \$8,825. This amount fluctuates from year to year depending on the expenditures taken from this account; however the fund is self-sufficient and does not require additional support.
- Assisted Housing Fund's net position increased by \$121,869 during the year. Revenues and expenses are down \$117,175 and 149,808, respectively.

The County has five fiduciary funds; School Board Tax Fund, Jail Prisoners Fund, Motor Vehicle Rental Tax Fund, Bullittsville Cemetery Trust Fund and Flexible Spending Account, for which the statements are shown on page 26. These monies are restricted and excluded from the other statements because the County cannot use these assets to finance operations.

General Budgetary Highlights

There were no amendments to Boone County's budget in Fiscal Year 2018 although the County made various line item transfers within the budget to increase/decrease certain line items. Some transfers were inter-fund transfers and have no effect on the budget's bottom line. Throughout the year, general fund operating revenues collected were over budget by 4.7%, while reoccurring line item operating expenses were well below budget by 4.2%.

Capital Assets and Debt Administration

Capital Assets

At the end of the year ended June 30, 2018, the government activities of the County had \$279,217,870 invested in a broad range of capital assets, including land, roads, buildings, equipment and vehicles. As shown on the chart to follow, the amount represents a net increase (including additions, retirements and accumulated depreciation) of \$6,031,357 or 2.2%, on the governmental activities from the previous year. The County added approximately \$10.3 million in assets before depreciation. \$4.2 million was for multiyear projects of which \$2.5 million related to the construction of a new and enhanced 911 radio system, \$1.2 for roads and sidewalks and \$.4 million for other projects. The County accepted \$2,013,395 of new streets and sidewalks from local developers and built another \$268,514 in new sidewalks. Approximately \$1.4 million was spent on equipment and vehicles used by law enforcement and other first responders. Various equipment needed to transport and handle heavy materials was purchased for approximately \$800,000. Parks and Recreation spent approximately \$230,000 to improve public use spaces.

The business activities reflect a net increase of \$80,617, representing the start of a multiyear improvement and renovation of the Golf Course facilities at Boone Links.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018
Unaudited
(Continued)**

STATEMENTS OF CAPITAL ASSETS

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY17</u>	<u>FY18</u>	<u>FY17</u>	<u>FY18</u>	<u>FY17</u>	<u>FY18</u>
Land	\$ 12,055,580	\$ 12,055,580	\$ 2,396,478	\$ 2,396,478	\$ 14,452,058	\$ 14,452,058
Roads, Modified Approach (Not Depreciated)	199,962,491	201,975,886	-	-	199,962,491	201,975,886
Roads	8,493	8,491	-	-	8,493	8,491
Land Improvements	5,547,371	5,485,623	63,675	47,913	5,611,046	5,533,536
Building and Building Improvements	44,277,666	44,845,293	455,054	384,018	44,732,720	45,229,311
Furniture and Office Equipment	338,848	256,831	36,010	23,619	374,858	280,450
Vehicles and Equipment	7,554,503	8,124,109	145,973	216,274	7,700,476	8,340,383
Construction In Progress	3,441,561	6,466,057	17,750	127,255	3,459,311	6,593,312
	<u>\$ 273,186,513</u>	<u>\$ 279,217,870</u>	<u>\$ 3,114,940</u>	<u>\$ 3,195,557</u>	<u>\$ 276,301,453</u>	<u>\$ 282,413,427</u>

A more detailed breakdown of the capital assets and depreciation can be found in the Capital Assets note to the financial statements on pages 38 through 40.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018
Unaudited
(Continued)**

Noncurrent Liabilities

Noncurrent liabilities consist of outstanding bonds, accruals relating to earned and unused vacation of County employees, and escrowed dollars under the Family Self-Sufficiency program within the Assisted Housing Fund. As of June 30, 2018, the County had \$14,860,000 in outstanding bond obligations (not including premiums or discounts) versus \$17,475,000 last year, a decrease of 15.0%, as shown on the chart below. The primary reason this number has continued to decrease is due to the County not borrowing additional dollars to fund capital or special projects.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>FY17</u>	<u>FY18</u>	<u>FY17</u>	<u>FY18</u>	<u>FY17</u>	<u>FY18</u>
General Obligation Bonds	\$ 10,990,000	\$ 9,410,000	\$ -	\$ -	\$ 10,990,000	\$ 9,410,000
Special Revenue Bonds	6,485,000	5,450,000	-	-	6,485,000	5,450,000
Unamortized Premium	429,062	349,181	-	-	429,062	349,181
Unamortized Discount	(32,044)	(25,841)	-	-	(32,044)	(25,841)
Compensated Absences	613,082	645,147	73,263	79,921	686,345	725,068
Estimated Liability for						
Claims - HRA Accounts	1,915,400	1,736,204	-	-	1,915,400	1,736,204
Accrued Other	-	-	99,690	141,541	99,690	141,541
	<u>\$ 20,400,500</u>	<u>\$ 17,564,691</u>	<u>\$ 172,953</u>	<u>\$ 221,462</u>	<u>\$ 20,573,453</u>	<u>\$ 17,786,153</u>

The County's general obligation bond rating is Aa1, a rating that has been assigned by national rating agency, Moody's Rating Service. The Kentucky Revised Statutes provide that a county will not incur net indebtedness for all purposes that exceed an amount equal to two percent (2.0%) of the value of the taxable property within the County's limits. According to Boone County's 2017 assessment the maximum allowable indebtedness of the County is in excess of \$260 million, which far exceeds the County's outstanding debt. Subsequent to June 30, 2018, the County was upgraded to Aaa bond rating by Moody's Rating Services.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018
Unaudited
(Continued)**

Economic Factors and Next Year's Budget

The County's local economy continues to reflect signs of growth. In particular, tax assessments on occupational activities, net profits and property assessments increased approximately \$1.2 million dollars over the previous fiscal year or 2.7%, outpacing inflation of 1.7% for the same twelve month period. Looking forward, property subject to real and personal property tax rates total valuation as certified by the State Local Finance Officer (SLFO) in July of each year continue to grow. Total property subject to the County's rates during the fiscal year was \$13.47 billion, as certified in July 2017, increased \$415 million or 3.2%. The July 2018 SLFO certification of real and personal property stated a total value of \$13.96 billion an increase of \$487 million or 3.6%. The July 2018 certification sets the values at which taxes to be collected in fiscal year 2019 will be based. State government continues to experience a decline in revenue which translate, in part, to reductions in state aid for certain local government programs and services.

Annually the County develops and remains committed to a strategic budget process that is focused on controlling the size of the County workforce without reducing the quality or effectiveness of public services and carefully control discretionary spending, in lieu of seeking additional revenue. The trend lines of our local economy and operating budget suggest continuing growth and expansion of business activity for the foreseeable future. The budget development guidelines for future periods will continue to employ conservative forecasting and careful control of discretionary spending.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018
Unaudited
(Continued)**

Reconciliation of Management's Discussion and Analysis to Audit Financial Statements for the Year Ended June 30, 2018

	Governmental Activities			Business Activities			Total		
	Management's Statements	GASB 68 & 71 Adjustments	Audited Statements	Management's Statements	GASB 68 & 71 Adjustments	Audited Statements	Management's Statements	GASB 68 & 71 Adjustments	Audited Statements
Statements of Net Position									
Current Assets	\$ 74,397,713	\$ -	\$ 74,397,713	\$ 2,098,779	\$ -	\$ 2,098,779	\$ 76,496,492	\$ -	\$ 76,496,492
Non-Current Assets	10,623,987	-	10,623,987	-	-	-	10,623,987	-	10,623,987
Capital Assets	279,217,870	-	279,217,870	3,195,557	-	3,195,557	282,413,427	-	282,413,427
Total Assets	364,239,570	-	364,239,570	5,294,336	-	5,294,336	369,533,906	-	369,533,906
Deferred Outflows of Resources	204,192	11,723,828	11,928,020	-	792,268	792,268	204,192	12,516,096	12,720,288
Total Assets and Deferred Outflows of Resources	364,443,762	11,723,828	376,167,590	5,294,336	792,268	6,086,604	369,738,098	12,516,096	382,254,194
Current Liabilities	12,513,365	-	12,513,365	181,590	-	181,590	12,694,955	-	12,694,955
Long-Term Liabilities	14,685,677	39,265,441	53,951,118	154,452	2,653,468	2,807,920	14,840,129	41,918,909	56,759,038
Total Liabilities	27,199,042	39,265,441	66,464,483	336,042	2,653,468	2,989,510	27,535,084	41,918,909	69,453,993
Deferred Inflows of Resources	-	1,296,667	1,296,667	-	87,625	87,625	-	1,384,292	1,384,292
Total Liabilities and Deferred Inflows of Resources	27,199,042	40,562,108	67,761,150	336,042	2,741,093	3,077,135	27,535,084	43,303,201	70,838,285
Total Net Position	\$ 337,244,720	\$ (28,838,280)	\$ 308,406,440	\$ 4,958,294	\$ (1,948,825)	\$ 3,009,469	\$ 342,203,014	\$ (30,787,105)	\$ 311,415,909
Statements of Activities									
Program Revenues	\$ 21,595,641	\$ -	\$ 21,595,641	\$ 9,121,396	\$ -	\$ 9,121,396	\$ 30,717,037	\$ -	\$ 30,717,037
General Revenues	50,911,192	-	50,911,192	22,996	-	22,996	50,934,188	-	50,934,188
Total Revenues	72,506,833	-	72,506,833	9,144,392	-	9,144,392	81,651,225	-	81,651,225
Expenses	56,199,940	4,016,159	60,216,099	9,240,485	202,359	9,442,844	65,440,425	4,218,518	69,658,943
Change in Net Position, Before Transfers	16,306,893	(4,016,159)	12,290,734	(96,093)	(202,359)	(298,452)	16,210,800	(4,218,518)	11,992,282
Transfers	(5,993,618)	-	(5,993,618)	5,993,618	-	5,993,618	-	-	-
Change in Net Position	10,313,275	(4,016,159)	6,297,116	5,897,525	(202,359)	5,695,166	16,210,800	(4,218,518)	11,992,282
Net Position - Beginning Year (As Restated)	326,931,445	(24,822,121)	302,109,324	(939,231)	(1,746,466)	(2,685,697)	325,992,214	(26,568,587)	299,423,627
Net Position -Ending Year	\$ 337,244,720	\$ (28,838,280)	\$ 308,406,440	\$ 4,958,294	\$ (1,948,825)	\$ 3,009,469	\$ 342,203,014	\$ (30,787,105)	\$ 311,415,909

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2018
Unaudited
(Continued)**

Requests for Information

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

**BOONE COUNTY FISCAL COURT
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets			
Cash and Cash Equivalents	\$ 61,359,805	\$ 1,991,816	\$ 63,351,621
Investments	1,078,593	-	1,078,593
Inventory	-	77,641	77,641
Accounts Receivable	11,709,781	29,322	11,739,103
Notes Receivable, Due Within One Year	249,534	-	249,534
Total Current Assets	<u>74,397,713</u>	<u>2,098,779</u>	<u>76,496,492</u>
Noncurrent Assets			
Capital Assets, Net of Accumulated Depreciation			
Land	12,055,580	2,396,478	14,452,058
Land Improvements	5,485,623	47,913	5,533,536
Buildings and Building Improvements	44,845,293	384,018	45,229,311
Furniture and Office Equipment	256,831	23,619	280,450
Vehicles and Equipment	8,124,109	216,274	8,340,383
Construction in Progress	6,466,057	127,255	6,593,312
Infrastructure Assets, Net of Accumulated Depreciation	201,984,377	-	201,984,377
Restricted Cash	7,427,394	-	7,427,394
Notes Receivable, Due in More than One Year	3,196,593	-	3,196,593
Total Noncurrent Assets	<u>289,841,857</u>	<u>3,195,557</u>	<u>293,037,414</u>
Total Assets	<u>364,239,570</u>	<u>5,294,336</u>	<u>369,533,906</u>
Deferred Outflows of Resources			
Deferred Loss on Refundings, Net	204,192	-	204,192
Deferred Outflows Related to Pension	8,404,451	567,953	8,972,404
Deferred Outflows Related to OPEB	3,319,377	224,315	3,543,692
Total Deferred Outflows of Resources	<u>11,928,020</u>	<u>792,268</u>	<u>12,720,288</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 376,167,590</u>	<u>\$ 6,086,604</u>	<u>\$ 382,254,194</u>

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Current Liabilities			
Compensated Absences Payable	\$ 11,626	\$ 12,828	\$ 24,454
Bonds Payable	2,758,678	-	2,758,678
Accounts Payable	2,034,668	80,208	2,114,876
Accrued Payroll	343,264	34,372	377,636
Accrued Interest	106,168	-	106,168
Estimated Liability for Claims - HRA Accounts	108,710	-	108,710
Accrued Other	7,150,251	54,182	7,204,433
Total Current Liabilities	<u>12,513,365</u>	<u>181,590</u>	<u>12,694,955</u>
Noncurrent Liabilities			
Compensated Absences Payable	633,521	67,093	700,614
Bonds Payable	12,424,662	-	12,424,662
Estimated Liability for Claims - HRA Accounts	1,627,494	-	1,627,494
Accrued Other	-	87,359	87,359
Net Pension Liability	29,062,020	1,963,944	31,025,964
Net OPEB Liability	10,203,421	689,524	10,892,945
Total Noncurrent Liabilities	<u>53,951,118</u>	<u>2,807,920</u>	<u>56,759,038</u>
Total Liabilities	<u>66,464,483</u>	<u>2,989,510</u>	<u>69,453,993</u>
Deferred Inflows of Resources			
Deferred Inflows Related to Pension	721,782	48,776	770,558
Deferred Inflows Related to OPEB	574,885	38,849	613,734
Total Deferred Outflows of Resources	<u>1,296,667</u>	<u>87,625</u>	<u>1,384,292</u>
Total Liabilities and Deferred Inflows of Resources	<u>67,761,150</u>	<u>3,077,135</u>	<u>70,838,285</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT
STATEMENT OF NET POSITION
JUNE 30, 2018
(Continued)**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Net Position			
Net Investment in Capital Assets	\$ 264,132,554	\$ 3,195,557	\$ 267,328,111
Restricted for			
Other Capital Projects	2,532,148	-	2,532,148
Other Purposes	325,647	245,817	571,464
Protection of Persons and Property	7,832,274	-	7,832,274
Unrestricted	33,583,817	(431,905)	33,151,912
Total Net Position	\$ 308,406,440	\$ 3,009,469	\$ 311,415,909

See accompanying notes.

**BOONE COUNTY FISCAL COURT
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2018**

Functions	Expenses	Program Revenues Received			Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Governmental Activities							
General Government	\$ 18,079,498	\$ 855,508	\$ 1,068,434	\$ -	\$ (16,155,556)	\$ -	\$ (16,155,556)
Protection to Persons and Property	23,404,436	7,551,207	2,333,266	-	(13,519,963)	-	(13,519,963)
General Health and Sanitation	2,968,215	71,857	2,825,844	-	(70,514)	-	(70,514)
Social Services	1,162,598	17,275	227,864	-	(917,459)	-	(917,459)
Recreation and Culture	2,511,238	488,139	246,841	-	(1,776,258)	-	(1,776,258)
Roads	5,894,178	531,739	3,050,491	-	(2,311,948)	-	(2,311,948)
Fleet Services	732,155	-	-	-	(732,155)	-	(732,155)
Capital Improvements	1,018,000	-	443,642	1,883,534	1,309,176	-	1,309,176
Pension Expense	3,375,157	-	-	-	(3,375,157)	-	(3,375,157)
OPEB Expense	641,002	-	-	-	(641,002)	-	(641,002)
Interest on Long-Term Debt	429,622	-	-	-	(429,622)	-	(429,622)
Total Governmental Activities	60,216,099	9,515,725	10,196,382	1,883,534	(38,620,458)	-	(38,620,458)
Business-Type Activities							
Jail Canteen Fund	734,763	722,890	-	-	-	(11,873)	(11,873)
Golf Course Fund	2,476,628	2,187,855	-	-	-	(288,773)	(288,773)
Assisted Housing	6,029,094	-	6,210,651	-	-	181,557	181,557
Pension Expense	159,041	-	-	-	-	(159,041)	(159,041)
OPEB Expense	43,318	-	-	-	-	(43,318)	(43,318)
Total Business-Type Activities	9,442,844	2,910,745	6,210,651	-	-	(321,448)	(321,448)
Total Primary Government	\$ 69,658,943	\$ 12,426,470	\$ 16,407,033	\$ 1,883,534	(38,620,458)	(321,448)	(38,941,906)
		General Revenues					
		Taxes					
					16,888,434	-	16,888,434
					28,202,840	-	28,202,840
					979,702	-	979,702
					343,161	-	343,161
					1,497,692	-	1,497,692
					178,073	-	178,073
					676,479	10,496	686,975
					2,013,395	-	2,013,395
					42,509	12,500	55,009
					88,907	-	88,907
					(5,993,618)	5,993,618	-
					44,917,574	6,016,614	50,934,188
					6,297,116	5,695,166	11,992,282
					302,109,324	(2,685,697)	299,423,627
					Net Position July 1, 2017 (As Restated)		
					\$ 308,406,440	\$ 3,009,469	\$ 311,415,909

See accompanying notes.

**BOONE COUNTY FISCAL COURT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018**

	Major Funds					Total Governmental Funds
	General Fund	Road and Bridge Fund	Jail Fund	Capital Improvements Fund	Nonmajor Governmental Funds	
Assets						
Cash and Cash Equivalents	\$ 14,061,455	\$ 5,264,269	\$ 1,317,530	\$ 22,927,291	\$ 13,488,073	\$ 57,058,618
Investments	1,078,593	-	-	-	-	1,078,593
Notes Receivable	2,713,704	42,149	-	690,274	-	3,446,127
Accounts Receivable	9,093,314	653,347	545,703	482,633	934,784	11,709,781
Restricted Cash	7,427,394	-	-	-	-	7,427,394
Total Assets	\$ 34,374,460	\$ 5,959,765	\$ 1,863,233	\$ 24,100,198	\$ 14,422,857	\$ 80,720,513
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ 495,307	\$ 606,672	\$ 66,840	\$ 377,967	\$ 219,098	\$ 1,765,884
Accrued Payroll	159,689	56,254	78,468	-	48,853	343,264
Compensated Absences Payable	326,889	121,325	98,367	-	98,566	645,147
Net Profit Tax Extension Payable	7,150,251	-	-	-	-	7,150,251
Total Liabilities	8,132,136	784,251	243,675	377,967	366,517	9,904,546
Fund Balances						
Non Spendable						
Notes Receivable Long-Term	2,568,922	27,397	-	600,274	-	3,196,593
Restricted						
Other Capital Projects	-	-	-	-	2,532,148	2,532,148
Other Purposes	277,143	-	-	-	48,504	325,647
Protection of Persons and Property	-	-	-	-	7,832,274	7,832,274
Committed						
Health and Welfare	-	-	-	-	3,643,414	3,643,414
Assigned						
Other Capital Projects	-	-	-	23,121,957	-	23,121,957
Protection of Persons and Property	-	-	1,619,558	-	-	1,619,558
Road Resurfacing and Maintenance	-	5,148,117	-	-	-	5,148,117
Unassigned	23,396,259	-	-	-	-	23,396,259
Total Fund Balances	26,242,324	5,175,514	1,619,558	23,722,231	14,056,340	70,815,967
Total Liabilities and Fund Balances	\$ 34,374,460	\$ 5,959,765	\$ 1,863,233	\$ 24,100,198	\$ 14,422,857	\$ 80,720,513

See accompanying notes.

**BOONE COUNTY FISCAL COURT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

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

Total Fund Balance - Governmental Funds	\$	70,815,967
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of Capital Assets	\$ 327,282,289	
Accumulated Depreciation	<u>48,064,419</u>	279,217,870

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.

2,296,199

Deferred loss on refunding, net is not a financial resource and therefore is not reported as an asset in governmental funds.

204,192

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred Outflows of Resources Related to Pension	8,404,451	
Deferred Outflows of Resources Related to OPEB	3,319,377	
Deferred Inflows of Resources Related to Pension	(721,782)	
Deferred Inflows of Resources Related to OPEB	<u>(574,885)</u>	10,427,161

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

Accrued Interest on Bonds	106,168	
Discounts on Bonds, Net	(25,841)	
Premiums on Bonds, Net	349,181	
Bonds Principal Payments, Due within One Year	2,685,000	
Bonds Principal Payments, Due in More than One Year	12,175,000	
Net Pension Liability	29,062,020	
Net OPEB Liability	<u>10,203,421</u>	(54,554,949)

Total Net Position - Governmental Activities	\$	<u>308,406,440</u>
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See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2018

	Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Road and Bridge Fund	Jail Fund	Capital Improvements Fund		
Revenues						
Taxes	\$ 45,025,727	\$ -	\$ -	\$ -	\$ 4,363,476	\$ 49,389,203
In Lieu Tax Payments	90,415	-	-	-	-	90,415
Excess Fees	1,497,692	-	-	-	-	1,497,692
Licenses and Permits	1,946,824	97,252	-	-	-	2,044,076
Intergovernmental	1,977,684	2,765,472	6,128,566	700,421	2,128,776	13,700,919
Charges for Services	1,490,818	224,400	197,014	-	-	1,912,232
Miscellaneous	425,346	402,106	224,670	46,819	23,393	1,122,334
Interest	404,632	13,455	5,506	170,068	82,818	676,479
Total Revenues	52,859,138	3,502,685	6,555,756	917,308	6,598,463	70,433,350
Expenditures						
General Government	4,504,897	-	-	336,551	14,715	4,856,163
Protection to Persons and Property	13,483,335	-	5,349,640	-	5,283,544	24,116,519
General Health and Sanitation	717,252	685,150	-	-	1,594,957	2,997,359
Social Services	121,150	-	-	-	748,111	869,261
Recreation and Culture	2,661,345	-	-	-	-	2,661,345
Roads	-	5,214,573	-	-	49,558	5,264,131
Fleet Services	-	771,631	-	-	-	771,631
Capital Projects	-	-	-	4,634,714	4,050	4,638,764
Administration	10,249,445	1,238,913	1,657,243	-	1,266,315	14,411,916
Debt Service	1,924,765	-	-	-	1,162,041	3,086,806
Total Expenditures	33,662,189	7,910,267	7,006,883	4,971,265	10,123,291	63,673,895
Excess (Deficiency) of Revenues Over Expenditures	19,196,949	(4,407,582)	(451,127)	(4,053,957)	(3,524,828)	6,759,455
Other Financing (Uses) Sources						
Transfers to Other Funds	(26,232,718)	-	-	(900,000)	(5,615)	(27,138,333)
Transfers from Other Funds	5,615	6,000,000	689,100	9,450,000	5,000,000	21,144,715
Total Other Financing (Uses) Sources	(26,227,103)	6,000,000	689,100	8,550,000	4,994,385	(5,993,618)
Net Change in Fund Balances	(7,030,154)	1,592,418	237,973	4,496,043	1,469,557	765,837
Fund Balances July 1, 2017 (As Restated)	33,272,478	3,583,096	1,381,585	19,226,188	12,586,783	70,050,130
Fund Balances June 30, 2018	\$ 26,242,324	\$ 5,175,514	\$ 1,619,558	\$ 23,722,231	\$ 14,056,340	\$ 70,815,967

See accompanying notes.

**BOONE COUNTY FISCAL COURT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2018**

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

Total Net Change in Fund Balances - Governmental Funds	\$	765,837
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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 position 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 expense in the period.

Depreciation Expense	\$ (4,209,835)		
Capital Outlays	<u>8,254,302</u>		4,044,467

The net effect of various transactions involving capital assets is to increase net position as follows:

Proceeds from the Sale of Capital Assets	(69,014)		
Gain on Disposal of Capital Assets	<u>42,509</u>		(26,505)

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 position, and does not affect the statement of activities.	2,615,000
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Donated capital assets are not reported on the governmental fund statements. However, for governmental activities, these assets are reported on the statement of net position.	2,013,395
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Governmental funds report County pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

County Pension Contributions - June 30, 2017	(1,751,521)		
County Pension Contributions - June 30, 2018	1,888,885		
Cost of Benefits Earned Net of Employee Contributions	<u>(3,512,521)</u>		(3,375,157)

Governmental funds report County other postemployment benefit contributions as expenditures. However, other postemployment benefit expense is reported in the statement of activities. This is the amount by which other postemployment benefit expense exceeded contributions.

County Other Postemployment Benefit Contributions - June 30, 2017	(637,363)		
County Other Postemployment Benefit Contributions - June 30, 2018	664,957		
Change in Other Postemployment Benefit Liability	<u>(668,596)</u>		(641,002)

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 difference in interest expense reported in the statement of activities is a result of (1) the change in accrued interest on bonds, (2) amortization of refunding gains and losses, and (3) amortization on bond discounts and premiums.	42,184
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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.	<u>858,897</u>
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Total Change in Net Position - Governmental Activities	\$	<u>6,297,116</u>
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See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2018

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Assisted Housing Fund	Golf Course Fund	Total	Self Insurance Fund
Assets and Deferred Outflows of Resources					
Current Assets					
Cash and Cash Equivalents	\$ 245,817	\$ 953,467	\$ 792,532	\$ 1,991,816	\$ 4,301,187
Inventory	-	-	77,641	77,641	-
Accounts Receivable	-	29,322	-	29,322	-
Total Current Assets	<u>245,817</u>	<u>982,789</u>	<u>870,173</u>	<u>2,098,779</u>	<u>4,301,187</u>
Noncurrent Assets					
Land	-	-	2,396,478	2,396,478	-
Land Improvements	-	-	5,639,310	5,639,310	-
Buildings and Building Improvements	-	137,417	2,328,501	2,465,918	-
Furniture and Office Equipment	-	77,294	-	77,294	-
Vehicles and Equipment	-	121,792	1,151,219	1,273,011	-
Construction in Progress	-	-	127,255	127,255	-
	-	336,503	11,642,763	11,979,266	-
Less Accumulated Depreciation	-	<u>213,825</u>	<u>8,569,884</u>	<u>8,783,709</u>	-
Total Noncurrent Assets	<u>-</u>	<u>122,678</u>	<u>3,072,879</u>	<u>3,195,557</u>	<u>-</u>
Total Assets	<u>245,817</u>	<u>1,105,467</u>	<u>3,943,052</u>	<u>5,294,336</u>	<u>4,301,187</u>
Deferred Outflows of Resources					
Deferred Outflows Related to Pension	-	214,440	353,513	567,953	-
Deferred Outflows Related to OPEB	-	<u>84,694</u>	<u>139,621</u>	<u>224,315</u>	-
Total Deferred Outflows of Resources	<u>-</u>	<u>299,134</u>	<u>493,134</u>	<u>792,268</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 245,817</u>	<u>\$ 1,404,601</u>	<u>\$ 4,436,186</u>	<u>\$ 6,086,604</u>	<u>\$ 4,301,187</u>
Liabilities and Deferred Inflows of Resources					
Current Liabilities					
Compensated Absences Payable	\$ -	\$ 1,825	\$ 11,003	\$ 12,828	\$ -
Accounts Payable	-	2,119	78,089	80,208	268,784
Accrued Payroll	-	6,343	28,029	34,372	-
Estimated Liability for Claims - HRA Accounts	-	-	-	-	108,710
Accrued Other	-	<u>54,182</u>	-	<u>54,182</u>	-
Total Current Liabilities	<u>-</u>	<u>64,469</u>	<u>117,121</u>	<u>181,590</u>	<u>377,494</u>
Long-Term Liabilities (Net of Current Portion)					
Compensated Absences Payable	-	16,422	50,671	67,093	-
Estimated Liability for Claims - HRA Accounts	-	-	-	-	1,627,494
Accrued Other	-	87,359	-	87,359	-
Net Pension Liability	-	741,521	1,222,423	1,963,944	-
Net OPEB Liability	-	<u>260,341</u>	<u>429,183</u>	<u>689,524</u>	-
Total Noncurrent Liabilities	<u>-</u>	<u>1,105,643</u>	<u>1,702,277</u>	<u>2,807,920</u>	<u>1,627,494</u>
Total Liabilities	<u>-</u>	<u>1,170,112</u>	<u>1,819,398</u>	<u>2,989,510</u>	<u>2,004,988</u>
Deferred Inflows of Resources					
Deferred Inflows Related to Pension	-	18,416	30,360	48,776	-
Deferred Inflows Related to OPEB	-	<u>14,668</u>	<u>24,181</u>	<u>38,849</u>	-
Total Deferred Inflows of Resources	<u>-</u>	<u>33,084</u>	<u>54,541</u>	<u>87,625</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>1,203,196</u>	<u>1,873,939</u>	<u>3,077,135</u>	<u>2,004,988</u>
Net Position					
Net Investment in Capital Assets	-	122,678	3,072,879	3,195,557	-
Restricted for					
Other Purposes	245,817	-	-	245,817	-
Multi-Governmental Self Insurance	-	-	-	-	2,296,199
Unrestricted	<u>-</u>	<u>78,727</u>	<u>(510,632)</u>	<u>(431,905)</u>	<u>-</u>
Total Net Position	<u>\$ 245,817</u>	<u>\$ 201,405</u>	<u>\$ 2,562,247</u>	<u>\$ 3,009,469</u>	<u>\$ 2,296,199</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Assisted Housing Fund	Golf Course Fund		Self Insurance Fund
Operating Revenues					
Governmental Grants	\$ -	\$ 6,181,394	\$ -	\$ 6,181,394	\$ -
Canteen Receipts	722,890	-	-	722,890	-
Green Fees	-	-	1,123,581	1,123,581	-
Power Cart Rentals	-	-	420,414	420,414	-
Memberships	-	-	89,458	89,458	-
Commission	-	-	44,304	44,304	-
Pro Shop Sales and Pull Cart Rentals	-	-	161,263	161,263	-
Food and Beverage	-	-	331,796	331,796	-
Employer / Employee Contributions	-	-	-	-	5,828,400
Miscellaneous	-	29,257	17,039	46,296	-
Total Operating Revenues	722,890	6,210,651	2,187,855	9,121,396	5,828,400
Operating Expenses					
Cost of Merchandise Sold	734,763	-	117,093	851,856	-
Housing Assistance Payment	-	5,443,670	-	5,443,670	-
Salaries and Wages	-	329,679	921,031	1,250,710	-
Employee Benefits	-	147,413	340,928	488,341	-
Contract Services	-	7,136	51,254	58,390	-
Materials and Supplies	-	8,475	11,115	19,590	-
Golf Cart Lease	-	29,370	189,845	219,215	-
Utilities	-	1,172	125,116	126,288	-
Maintenance and Repairs	-	6,915	104,158	111,073	-
Fertilizer and Chemicals	-	-	249,898	249,898	-
Petroleum Products	-	826	47,907	48,733	-
Uniforms	-	-	5,834	5,834	-
Food and Beverage	-	-	152,155	152,155	-
Depreciation	-	15,826	116,524	132,350	-
Pension Expense	-	49,169	109,872	159,041	-
OPEB Expense	-	16,355	26,963	43,318	-
Other Operating Expenses	-	38,612	43,770	82,382	-
Insurance Claims	-	-	-	-	5,013,406
Total Operating Expenses	734,763	6,094,618	2,613,463	9,442,844	5,013,406
Operating (Loss) Income	(11,873)	116,033	(425,608)	(321,448)	814,994
Non-Operating Revenues					
Interest Income	3,048	5,836	1,612	10,496	43,903
Gain on Sale of Capital Assets	-	-	12,500	12,500	-
Total Non-Operating Revenues	3,048	5,836	14,112	22,996	43,903
Transfers					
Transfers to Other Funds	-	-	(50,000)	(50,000)	-
Transfers from Other Funds	-	-	6,043,618	6,043,618	-
Total Transfers	-	-	5,993,618	5,993,618	-
Change in Net Position	(8,825)	121,869	5,582,122	5,695,166	858,897
Net Position July 1, 2017 (As Restated)	254,642	79,536	(3,019,875)	(2,685,697)	1,437,302
Net Position June 30, 2018	\$ 245,817	\$ 201,405	\$ 2,562,247	\$ 3,009,469	\$ 2,296,199

See accompanying notes.

**BOONE COUNTY FISCAL COURT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2018**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Assisted Housing Fund	Golf Course Fund	Totals	Self Insurance Fund
Cash Flows From Operating Activities					
Receipts from Customers	\$ 722,890	\$ -	\$ 2,143,551	\$ 2,866,441	\$ -
Receipts from Commissions	-	-	44,304	44,304	-
Receipts from Governmental Grants	-	6,196,794	-	6,196,794	-
Receipts from Employees/Intergovernmental	-	-	-	-	5,828,400
Payments to Suppliers	(734,763)	(5,495,561)	(1,104,267)	(7,334,591)	-
Payments to Employees	-	(473,754)	(1,257,172)	(1,730,926)	-
Payments for Claims	-	-	-	-	(5,238,569)
Receipts from Miscellaneous Income	-	32,496	-	32,496	-
Net Cash (Used) Provided by Operating Activities	<u>(11,873)</u>	<u>259,975</u>	<u>(173,584)</u>	<u>74,518</u>	<u>589,831</u>
Cash Flows from Non-Capital Financing Activities					
Transfers from Other Funds	-	-	1,028,500	1,028,500	-
Cash Flows from Capital and Related Financing Activities					
Acquisition of Capital Assets	-	-	(212,967)	(212,967)	-
Proceeds from Sale of Capital Assets	-	-	12,500	12,500	-
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(200,467)</u>	<u>(200,467)</u>	<u>-</u>
Cash Flows from Investing Activities					
Interest Income	<u>3,048</u>	<u>5,836</u>	<u>1,612</u>	<u>10,496</u>	<u>43,903</u>
Net Change in Cash	(8,825)	265,811	656,061	913,047	633,734
Cash and Cash Equivalents July 1, 2017	<u>254,642</u>	<u>687,656</u>	<u>136,471</u>	<u>1,078,769</u>	<u>3,667,453</u>
Cash and Cash Equivalents June 30, 2018	<u>\$ 245,817</u>	<u>\$ 953,467</u>	<u>\$ 792,532</u>	<u>\$ 1,991,816</u>	<u>\$ 4,301,187</u>
Reconciliation of Operating (Loss) Income to Net Cash (Used) Provided by Operating Activities	\$ (11,873)	\$ 116,033	\$ (425,608)	\$ (321,448)	\$ 814,994
Adjustments to Reconcile Operating (Loss) Income to Net Cash (Used) Provided by Operating Activities					
Depreciation	-	15,826	116,524	132,350	-
Change in Assets and Liabilities					
Accounts Receivable	-	15,400	-	15,400	-
Inventory	-	-	(9,640)	(9,640)	-
Deferred Outflows Related to Pension	-	(69,606)	(91,809)	(161,415)	-
Deferred Outflows Related to OPEB	-	(69,461)	(114,509)	(183,970)	-
Accounts Payable	-	2,003	3,518	5,521	(45,967)
Estimated Liability for Claims - HRA	-	-	-	-	(179,196)
Accrued Payroll	-	205	1,262	1,467	-
Accrued Other	-	41,851	-	41,851	-
Compensated Absences Payable	-	3,133	3,525	6,658	-
Net Pension Liability	-	100,520	171,612	272,132	-
Net OPEB Liability	-	71,148	117,291	188,439	-
Deferred Inflows Related to Pension	-	18,255	30,069	48,324	-
Deferred Inflows Related to OPEB	-	14,668	24,181	38,849	-
Net Cash (Used) Provided by Operating Activities	<u>\$ (11,873)</u>	<u>\$ 259,975</u>	<u>\$ (173,584)</u>	<u>\$ 74,518</u>	<u>\$ 589,831</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018**

	<u>Agency Funds</u>				
	<u>School Board Tax Fund</u>	<u>Jail Prisoners Funds</u>	<u>Motor Vehicle Rental Tax Fund</u>	<u>Flexible Spending Account</u>	<u>Bullittsville Cemetery Funds</u>
Assets					
Cash and Cash Equivalents	\$ 176,578	\$ 294,966	\$ 255	\$ 52,595	\$ 26,599
Accounts Receivable	<u>3,218,382</u>	<u>-</u>	<u>598,383</u>	<u>-</u>	<u>-</u>
Total Assets	3,394,960	294,966	598,638	52,595	26,599
Liabilities					
Accounts Payable and Accrued Liabilities	<u>3,394,960</u>	<u>294,966</u>	<u>598,638</u>	<u>52,595</u>	<u>26,599</u>
Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 Fiscal Court (the County) include the funds, agencies, boards, component unit, and entities for which the fiscal court is financially accountable. The blended component unit, although a legally separate entity is, in substance, part of the County's operations.

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 Unit

The following organization is shown as blended component unit:

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

Basis of Accounting, Measurement Focus, and Presentation

Government Wide Statements

The government wide financial statements (i.e. the statement of net position 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 County 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows. For example, property tax revenue is recognized in the year of levy, and all other revenue is recognized when services have been rendered. The types of transactions reported as program revenues for the County are reported in three categories: 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.

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. The County's fund types, a definition of each, and County funds included within each fund type are listed below.

All governmental funds are accounted for on the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due.

The primary revenue sources, which have been treated as susceptible to accrual by the County, are tax-payer-assessed tax revenues (such as property taxes and franchise taxes) and certain grant revenues.

Expenditures are recorded in the accounting period in which the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Non-exchange transactions, in which the County gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis of accounting, revenue from property taxes is recognized in the fiscal year in which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Other revenues which may be accrued include other taxes, intergovernmental revenues, interest, and charges for services.

Again, grant revenues are recognized in the fiscal year in which all eligibility requirements are met. Under the terms of grant agreements, the County may fund certain programs with a combination of cost-reimbursement grants and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenses. It is the County's policy to first apply restricted resources to such programs, followed by unrestricted resources if necessary.

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 County. 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 a special revenue fund 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 County to maintain these receipts and expenditures separately from the General Fund.

Jail Fund

The primary purpose of this special revenue 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

The primary purpose of this capital projects fund is used to purchase and build capital assets. This fund tracks the funds to be used for these purposes and is considered a capital projects fund.

Nonmajor Funds

The primary government also has the following nonmajor funds: Public Safety Communications Center, Local Government Economic Assistance Fund, Federal Grants Fund, Tax Improvement Fund, Mental Health Fund, and Earl Parker Robinson Fund.

Special Revenue Funds

The Road and Bridge Fund, Jail Fund, Public Safety Communications Center, Local Government Economic Assistance Fund, Federal Grants Fund, Tax Improvement Fund, Mental Health Fund, and Earl Parker Robinson Fund are Special Revenue funds that account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

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.

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 which is an enterprise fund.

Golf Course Fund

The Golf Course Fund accounts for the activities of the Public Properties Golf Course. The Public Properties Golf Course owns and operates two golf courses. This is an enterprise fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assisted Housing Fund

The Assisted Housing Fund is an enterprise fund and 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.

Self Insurance Fund

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

Proprietary fund are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) and deferred outflows of resources and deferred inflows of resources are included in the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

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.

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 County 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.

Bullittsville Cemetery Trust Fund

This fund is an agency fund used to account for the maintenance and care of the Bullittsville Cemetery located in Burlington.

The Fiduciary funds are used to account for the resources held by the County in a custodial capacity or as an agent for other governmental units. Fiduciary fund financial statements include a Statement of Fiduciary Net Position. All fiduciary funds of the County are agency funds.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied and are due and payable on November 1st 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 1st 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 1st until paid. After May 1st of each year and following proper procedures, a court order may be issued to seize and sell the property.

Legal Compliance - Budget

The 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 County by May 1st of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the County by July 1st.

The County may change the original budget by transferring appropriations at the activity level; however, the County 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 20 and 22 for the reconciliation of the actual results to the fund statements.

Cash and Investments

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

Accounts Receivable

Accounts receivable primarily consists of taxes, intergovernmental revenues, and excess fees. Accounts receivable are presented, when considered necessary, net of an allowance for doubtful accounts. There was no allowance as of June 30, 2018.

Inventory

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period, and therefore deferred until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The County also recognizes deferred outflows of resources related to pensions and other postemployment benefits.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and is therefore deferred until that time. The County recognizes deferred outflows of resources related to pensions and other postemployment benefits.

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 government wide statement of net position 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 position, 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 County 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 Condition Index (PCI) 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
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 PCI Index)	15 – 25 Years

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

Construction in Progress

Capitalizable costs incurred on projects which are not in use or ready for use are held in construction in progress. When the asset is ready for use, related costs are transferred to the appropriate capital asset account.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

These amounts represent the unpaid vacation costs as of the end of the period. All compensated amounts for governmental and proprietary fund types are accrued as liabilities. The compensated absence liability has been computed based on rates of pay in effect at June 30, 2018.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use, either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Fund Equity

In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable 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.

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

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

Recently Issued Accounting Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued to address accounting and financial reporting for certain retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government has a legal obligation to perform future asset retirement activities related to its tangible capital assets and should recognize a liability based on the guidance in this statement. The requirement of GASB Statement No. 83 are effective for fiscal year 2019. The County is currently evaluating the impact GASB Statement No. 83 may have on its financial statements.

GASB Statement No. 84, *Fiduciary Activities* was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The requirement of GASB Statement No. 84 are effective for fiscal year 2019. The County is currently evaluating the impact GASB Statement No. 84 may have on its financial statements.

GASB Statement No. 87, *Leases* was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of GASB Statement No. 87 are effective for fiscal year 2021. The County is currently evaluating the impact GASB Statement No. 87 may have on its financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of GASB Statement No. 88 are effective for fiscal year 2019. The County is currently evaluating the impact GASB Statement No. 88 may have on its financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* was issued to enhance the relevance and comparability of information about capital assets and the costs of borrowing for a period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB Statement No. 89 are effective for fiscal year 2021. The County is currently evaluating the impact of GASB Statement No. 89 may have on its financial statements.

GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statement No. 14 and No. 61* was issued to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of GASB Statement No. 90 are effective for fiscal year 2020. The County is currently evaluating the impact GASB Statement No. 90 may have on its financial statements.

GASB Statement No. 91, *Conduit Debt Obligations* was issued to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of GASB Statement No. 91 are effect for fiscal year 2022. The County is currently evaluating the impact GASB Statement No. 91 may have on its financial statements.

NOTE 2 - 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 deposits 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, 2018, 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 County 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 2 - 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, 2018, 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, 2018, the County's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
Money Market Funds	\$ <u>1,078,593</u>	N/A	N/A

NOTE 3 - NOTES RECEIVABLE

The Walton Fire Protection District had a lease/purchase agreement with the County for the construction of a single level firehouse. Principal payments were due yearly with interest due semi-annually. The note matured in October, 2018. However, the note was paid off in May, 2018.

The Boone County Water District has a lease/purchase agreement with the County for the construction of rural water lines. Principal payments are due yearly with interest due semi-annually. The note matures in August, 2035. The receivable balance on the lease agreement at June 30, 2018 is \$1,866,036 and the Boone County Water District is in substantial compliance with the terms of the agreement.

The County 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 Protection District's portion of principal and interest due on these bonds. The receivable balance on the lease agreement at June 30, 2018 totaled \$847,668.

NOTE 3 - NOTES RECEIVABLE (Continued)

The County 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 Boone County. An inter-local agreement was signed by the County and the various fire districts. The districts have agreed that 25% of one cent of their real property assessments will be sent to the County as payment on the note receivable. As of June 30, 2018, the note receivable balance was \$690,274. The note is expected to be paid off by June, 2027.

The County issued promissory notes with various residents on Carli Court. Principal payments are due yearly. The notes mature in July, 2021. The receivable balance on the notes at June 30, 2018 is \$42,149 and the residents are in substantial compliance with the terms of the agreements.

The remaining maturities on the notes are as follows:

Years Ending June 30,		
2019	\$	249,534
2020		255,767
2021		263,156
2022		260,005
2023		267,610
Thereafter		2,150,055
	\$	3,446,127

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2018:

	Governmental Activities	Business-Type Activities	Total
Taxes – Current	\$ 8,749,203	\$ -	\$ 8,749,203
Excess Fees	378,040	-	378,040
Charges for Service	79,836	-	79,836
Intergovernmental	2,353,906	-	2,353,906
License Fees	47,825	-	47,825
Miscellaneous	100,971	29,322	130,293
	\$ 11,709,781	\$ 29,322	\$ 11,739,103

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2018 was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>
Capital Assets Not Being Depreciated				
Land	\$ 12,055,580	\$ -	\$ -	\$ 12,055,580
Roads	199,962,491	2,013,395	-	201,975,886
Construction in Progress	3,441,561	4,151,919	1,127,423	6,466,057
Total Capital Assets Not Being Depreciated	<u>215,459,632</u>	<u>6,165,314</u>	<u>1,127,423</u>	<u>220,497,523</u>
Depreciable Capital Assets				
Land Improvements	11,184,100	369,245	-	11,553,345
Buildings and Building Improvements	65,470,150	2,073,451	-	67,543,601
Equipment	14,057,723	1,655,787	238,549	15,474,961
Furniture and Office Equipment	1,575,460	-	-	1,575,460
Vehicles	9,947,923	1,131,323	526,750	10,552,496
Roads	84,903	-	-	84,903
Total Depreciable Capital Assets	<u>102,320,259</u>	<u>5,229,806</u>	<u>765,299</u>	<u>106,784,766</u>
Total Capital Assets at Historical Cost	<u>317,779,891</u>	<u>11,395,120</u>	<u>1,892,722</u>	<u>327,282,289</u>
Less Accumulated Depreciation				
Land Improvements	5,636,729	430,993	-	6,067,722
Buildings and Building Improvements	21,192,484	1,505,824	-	22,698,308
Equipment	8,957,943	1,452,154	236,044	10,174,053
Furniture and Office Equipment	1,236,612	82,017	-	1,318,629
Vehicles	7,493,200	738,845	502,750	7,729,295
Roads	76,410	2	-	76,412
Total Accumulated Depreciation	<u>44,593,378</u>	<u>4,209,835</u>	<u>738,794</u>	<u>48,064,419</u>
Depreciable Capital Assets, Net	<u>57,726,881</u>	<u>1,019,971</u>	<u>26,505</u>	<u>58,720,347</u>
Governmental Activities Capital Assets - Net	<u>\$ 273,186,513</u>	<u>\$ 7,185,285</u>	<u>\$ 1,153,928</u>	<u>\$ 279,217,870</u>

NOTE 5 - CAPITAL ASSETS (Continued)

Business-Type Activities	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital Assets Not Being Depreciated				
Land	\$ 2,396,478	\$ -	\$ -	\$ 2,396,478
Construction in Progress	17,750	109,505	-	127,255
Total Capital Assets Not Being Depreciated	<u>2,414,228</u>	<u>109,505</u>	<u>-</u>	<u>2,523,733</u>
Depreciable Capital Assets				
Land Improvements	5,639,310	-	-	5,639,310
Buildings and Building Improvements	2,465,918	-	-	2,465,918
Furniture and Office Equipment	77,294	-	-	77,294
Vehicles and Equipment	1,230,428	103,462	60,879	1,273,011
Totals at Historical Cost	<u>9,412,950</u>	<u>103,462</u>	<u>60,879</u>	<u>9,455,533</u>
Total Capital Assets at Historical Cost	<u>11,827,178</u>	<u>212,967</u>	<u>60,879</u>	<u>11,979,266</u>
Less Accumulated Depreciation				
Land Improvements	5,575,635	15,762	-	5,591,397
Buildings and Building Improvements	2,010,864	71,036	-	2,081,900
Furniture and Office Equipment	41,284	12,391	-	53,675
Vehicles and Equipment	1,084,455	33,161	60,879	1,056,737
Total Accumulated Depreciation	<u>8,712,238</u>	<u>132,350</u>	<u>60,879</u>	<u>8,783,709</u>
Depreciable Capital Assets, Net	<u>700,712</u>	<u>(28,888)</u>	<u>-</u>	<u>671,824</u>
Business - Type Activities				
Capital Assets - Net	<u>\$ 3,114,940</u>	<u>\$ 80,617</u>	<u>\$ -</u>	<u>\$ 3,195,557</u>

NOTE 5 - CAPITAL ASSETS (Continued)

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

	<u>Year Ended June 30, 2018</u>
Governmental Activities	
General Government	\$ 859,944
Protection to Persons and Property	2,225,508
General Health and Sanitation	36,692
Social Services	2,625
Recreation and Culture	249,116
Roads, Including Depreciation of General Infrastructure Assets	<u>835,950</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 4,209,835</u>
Business-Type Activities	
Golf Course	\$ 116,524
Assisted Housing	<u>15,826</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 132,350</u>

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable consists of the following at June 30, 2018:

	Governmental Activities		Business-Type Activities		Total
General Government	\$ 50,919		\$ -		\$ 50,919
Protection to Persons and Property	120,947		-		120,947
General Health and Sanitation	129,574		-		129,574
Social Services	63,739		2,119		65,858
Recreation and Culture	100,329		78,089		178,418
Roads	568,974		-		568,974
Fleet Services	19,136		-		19,136
Capital Projects	377,967		-		377,967
Administration	334,299		-		334,299
Insurance Claims	<u>268,784</u>		<u>-</u>		<u>268,784</u>
	<u>\$ 2,034,668</u>		<u>\$ 80,208</u>		<u>\$ 2,114,876</u>

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of the County's long-term liabilities for the year ended June 30, 2018:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds	\$ 10,990,000	\$ -	\$ 1,580,000	\$ 9,410,000	\$ 1,640,000
Special Revenue Bonds	6,485,000	-	1,035,000	5,450,000	1,045,000
Unamortized Premium	429,062	-	79,881	349,181	79,881
Unamortized Discount	(32,044)	-	(6,203)	(25,841)	(6,203)
Compensated Absences	613,082	32,065	-	645,147	11,626
Estimated Liability for Claims - HRA Accounts	<u>1,915,400</u>	<u>-</u>	<u>179,196</u>	<u>1,736,204</u>	<u>108,710</u>
 Governmental Activities Long-Term Liabilities	 <u>\$ 20,400,500</u>	 <u>\$ 32,065</u>	 <u>\$ 2,867,874</u>	 <u>\$ 17,564,691</u>	 <u>\$ 2,879,014</u>
Business-Type Activities					
Compensated Absences	\$ 73,263	\$ 6,658	\$ -	\$ 79,921	\$ 12,828
Accrued Other	<u>99,690</u>	<u>41,851</u>	<u>-</u>	<u>141,541</u>	<u>54,182</u>
 Governmental Activities Long-Term Liabilities	 <u>\$ 172,953</u>	 <u>\$ 48,509</u>	 <u>\$ -</u>	 <u>\$ 221,462</u>	 <u>\$ 67,010</u>

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 1st and April 1st with principal payments due April 1st 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>
2019	\$ 209,800	\$ 1,235,000
2020	160,400	1,285,000
2021	109,000	1,335,000
2022	<u>55,600</u>	<u>1,390,000</u>
 Total	 <u>\$ 534,800</u>	 <u>\$ 5,245,000</u>

NOTE 7 - LONG-TERM LIABILITIES (Continued)

Series 2015 – General Obligation Refunding Bonds

The County issued General Obligation Bonds for the purpose of refunding the outstanding amount of both the 2003C and 2006 General Obligation Bonds. The Series 2015, dated September 24, 2015, were issued at various interest rates ranging from 2.0% to 2.375% and will be retired on November 1, 2027. Interest payments are due by May 1st and November 1st with principal payments due November 1st 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>
2019	\$ 83,700	\$ 405,000
2020	75,550	410,000
2021	67,300	415,000
2022	58,800	435,000
2023	50,050	440,000
2024-2028	<u>109,237</u>	<u>2,060,000</u>
Total	<u>\$ 444,637</u>	<u>\$ 4,165,000</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.

Defeased Bond

Due to favorable interest rates, during fiscal year 2012, \$9,840,000 of Series 2011 First Mortgage Revenue Refunding Bonds were issued to refund \$9,110,000 of the County's previously issued and outstanding Series 2001 First Mortgage Revenue Refunding Bonds. The Series 2001 First Mortgage Revenue Refunding Bonds were called on September 1, 2012, at 100%. The reacquisition price exceeded the net carrying amount of the old debt by \$540,234. This amount is being amortized over the remaining life of the refunded debt. As a result of this issuance, \$9,110,000 of the obligation is considered to be defeased and the liability for these bonds has been removed from the County's financial statements. As a result of the refunding, the County reduced its aggregate debt service payments to maturity by \$1,149,112 and obtained an economic gain (difference between present value of the debt service payments on the old and new debt) of \$1,102,193.

Revenue bonds outstanding at June 30, 2018, are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
2011 Justice Center Bonds	1.00% - 2.50%	<u>\$ 5,450,000</u>

NOTE 7 - LONG-TERM LIABILITIES (Continued)

The minimum obligations at June 30, 2018 for debt service of these bonds are as follows:

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2019	\$ 107,873	\$ 1,045,000
2020	87,768	1,070,000
2021	65,486	1,090,000
2022	41,140	1,110,000
2023	14,188	1,135,000
Total	<u>\$ 316,455</u>	<u>\$ 5,450,000</u>

Conduit Debt Obligations

The County has outstanding numerous bonds to provide financial assistance to both private and public sector entities for varying purposes, such as the purchase property or refinancing. The bonds are secured by the property financed and are payable solely from the private or public sector entity. Neither the County nor any political subdivision thereof, is obligated in any manner for repayment of these bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. As of June 30, 2018, the outstanding principal on these bonds were \$591,759,507.

NOTE 8 - PENSION PLAN

General Information about the Pension Plan

Plan description: County Employees Retirement System (CERS) consists of two plans, Non-hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS.

Benefits provided: These systems provide for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

Non-hazardous Plan:

**Tier 1: Retirement Eligibility for Members Whose Participation
Began Before 09/01/2008**

Age	Years of Service	Allowance Reduction
65	4	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

NOTE 8 - PENSION PLAN (Continued)

Tier 2: Retirement Eligibility for Members Whose Participation Began On or After 09/01/2008 but Before 01/01/2014

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service).

Tier 3: Retirement Eligibility for Members Whose Participation Began On or After 01/01/2014

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None

Benefit Formula for Tiers 1 & 2

Final Compensation	X	Benefit Factor	X	Years of Service
Average of the five highest if participation began before 09/01/2008.		2.20% if:		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
			Member begins participating prior to 08/01/2004.	
Average of the last complete five if participation began on or after 09/01/2008 but before 01/01/2014.		2.00% if:		
			Member begins participating on or after 08/01/2004 and before 09/01/2008.	
		Increasing percent based on service at retirement* plus 2.00% for each year of service over 30 if:		
			Member begins participating on or after 08/01/2004 but before 01/01/2014.	

* **Service (and Benefit Factor): 10 years or less (1.10%); 10 - 20 years (1.30%); 20 - 26 years (1.50%); 26 - 30 years (1.75%)**

Benefit Formula for Tier 3

(A-B) = C X 75% = D then B+D = Interest					
A	B	C	D	Total Interest Credited to Members' Accounts	
5 Year Geometric Average Return	Less Guarantee Rate	Upside Sharing Interest	Interest Rate Earned	Interest Rate Earned (4% + Upside)	\$ 2,565,000
7.85%	4.00%	3.85%	2.89%	6.89%	

NOTE 8 - PENSION PLAN (Continued)

Hazardous Plan:

Tier 1: Retirement Eligibility for Members Whose Participation Began Before 09/01/2008

Age	Years of Service	Allowance Reduction
55	5	None
Any	20	None
50	15	6.5% per year for first five years, and 4.5% for next five years before age 55 or 20 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

Tier 2: Retirement Eligibility for Members Whose Participation Began On or After 09/01/2008 but before 01/01/2014

Age	Years of Service	Allowance Reduction
60	5	None
Any	25	None
50	15	6.5% per year for first five years, and 4.5% for next five years before age 60 or 25 years of service.

Tier 3: Retirement Eligibility for Members Whose Participation Began On or After 01/01/2014

Age	Years of Service	Allowance Reduction
60	5	None
Any	25	None

Benefit Formula for Tiers 1 & 2

Final Compensation	X	Benefit Factor	X	Years of Service
Average of the three highest if participation began before 09/01/2008.		2.50% if:		Includes earned service, purchased service, prior service, and sick leave service
Average of the three highest complete years if participation began on or after 09/01/2008.		Increasing percent based on service at retirement* if:		(if the member's employer participates in an approved sick

* **Service (and Benefit Factor): 10 years or less (1.30%); 10 - 20 years (1.50%); 20 - 25 years (2.25%); 25 + years (2.50%)**

Benefit Formula for Tier 3

(A-B) = C X 75% = D then B+D = Interest

A	B	C	D	Interest Rate Earned (4% + Upside)	Total Interest Credited to Members' Accounts
5 Year Geometric Average Return	Less Guarantee Rate	Upside Sharing Interest	Interest Rate Earned	7.05%	\$ 616,000
8.07%	4.00%	4.07%	3.05%		

NOTE 8 - PENSION PLAN (Continued)

Non-hazardous and Hazardous Plans:

Tier 3 member begins participating on or after January 1, 2014. Each year that a member is an active contributing member to the System, the member and the member's employer will contribute 5.00% and 8.00% of creditable compensation respectively into a current account. This current account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4.00%. If the System's geometric average net investment return for the previous five years exceeds 4.00%, then the hypothetical account will be credited with an additional amount of interest equal to 75.00% of the amount of the return which exceeds 4.00%. All interest credits will be applied to the current account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

For post-retirement death benefits, if the member is receiving a monthly benefit based on a least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

For disability benefits, members participating before August 1, 2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after August 1, 2004 but before January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed as the higher of 20% for non-hazardous and 25% for hazardous of Final Rate of Pay or the amount calculated under the Benefit Formula based upon actual service. Members participating on or after January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. The account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 20% for non-hazardous and 25% for hazardous of the member's monthly final rate of pay or the annuitized account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

For pre-retirement death benefits, the beneficiary of a deceased active member will be eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

The Kentucky General Assembly has the authority to increase, suspend, or reduce Cost of Living Adjustments (COLAs). Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100.00% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for either system.

Contributions: The employee contribution rate is set by stat statute. For the year ended June 30, 2018, plan members who began participating prior to September 1, 2008, were required to contribute 5.00% for non-hazardous or 8.00% for hazardous of their annual creditable compensation. These members were classified in the Tier 1 structure of benefits.

NOTE 8 - PENSION PLAN (Continued)

Plan members who began participating on, or after September 1, 2008, were required to contribute a total 6.00% for non-hazardous or 9.00 for hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These members were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5.00% non-hazardous or 8.00% hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

The employer contributions rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2018, participating employers contributed 19.18% (14.48% pension fund and 4.70% insurance fund) for the non-hazardous system and 31.55% (22.20% pension fund and 9.35% insurance fund) for the hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the pension plan (excluding the insurance portion) from the County were \$1,888,885 (not including the insurance portion) for the year ended June 30, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the County reported a liability of \$31,025,964 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and was rolled-forward from the valuation date to June 30, 2017, using generally accepted actuarial principles. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2018, the County's proportion for the non-hazardous system was 0.374627% and for the hazardous system was 0.406650%. This was a decrease of 0.007633% and an increase of 0.007602%, respectively.

NOTE 8 - PENSION PLAN (Continued)

For the year ended June 30, 2018, the County recognized pension expense of \$3,534,198. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 350,728	\$ -
Difference Between Expected and Actual Experience	360,898	556,628
Changes of Assumptions	5,861,145	-
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	510,748	213,930
Contributions After Measurement Date	1,888,885	-
Total	\$ 8,972,404	\$ 770,558

\$1,888,885 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	
2019	\$ 2,841,958
2020	2,762,231
2021	1,089,609
2022	(380,837)
Total	\$ 6,312,961

Actuarial assumptions: The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	28 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, Average, Including Inflation
Investment Rate of Return	7.50% Net of Pension Plan Investment Expense, Including Inflation

NOTE 8 - PENSION PLAN (Continued)

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Nominal Return
US Equity	17.50 %	5.97 %
International Equity	17.50	7.85
Global Bonds	4.00	2.63
Global Credit	2.00	3.63
High Yield	7.00	5.75
Emerging Market Debt	5.00	5.50
Private Equity	10.00	8.75
Real Estate	5.00	7.63
Absolute Return	10.00	5.63
Real Return	10.00	6.13
Private Equity	10.00	8.25
Cash	2.00	1.88
Total	<u>100.00 %</u>	

Discount rate: The discount rate used to measure the total pension liability was 6.25%. The single discount rate was based on the expected rate of return on pension plan investments for the system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all future benefit payment of the current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the system. The projection of cash flows used to determine the single discount rate assumes that the participating employers in the system contributes the actuarially determined contribution rate in all future years.

NOTE 8 - PENSION PLAN (Continued)

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate: The following present's the County's proportionate share of the net pension liability using the discount rate of 6.25%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

		<u>1% Decrease</u>		<u>Current Discount Rate</u>		<u>1% Increase</u>
Non-hazardous	\$	27,656,036	\$	21,928,070	\$	17,136,670
Hazardous		<u>11,438,952</u>		<u>9,097,894</u>		<u>7,164,520</u>
Total	\$	<u>39,094,988</u>	\$	<u>31,025,964</u>	\$	<u>24,301,190</u>

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

NOTE 9 - OPEB PLAN

General Information About the OPEB Plan

Plan description: County Employees Retirement System consists of two plans, Non-hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS.

Benefits provided: The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn \$10 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 \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

NOTE 9 - OPEB PLAN (Continued)

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Portion Paid by Insurance Fund	
Years of Service	Paid by Insurance Fund (%)
20 + Years	100.00%
15 - 19 Years	75.00%
10 - 14 Years	50.00%
4 - 9 Years	25.00%
Less Than 4 Years	0.00%

There was no legislation enacted during the 2017 legislative session that had a material change in benefit provisions for either system.

Contributions: The employee contribution rate is set by state statute. Non-hazardous employees contribute 5.00% while hazardous duty members contribute 8.00%. Employees hired on or after September 1, 2008, contribute an additional 1.00% to health insurance.

Plan members who began participating on, or after September 1, 2008, were required to contribute a total 6.00% for non-hazardous or 9.00 for hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These members were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5.00% non-hazardous or 8.00% hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2018, participating employers contributed 19.18% (14.48% pension fund and 4.70% insurance fund) for the non-hazardous system and 31.55% (22.20% pension fund and 9.35% insurance fund) for the hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the insurance fund from the County were \$664,957 for the year ended June 30, 2018.

NOTE 9 - OPEB PLAN (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the County reported a liability of \$10,892,945 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2017, using generally accepted actuarial principles. The County's proportion of the net OPEB liability was based on the County's share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2018, the County's proportion for the non-hazardous system was 0.374627% and for the hazardous system was 0.406650%.

For the year ended June 30, 2018, the County recognized OPEB expense of \$684,320. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ -	\$ 566,841
Difference Between Expected and Actual Experience	-	28,751
Changes of Assumptions	2,878,735	-
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	-	18,142
Contributions After Measurement Date	<u>664,957</u>	<u>-</u>
Total	<u>\$ 3,543,692</u>	<u>\$ 613,734</u>

\$664,957 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending June 30,</u>	
2019	\$ 509,263
2020	509,263
2021	509,263
2022	349,242
2023	303,099
Thereafter	<u>84,871</u>
Total	<u>\$ 2,265,001</u>

NOTE 9 - OPEB PLAN (Continued)

Actuarial assumptions: The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Amortization Period	28 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	4.00%
Inflation	3.25%
Salary Increase	4.00%, Average
Investment Rate of Return	7.50%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

The mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

NOTE 9 - OPEB PLAN (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Nominal Return
US Equity	17.50 %	5.97 %
International Equity	17.50	7.85
Global Bonds	4.00	2.63
Global Credit	2.00	3.63
High Yield	7.00	5.75
Emerging Market Debt	5.00	5.50
Private Equity	10.00	8.75
Real Estate	5.00	7.63
Absolute Return	10.00	5.63
Real Return	10.00	6.13
Private Equity	10.00	8.25
Cash	2.00	1.88
Total	100.00 %	

Discount rate: The discount rate used to measure the total OPEB liability was 5.84% for non-hazardous and 5.96% for hazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.25% and a municipal bond rate of 3.56%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2017. Future contributions are projected in accordance with the Board’s current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (26 years as of June 30, 2017) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the County’s proportionate share of the net OPEB liability to changes in the discount rate: The following present’s the County’s proportionate share of the net OPEB liability, as well as what the County’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84% for non-hazardous and 4.96% for hazardous) or 1-percentage-point higher (6.84% for non-hazardous and 6.96% for hazardous) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Non-hazardous	\$ 9,583,141	\$ 7,531,285	\$ 5,823,816
Hazardous	4,505,085	3,361,660	2,426,150
Total	\$ 14,088,226	\$ 10,892,945	\$ 8,249,966

NOTE 9 - OPEB PLAN (Continued)

Sensitivity of the County's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the County's proportionate share of the net OPEB liability, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		Current Healthcare Cost Trend Rate		
	<u>1% Decrease</u>		<u>1% Increase</u>	
Non-hazardous	\$ 5,776,883	\$ 7,531,285	\$ 9,811,903	
Hazardous	<u>2,379,667</u>	<u>3,361,660</u>	<u>4,577,025</u>	
Total	<u>\$ 8,156,550</u>	<u>\$ 10,892,945</u>	<u>\$ 14,388,928</u>	

Pension plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

NOTE 10 - OPERATING LEASES

The County owns various buildings throughout Boone County that are leased to organizations, accounted for under an operating lease. Three leases renew annually. The others expire on various dates from March, 2019 through October, 2025. Rental income for the fiscal year ended June 30, 2018 was \$224,854. The future minimum lease payments to be received are as follows:

<u>Years Ending June 30,</u>	
2019	\$ 163,626
2020	125,076
2021	86,676
2022	86,676
2023	55,274
Thereafter	<u>80,680</u>
Total Minimum Lease Payments	<u>\$ 598,008</u>

The County leases various equipment and office space accounted for under operating leases. Majority of the leases are month-to-month and annual renewals with four long term leases expiring at various dates through August, 2030. The County may also rent equipment on an as-needed basis. Rental expense for the fiscal year ended June 30, 2018 was \$335,654. The future minimum lease payments are as follows:

2019	\$ 175,417
2020	110,264
2021	101,984
2022	103,184
2023	88,184
Thereafter	<u>601,987</u>
Total Minimum Lease Payments	<u>\$ 1,181,020</u>

NOTE 11 - INSURANCE

For the fiscal year ended June 30, 2018, 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, 2009.

The total liability of these HRA dollars at the fiscal year ended June 30, 2018 was \$1,736,204, which includes all departments on the plan (Fiscal Court, Sheriff, County Clerk, Soil Conservation District, and Planning Commission). In the statement of cash flows, the Self Insurance Fund shows a cash balance of \$4,301,187 in the account, but with the liability of the HRA account, the net position on June 30, 2018 is a positive \$2,296,199.

In 2018, the County paid out 7.11% of total HRA liability, including the rolled over amounts from 2017, and 7.11% of that year's liability, with no rollover. Another 2.68% 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 16.70% with rollover amounts, and 45.12% without the rollover.

Cash Balance, Beginning of Year	\$	3,667,453
Premiums Collected		5,828,400
Interest Earned		43,908
Claims Paid		<u>(5,238,564)</u>
 Cash Balance, End of Year	 \$	 <u><u>4,301,197</u></u>

NOTE 13 - INTER-FUND TRANSACTIONS

The following is a list of inter-fund transactions as of June 30, 2018:

	<u>Total</u>	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Capital Improvements Fund</u>	<u>PSCC Fund</u>	<u>Tax Improvement Fund</u>	<u>Golf Course Fund</u>
\$	-	\$ (6,000,000) ¹	\$ -	\$ 6,000,000 ¹	\$ -	\$ -	\$ -	\$ -
	-	(689,100) ¹	689,100 ¹	-	-	-	-	-
	-	(5,000,000) ¹	-	-	-	5,000,000 ¹	-	-
	-	5,615 ¹	-	-	-	-	(5,615) ¹	-
	-	(9,450,000) ¹	-	-	9,450,000 ¹	-	-	-
	-	(278,500) ¹	-	-	-	-	-	278,500 ¹
	-	-	-	-	(750,000) ¹	-	-	750,000 ¹
	-	(4,815,118) ²	-	-	-	-	-	4,815,118 ²
	-	-	-	-	(150,000) ²	-	-	150,000 ²
<hr/>								
Total Transfer To Other Funds	\$ <u>(27,138,333)</u>	\$ <u>(26,232,718)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(900,000)</u>	\$ <u>-</u>	\$ <u>(5,615)</u>	\$ <u>-</u>
<hr/>								
Total Transfer From Other Funds	\$ <u>27,138,333</u>	\$ <u>5,615</u>	\$ <u>689,100</u>	\$ <u>6,000,000</u>	\$ <u>9,450,000</u>	\$ <u>5,000,000</u>	\$ <u>-</u>	\$ <u>5,993,618</u>

1. To remove resources from the funds recording the revenue to the funds that will expend them.
2. To remove intercompany receivable and payable approved by the Fiscal Court.

NOTE 14 - DEFERRED COMPENSATION

On February 24, 2000, the County 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 18A.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 - TAX ABATEMENTS

The County provides two tax abatement programs which include the Kentucky Business Investment Program and the Boone County Occupational License Fee Credit.

The Kentucky Business Investment Program is a state administered tax incentive, authorized by Kentucky Revised Statutes 154.32, and approved by the Kentucky Economic Development Finance Authority. In order to be eligible, a company must create ten (10) new full-time jobs for Kentucky residents, incur eligible costs of at least \$100,000, pay average hourly wages of at least one hundred fifty percent (150%) of the federal minimum wage, and provide a minimum level of benefits by the activation date. Incentives are approved for up to ten (10) years. The County participates by providing inducements of various percentages of the Boone County Ordinance 07-27 payroll tax to the company per authorized job. The eligible amount of the tax abatement for each business is negotiated as part of the tax incentive agreement. This reduces the payroll taxes paid per job from 0.08% to 0.06%, 0.04%, 0.02%, and 0.00%. The local inducement is approved by resolution of the Boone County Fiscal Court. If the above eligibility requirements are met as of the activation date and are not met at the annual review date(s), the incentives may be suspended or, with the appropriate approval from KEDFA, terminated. Abated taxes may be recaptured for failure to comply with Kentucky Cabinet for Economic Development, Kentucky Department of Revenue, or Boone County Fiscal Court compliance reporting.

The Boone County Occupational License Fee Credit program is a locally administered tax incentive, and approved by the Boone County Fiscal Court. Eligibility to participate in a Development Agreement for tax incentives is business specific. The County participates by providing inducements of various percentages of the Boone County Ordinance 07-27 payroll tax to the company per authorized job for a period of ten (10) years. The eligible amount of the tax abatement for each business is negotiated as part of the tax incentive agreement. This reduces the payroll taxes paid per job from 0.08% to 0.06%, 0.04%, 0.02%, and 0.00%. Abated taxes may be recaptured for failure to comply with Boone County Fiscal Court compliance reporting.

The amount of taxes abated for the year ending June 30, 2018 were as follows:

Program	Taxes Abated
Kentucky Business Investment	\$ 34,427
Boone County Occupational License Fee Credit	29,198
Total	\$ <u>63,625</u>

Note: This is the final reporting for the Boone County Occupational License Fee Credit program.

NOTE 16 - CONTINGENT LIABILITIES

The County is, from time to time, a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the County.

NOTE 17 - RESTATEMENT OF ERROR

For the year ended June 30, 2018, the County recorded an additional note receivable related to street improvements on Carli Court. The notes were entered into December, 2016 and totaled \$90,094. Total payments made through June 30, 2017 on the notes were \$26,987, leaving a remaining balance of \$63,107. The County adjusted beginning fund balance for the Road and Bridge Fund to reflect this balance as of June 30, 2017.

The County adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows for resources, deferred inflows of resources, and expenses/expenditures. For defined benefit other postemployment benefit plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to period of employee service. This Statement also requires enhanced note disclosures and schedules of required supplementary information that will be presented by the plans that are within its scope.

The above item had the following effects:

Road and Bridge Fund Balance, June 30, 2017	\$	3,519,989
Recording of Notes Receivable		<u>63,107</u>
Restated Road and Bridge Fund Balance, June 30, 2017	\$	<u><u>3,583,096</u></u>

		<u>Assisted Housing Fund</u>		<u>Golf Course Fund</u>		<u>Total Proprietary Funds</u>
Net Position, June 30, 2017	\$	253,496	\$	(2,733,095)	\$	293,089,977
Recognition of Contributions After Measurement Date		15,233		25,112		40,345
Recognition of Net OPEB Liability		<u>(189,193)</u>		<u>(311,892)</u>		<u>(501,085)</u>
Restated Net Position, June 30, 2017	\$	<u><u>79,536</u></u>	\$	<u><u>(3,019,875)</u></u>	\$	<u><u>292,629,237</u></u>

		<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
Net Position, June 30, 2017	\$	308,864,144	\$	(2,224,957)	\$	306,639,187
Recording of Additional Receivable		63,107		-		63,107
Recognition of Contributions After Measurement Date		597,018		40,345		637,363
Recognition of Net OPEB Liability		<u>(7,414,945)</u>		<u>(501,085)</u>		<u>(7,916,030)</u>
Restated Net Position, June 30, 2017	\$	<u><u>302,109,324</u></u>	\$	<u><u>(2,685,697)</u></u>	\$	<u><u>299,423,627</u></u>

NOTE 18 - SUBSEQUENT EVENTS

The County has evaluated subsequent events through February 13, 2020, which is the date the financial statements were available to be issued.

In December 2018, the County's bond credit rating was upgraded from Aa1 to Aaa by Moody's.

In December 2018, the County issued General Obligation Bonds, Series 2018 in an aggregate principal amount of \$4,400,000 for the renovation of the golf clubhouse.

Subsequent to year end, the County entered into various operating lease obligations associated with the development of the enhanced public safety communication system.

REQUIRED SUPPLEMENTARY INFORMATION

BOONE COUNTY FISCAL COURT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 43,010,000	\$ 43,010,000	\$ 45,059,220	\$ 2,049,220
In Lieu Tax Payments	100,000	100,000	90,415	(9,585)
Excess Fees	1,500,000	1,500,000	1,554,646	54,646
Licenses and Permits	1,786,885	1,786,885	1,954,122	167,237
Intergovernmental	2,136,940	2,136,940	1,995,613	(141,327)
Charges for Services	1,564,460	1,564,460	1,574,862	10,402
Miscellaneous	470,506	470,506	541,559	71,053
Interest	215,000	215,000	403,837	188,837
Total Revenues	50,783,791	50,783,791	53,174,274	2,390,483
Expenditures				
General Government	5,034,510	5,050,994	4,509,912	541,082
Protection to Persons and Property	13,701,109	13,718,109	13,471,848	246,261
General Health and Sanitation	815,570	815,570	721,037	94,533
Social Services	135,660	135,660	118,101	17,559
Recreation and Culture	2,700,720	2,793,711	2,605,966	187,745
Debt Service	1,929,050	1,929,050	1,924,766	4,284
Administration	29,087,172	28,960,697	10,274,272	18,686,425
Total Expenditures	53,403,791	53,403,791	33,625,902	19,777,889
(Deficit) Excess of Revenues Over Expenditures	(2,620,000)	(2,620,000)	19,548,372	22,168,372
Other Financing Sources (Uses)				
Operating Transfers In	-	-	5,615	5,615
Operating Transfers Out	(12,947,000)	(12,947,000)	(21,417,600)	(8,470,600)
Total Other Financing Sources (Uses)	(12,947,000)	(12,947,000)	(21,411,985)	(8,464,985)
Net Change in Fund Balances	(15,567,000)	(15,567,000)	(1,863,613)	13,703,387
Fund Balance July 1, 2017	15,567,000	15,567,000	17,003,660	1,436,660
Fund Balance June 30, 2018	\$ -	\$ -	\$ 15,140,047	\$ 15,140,047

BOONE COUNTY FISCAL COURT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Licenses and Permits	\$ 65,000	\$ 65,000	\$ 80,408	\$ 15,408
Intergovernmental	2,646,060	2,646,060	2,758,066	112,006
Charges for Services	170,000	170,000	245,693	75,693
Miscellaneous	296,000	296,000	376,117	80,117
Interest	5,000	5,000	13,456	8,456
Total Revenues	3,182,060	3,182,060	3,473,740	291,680
Expenditures				
General Health and Sanitation	717,677	779,277	668,650	110,627
Roads	7,268,260	7,332,160	5,980,329	1,351,831
Administration	4,633,123	4,507,623	1,236,501	3,271,122
Total Expenditures	12,619,060	12,619,060	7,885,480	4,733,580
(Deficit) Excess of Revenues Over Expenditures	(9,437,000)	(9,437,000)	(4,411,740)	5,025,260
Other Financing Sources				
Operating Transfers In	6,000,000	6,000,000	6,000,000	-
Net Change in Fund Balances	(3,437,000)	(3,437,000)	1,588,260	5,025,260
Fund Balance July 1, 2017	3,437,000	\$ 3,437,000	\$ 3,676,011	\$ 239,011
Fund Balance June 30, 2018	\$ -	\$ -	\$ 5,264,271	\$ 5,264,271

**BOONE COUNTY FISCAL COURT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - JAIL FUND
CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental	\$ 5,295,650	\$ 5,295,650	\$ 6,081,914	\$ 786,264
Charges for Services	183,000	183,000	195,379	12,379
Miscellaneous	195,000	195,000	213,797	18,797
Interest	4,000	4,000	5,506	1,506
Total Revenues	5,677,650	5,677,650	6,496,596	818,946
Expenditures				
Protection to Persons and Property Administration	5,570,850	5,565,850	5,338,880	226,970
	1,978,800	1,983,800	1,654,508	329,292
Total Expenditures	7,549,650	7,549,650	6,993,388	556,262
(Deficit) Excess of Revenues Over Expenditures	(1,872,000)	(1,872,000)	(496,792)	1,375,208
Other Financing Sources				
Operating Transfers In	922,000	922,000	689,100	(232,900)
Net Change in Fund Balances	(950,000)	(950,000)	192,308	1,142,308
Fund Balance July 1, 2017	950,000	950,000	1,125,219	175,219
Fund Balance June 30, 2018	\$ -	\$ -	\$ 1,317,527	\$ 1,317,527

BOONE COUNTY FISCAL COURT
NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2018

The 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>
Revenues			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 53,174,274	\$ 3,473,740	\$ 6,496,596
Accounts Receivable June 30, 2017	(9,232,294)	(603,439)	(486,544)
Accounts Receivable June 30, 2018	9,093,314	653,347	545,703
Change in Note Receivable Balance	(176,156)	(20,958)	-
Reclass of Reimbursements	<u>-</u>	<u>(5)</u>	<u>1</u>
 Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	 <u>\$ 52,859,138</u>	 <u>\$ 3,502,685</u>	 <u>\$ 6,555,756</u>
 Expenses			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 33,625,902	\$ 7,885,480	\$ 6,993,388
Accounts Payable June 30, 2017	(208,390)	(593,901)	(63,936)
Accounts Payable June 30, 2018	218,164	606,672	66,840
Accrued Payroll June 30, 2017	(155,222)	(50,814)	(69,991)
Accrued Payroll June 30, 2018	159,689	56,254	78,468
Compensated Absences Payable June 30, 2017	(304,843)	(114,745)	(96,252)
Compensated Absences Payable June 30, 2018	326,889	121,325	98,367
Reclass of Reimbursements	<u>-</u>	<u>(4)</u>	<u>(1)</u>
 Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	 <u>\$ 33,662,189</u>	 <u>\$ 7,910,267</u>	 <u>\$ 7,006,883</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, 2018
(Continued)

	General Fund	Road and Bridge Fund	Jail Fund
Other Financing (Uses) Sources			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ (21,411,985)	\$ 6,000,000	\$ 689,100
Golf Course Receivable Write-Off	(4,815,118)	-	-
 Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	 \$ (26,227,103)	 \$ 6,000,000	 \$ 689,100
 Ending Balance			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 15,140,047	\$ 5,264,271	\$ 1,317,527
Notes Receivable	2,713,704	42,149	-
Accounts Receivable	9,093,314	653,347	545,703
Restricted Cash	7,427,394	-	-
Accounts Payable	(495,307)	(606,672)	(66,840)
Accrued Payroll	(159,689)	(56,254)	(78,468)
Compensated Balances Payable	(326,889)	(121,325)	(98,367)
Net Profit Tax Extension Payable	(7,150,251)	-	-
Rounding Adjustment	1	(2)	3
 Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	 \$ 26,242,324	 \$ 5,175,514	 \$ 1,619,558

**BOONE COUNTY FISCAL COURT
CONDITION RATING OF THE COUNTY'S STREET SYSTEM
FISCAL YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Road System Length in Miles:	418.5	421.6	418.4	416.5
Total Road System PCI Average:	71	72	71	72
Percentage of Lane Miles With PCI Greater Than or Equal to 65:	61%	63%	65%	68%
Percentage of Lane Miles With PCI Less Than 65:	9%	37%	35%	32%
Backlog as a Percentage of Total Lane Miles:	6%	5%	3%	5%
Comparison of Needed-to-Actual Maintenance/Preservation:				
Needed	\$ 2,619,850	\$ 2,868,929	\$ 3,005,639	\$ 3,268,010
Actual	\$ 2,295,705	\$ 1,899,465	\$ 2,070,749	\$ 2,202,612

Note: As of June 30, 2015, the County switched to a new pavement quality standard known as Pavement Condition Index (PCI), an analysis methodology and data collection technology based on the latest version of ASTM D6433 Standard Practice for Roads and Parking Lots Pavement Condition Index Surveys for assessment of pavement surface condition and the International Roughness Index for quantification of pavement roughness. These measurements of pavement quality are combined to form an overall 0 to 100 Pavement Condition Index, with 100 being the best.

Roads and streets with a PCI score less than 40 are referred to as "Backlog" roads. These roads and streets are past their due point for overlay or surface based rehabilitation and may require heavier or thicker forms of rehabilitation or total reconstruction.

Under the newly adopted PCI standard, the County accepted the professional recommendations from IMS to set the minimum total road system average of 65 or higher and backlog as a percentage of total lane miles to 10% or less.

The County elected to place its road system condition reporting services out to bid subsequent to the year ended June 30, 2015. The County awarded Infrastructure Management Service (IMS) with the contract. On March 1, 2016, IMS performed a field survey of the entire County road system using a Laser Road Surface Tester. As part of their implementation; IMS applied the evaluation and measurement process to determine the overall condition of the County road system and calculated the condition of the road system as of June 30, 2015.

**BOONE COUNTY FISCAL COURT
 CONDITION RATING OF THE COUNTY'S STREET SYSTEM
 FISCAL YEAR ENDED JUNE 30, 2018
 (Continued)**

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

2014

93%

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

2014

7%

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

2014

Bridge

Needed	\$	270,000
Actual	\$	162,435

Roads

Needed	\$	467,685
Actual	\$	424,713

Subdivision

Needed	\$	1,870,712
Actual	\$	1,698,853

Note: Prior to June 30, 2015, the condition of road pavement was measured using the Stantec Pavement Management Systems, which is based on the deterioration potential of the pavement of each road. This pavement management system used a measurement scale based on a Pavement Quality Index (PQI) ranging from 2.0 for a failed pavement, to a 10.0 for perfect conditions. The County had established a minimum PQI for collector roads to be 7.0 and local roads to be 6.0. When a road was scheduled to fall below minimum PQI in a given fiscal year, the road was scheduled to be rehabilitated in that year.

**BOONE COUNTY FISCAL COURT
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2018**

**County Employees Retirement System
Last 10 Fiscal Years***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's Proportion of the Net Pension Liability (Asset) - Non-Hazardous	0.374627%	0.382260%	0.377834%	0.378294%
County's Proportion of the Net Pension Liability (Asset) - Hazardous	0.406650%	0.399048%	0.360644%	0.330197%
County's Proportionate Share of the Net Pension Liability (Asset)				
Non-Hazardous	\$ 21,928,070	\$ 18,821,045	\$ 16,245,063	\$ 12,273,284
Hazardous	<u>9,097,894</u>	<u>6,847,425</u>	<u>5,536,269</u>	<u>3,968,390</u>
Total County's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 31,025,964</u>	<u>\$ 25,668,470</u>	<u>\$ 21,781,332</u>	<u>\$ 16,241,674</u>
County's Covered - Employee Payroll	\$ 11,272,839	\$ 11,629,174	\$ 11,001,641	\$ 10,935,677
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	275.23%	220.72%	197.98%	148.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non-Hazardous	53.32%	55.50%	59.97%	66.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Hazardous	49.78%	53.95%	57.52%	63.46%

* Only four years of information available. Additional years' information will be displayed as it becomes available.

**BOONE COUNTY FISCAL COURT
SCHEDULE OF COUNTY'S PENSION CONTRIBUTIONS
JUNE 30, 2018**

**County Employees Retirement System
Last 10 Fiscal Years***

<u>Non-Hazardous</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,352,036	\$ 1,276,916	\$ 1,140,081	\$ 1,136,496	\$ 1,200,715
Contributions in Relation to the Contractually Required Contribution	<u>(1,352,036)</u>	<u>(1,276,916)</u>	<u>(1,140,081)</u>	<u>(1,136,496)</u>	<u>(1,200,715)</u>
Contribution Deficiency (Excess)	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
County's Covered Payroll	\$ 9,522,842	\$ 9,127,484	\$ 9,467,263	\$ 9,014,830	\$ 9,060,903
Contributions as a Percentage of Covered Payroll	14.20%	13.99%	12.04%	12.61%	13.25%
<u>Hazardous</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 536,849	\$ 474,605	\$ 417,290	\$ 382,115	\$ 364,344
Contributions in Relation to the Contractually Required Contribution	<u>(536,849)</u>	<u>(474,605)</u>	<u>(417,290)</u>	<u>(382,115)</u>	<u>(364,344)</u>
Contribution Deficiency (Excess)	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
County's Covered Payroll	\$ 2,547,721	\$ 2,145,355	\$ 2,161,911	\$ 1,986,811	\$ 1,874,774
Contributions as a Percentage of Covered Payroll	21.07%	22.12%	19.30%	19.23%	19.43%

* Only five years of information available. Additional years' information will be displayed as it becomes available.

**BOONE COUNTY FISCAL COURT
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2018**

**County Employees Retirement System
Last 10 Fiscal Years***

	2018
County's Proportion of the Net OPEB Liability (Asset) - Non-Hazardous	0.374627%
County's Proportion of the Net OPEB Liability (Asset) - Hazardous	0.406650%
County's Proportionate Share of the Net OPEB Liability (Asset)	
Non-Hazardous	\$ 7,531,284
Hazardous	3,361,661
Total County's Proportionate Share of the Net OPEB Liability (Asset)	\$ 10,892,945
County's Covered - Employee Payroll	\$ 11,272,839
County's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Its Covered Payroll	96.63%
Plan Fiduciary Net OPEB as a Percentage of the Total OPEB Liability - Non-Hazardous	52.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Hazardous	58.99%

* Only one year of information available. Additional years' information will be displayed as it becomes available.

**BOONE COUNTY FISCAL COURT
SCHEDULE OF COUNTY'S OPEB CONTRIBUTIONS
JUNE 30, 2018**

**County Employees Retirement System
Last 10 Fiscal Years***

Non-Hazardous	2018	2017
Contractually Required Contribution	\$ 438,851	\$ 432,961
Contributions in Relation to the Contractually Required Contribution	<u>(438,851)</u>	<u>(432,961)</u>
Contribution Deficiency (Excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
County's Covered Payroll	\$ 9,522,842	\$ 9,127,484
Contributions as a Percentage of Covered Payroll	4.61%	4.74%
Hazardous	2018	2017
Contractually Required Contribution	\$ 226,106	\$ 204,402
Contributions in Relation to the Contractually Required Contribution	<u>(226,106)</u>	<u>(204,402)</u>
Contribution Deficiency (Excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
County's Covered Payroll	\$ 2,547,721	\$ 2,145,355
Contributions as a Percentage of Covered Payroll	8.87%	9.53%

* Only two years of information available. Additional years' information will be displayed as it becomes available.

SUPPLEMENTARY INFORMATION

**BOONE COUNTY FISCAL COURT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>Public Safety Communi- cations Center</u>	<u>Local Government Economic Assistance Fund</u>	<u>Federal Grants Fund</u>	<u>Tax Improvement Fund</u>	<u>Mental Health Fund</u>	<u>Earl Parker Robinson Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets							
Cash and Cash Equivalents	\$ 7,917,183	\$ 19,889	\$ -	\$ 2,103,178	\$ 3,113,795	\$ 334,028	\$ 13,488,073
Accounts Receivable	<u>97,330</u>	<u>28,615</u>	<u>28,819</u>	<u>94,942</u>	<u>685,078</u>	<u>-</u>	<u>934,784</u>
Total Assets	<u>\$ 8,014,513</u>	<u>\$ 48,504</u>	<u>\$ 28,819</u>	<u>\$ 2,198,120</u>	<u>\$ 3,798,873</u>	<u>\$ 334,028</u>	<u>\$ 14,422,857</u>
Liabilities and Fund Balances							
Balances Liabilities							
Accounts Payable	\$ 34,820	\$ -	\$ 28,819	\$ -	\$ 155,459	\$ -	\$ 219,098
Accrued Payroll	48,853	-	-	-	-	-	48,853
Compensated Absences Payable	<u>98,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,566</u>
Total Liabilities	<u>182,239</u>	<u>-</u>	<u>28,819</u>	<u>-</u>	<u>155,459</u>	<u>-</u>	<u>366,517</u>
Fund Balances							
Restricted							
Other Capital Projects	-	-	-	2,198,120	-	334,028	2,532,148
Other Purposes	-	48,504	-	-	-	-	48,504
Protection to Persons and Property	7,832,274	-	-	-	-	-	7,832,274
Committed							
Health and Welfare	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,643,414</u>	<u>-</u>	<u>3,643,414</u>
Total Fund Balances	<u>7,832,274</u>	<u>48,504</u>	<u>-</u>	<u>2,198,120</u>	<u>3,643,414</u>	<u>334,028</u>	<u>14,056,340</u>
Total Liabilities and Fund Balances	<u>\$ 8,014,513</u>	<u>\$ 48,504</u>	<u>\$ 28,819</u>	<u>\$ 2,198,120</u>	<u>\$ 3,798,873</u>	<u>\$ 334,028</u>	<u>\$ 14,422,857</u>

**BOONE COUNTY FISCAL COURT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2018**

	Public Safety Communi- cations Center	Local Government Economic Assistance Fund	Federal Grants Fund	Tax Improvement Fund	Mental Health Fund	Earl Parker Robinson Fund	Public Properties Fund	Total Nonmajor Governmental Funds
Revenues								
Taxes	\$ 1,188,742	\$ -	\$ -	\$ 443,642	\$ 2,731,092	\$ -	\$ -	\$ 4,363,476
Intergovernmental	645,871	93,000	227,864	-	-	-	1,162,041	2,128,776
Miscellaneous	6,118	-	-	-	17,275	-	-	23,393
Interest	50,546	269	-	5,615	22,422	3,966	-	82,818
Total Revenues	1,891,277	93,269	227,864	449,257	2,770,789	3,966	1,162,041	6,598,463
Expenditures								
General Government	-	-	-	-	-	14,715	-	14,715
Protection to Persons and Property	5,283,544	-	-	-	-	-	-	5,283,544
General Health and Sanitation	-	-	-	-	1,594,957	-	-	1,594,957
Social Services	-	-	227,864	-	520,247	-	-	748,111
Roads	-	49,558	-	-	-	-	-	49,558
Capital Projects	-	-	-	4,050	-	-	-	4,050
Administration	972,978	-	-	-	293,337	-	-	1,266,315
Debt Service	-	-	-	-	-	-	1,162,041	1,162,041
Total Expenditures	6,256,522	49,558	227,864	4,050	2,408,541	14,715	1,162,041	10,123,291
(Deficiency) Excess of Revenues Over Expenditures	(4,365,245)	43,711	-	445,207	362,248	(10,749)	-	(3,524,828)
Other Financing Sources (Uses)								
Transfers to Other Funds	-	-	-	(5,615)	-	-	-	(5,615)
Transfers from Other Funds	5,000,000	-	-	-	-	-	-	5,000,000
Total Other Financing Sources (Uses)	5,000,000	-	-	(5,615)	-	-	-	4,994,385
Net Change in Fund Balances	634,755	43,711	-	439,592	362,248	(10,749)	-	1,469,557
Fund Balances July 1, 2017	7,197,519	4,793	-	1,758,528	3,281,166	344,777	-	12,586,783
Fund Balances June 30, 2018	\$ 7,832,274	\$ 48,504	\$ -	\$ 2,198,120	\$ 3,643,414	\$ 334,028	\$ -	\$ 14,056,340

COMPLIANCE SECTION

**BOONE COUNTY FISCAL COURT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2018**

<u>Federal Grants/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed-Through Department for Local Government</i>				
Community Development Block Grant				
- Kentucky Recovery Grant - Year 7 Brighton Center (Operating)	14.228	10-125	\$ -	\$ 227,864
- Evergreen-Ridgeview Sanitary Sewer Project	14.228	17-041	-	19,283
			<u>-</u>	<u>19,283</u>
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>247,147</u>
<u>U.S. Federal Emergency Management Agency</u>				
<i>Passed-Through State Department of Military Affairs</i>				
- Emergency Management Assistance Program Support Emergency Preparedness	97.042	PON2 095 080007930 1	-	46,887
			<u>-</u>	<u>46,887</u>
<u>U.S. Department of Transportation</u>				
<i>Passed-Through Kentucky Transportation Cabinet</i>				
Highway Planning and Construction				
- Longbranch Road	20.205	PO2-625-1400003185	-	50,000
- Veterans Way Road	20.205	PO2-625-1400001521	-	478,496
- Frogtown Road Sidewalks	20.205	PO2-628-1600002699	-	6,840
- State Route 237 Multi-Use Path	20.205	POX-625-1700003577	-	75,295
			<u>-</u>	<u>75,295</u>
Total U.S. Department of Transportation			<u>-</u>	<u>610,631</u>
Total Cash Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 904,665</u>

**BOONE COUNTY FISCAL COURT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the County under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The County has elected not to use the 10 percent de Minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – BOONE COUNTY ASSISTED HOUSING DEPARTMENT

Expenditures reported on the Boone County Assisted Housing Department’s Schedule of Expenditures of Federal Awards were not included on the County’s Schedule of Expenditures of Federal Awards. A separate Uniform Guidance audit was conducted on the Boone County Assisted Housing Department’s Financial Statements and therefore are excluded.

**INDEPENDENT AUDITORS' 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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Boone County Fiscal Court (the County) as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 13, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VonLehman & Company Inc.

Fort Wright, Kentucky
February 13, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited Boone County Fiscal Court's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Boone County Fiscal Court's major federal programs for the year ended June 30, 2018. Boone County Fiscal Court's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Boone County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boone County Fiscal Court'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 on compliance for each major federal program. However, our audit does not provide a legal determination of Boone County Fiscal Court's compliance.

Opinion on Each Major Federal Program

In our opinion, Boone County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Boone County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Boone County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Boone County Fiscal Court's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

VonLehman & Company Inc.

Fort Wright, Kentucky
February 13, 2020

**BOONE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS	
Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	No
Identification of major programs:	<ul style="list-style-type: none"> • Highway Planning and Construction [CFDA 20.205]
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**BOONE COUNTY FISCAL COURT
SUMMARY SCHEDULE OF PRIOR YEAR
AUDIT FINDINGS AND QUESTIONED COSTS**

SECTION I – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**BOONE COUNTY FISCAL COURT
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
FOR THE YEAR ENDED JUNE 30, 2018**

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 Statutes.


County Judge Executive


County Treasurer