

**BOONE COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2015**

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



**Boone County**  
*Kentucky*

**BOONE COUNTY FISCAL COURT  
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## INDEPENDENT AUDITORS' REPORT

People of Kentucky  
Honorable Matt Bevin, Governor  
William M. Landrum III, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Boone County Fiscal Court, as of and for the year ended June 30, 2015, 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 Department which represents the following percentages of assets and revenues – 15.6% of the assets and 67.1% of the 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 Department, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Boone County Fiscal Court as of June 30, 2015, 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 Matter**

As described in Note 16 to the financial statements, in 2015, the County adopted new accounting guidance, GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27 and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules on pages 2 through 11, 49 through 53, and 56 through 57, respectively, 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 operations, 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 introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related 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, the combining and individual nonmajor fund financial statements 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 7, 2017, 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 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 7, 2017

**BOONE COUNTY OFFICIALS  
FISCAL YEAR ENDED JUNE 30, 2015**

**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
Edward Prindle	Jailer
Kenny Brown	County Clerk
Dianne Murray	Circuit Court Clerk
Michael A. Helmig	Sheriff
Cindy Arlinghaus Martin	Property Valuation Administrator
Douglas M. Stith	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, 2015  
Unaudited**

Management's discussion and analysis (MD&A) of the Boone County's (the County) financial performance provides a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2015. The MD&A does not include GASB 68 – Accounting and Financial Reporting for Pensions as 2015 is the first year of implementation for this pronouncement and Management believes the impact significantly distorts a comparative operational discussion. Management provides a table at the end of its discussion to reconcile current year activities with the audited results; please read it in conjunction with the County's audited financial statements that begin on page 12.

**Financial Highlights**

- As of June 30, 2015, Boone County's net position was \$293,383,312, which is an increase of \$14,683,556 or 5.3% over the prior year. Total current assets of \$53,418,341 increased by \$11,085,919 or 26.2% and the non-current assets (including deferred outflows) increased by \$1,402,957 or 0.5%.
  - The \$11,085,919 increase in current assets is attributable to an increase in cash across most of the government funds as a result of strong revenues and focused spending. Growth in ending cash balances in the General, Road and Bridge and Capital Improvement Funds account for approximately \$10.2 million of the overall increase.
  - Non-current assets (including deferred outflows) increased again this year by \$1,402,957 due to the net activity associated with the acceptance of new subdivision roads from local developers, along with an increase in the restricted cash balances associated with Occupation/Business License tax estimated and extension payments.
  - Total liabilities decreased \$2,194,680 or 4.3% when compared to the previous year as the County continues to make payments against its outstanding capital leases and bonds.
- Program revenues offset 36.2% of Boone County's governmental activity expenses, totaling \$50,658,863. These revenues consist of grants, contributions and charges for services that the County collects to complement its use of tax revenue.
- Boone County's total indebtedness decreased by \$3,131,488. As of June 30, 2015, the County has \$30,265,000 of outstanding bonds, of which \$3,180,000 is due within one year.
- Through budgeted expenditures, grants and in-kind donations, the County capitalized \$5,866,855 in long lived assets during 2015. Significant additions include the following;
  - Repairs and improvements to the Richardson road bridge were completed resulting in capitalization of approximately \$329,000.
  - Operating capital purchases included \$591,091 in information system upgrades and disaster recovery preparedness, \$328,290 for replacement of all rooftop HVAC units at the jail, \$105,980 for heavy equipment for use in Public Works, and \$124,824 in light duty equipment for use in various other County departments.
  - The County accepted new subdivision roads valued at \$2,886,066 from local developers.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015  
Unaudited  
(Continued)**

**Overview of the Financial Statements**

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

**Government Wide Financial Statements**

The government wide financial statements consist of a statement of net 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 12 through 14). 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 36.2% 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 \$14,878,608. Revenues increased \$3,781,312 or 6.1% when compared to the previous year and the expenses decreased by \$658,779 or 1.3%.
- **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 97.7% of service costs; only the Jail Canteen experienced an increase in its net position; however the Assisted Housing and Golf Course funds were able to absorb their respective decreases without assistance from other funds. The combined operations of all business-type activities resulted in a negative change in net position of \$195,052.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015  
Unaudited  
(Continued)**

**Fund Financial Statements**

The fund financial statements (pages 15 through 22) 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 16 and 18.
- Proprietary funds are used to report operations the County treats as business-type activities. The focus is for these funds to be self-sufficient. The County charges either outside customers or other units of government for services reported in these funds. The County currently has three proprietary funds; Jail Canteen Fund, Assisted Housing Fund, and Golf Course Fund.
- The Self-Insurance and HRA Funds are combined and considered a Governmental Activity - Internal Service Fund and therefore combined in the governmental activities portion of the government wide statements.
- Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for another group or individual. Activities from these types of funds are not included in the government wide financial statements because the County cannot use the assets from the funds in daily operations. The County currently has four fiduciary funds; Jail Prisoners Cash Fund, School Board Tax Fund, Motor Vehicle Rental Tax Fund, and Flexible Spending Account.

**Notes to the Financial Statements**

The notes to the financial statements (pages 23 through 48) 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, 2015  
Unaudited  
(Continued)**

**Required Supplementary Information**

The budgetary comparison schedules (pages 49 through 51) 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 54 and 55.

**Supplementary Information**

The Combining Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds (pages 58 and 59) 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 52 and 53 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, 2015  
Unaudited  
(Continued)**

**Financial Analysis of the County as a Whole**

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

**STATEMENT OF NET POSITION**

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY14</u>	<u>FY15</u>	<u>FY14</u>	<u>FY15</u>	<u>FY14</u>	<u>FY15</u>
Current Assets	\$ 41,130,778	\$ 52,299,905	\$ 1,201,644	\$ 1,118,436	\$ 42,332,422	\$ 53,418,341
Non-Current Assets	283,962,635	285,533,768	3,180,669	3,062,361	287,143,304	288,596,129
Total Assets	325,093,413	337,833,673	4,382,313	4,180,797	329,475,726	342,014,470
Deferred Outflows of Resources	403,664	353,796	-	-	403,664	353,796
Total Assets and Deferred Outflows of Resources	325,497,077	338,187,469	4,382,313	4,180,797	329,879,390	342,368,266
Current Liabilities	12,703,897	13,877,170	171,589	206,491	12,875,486	14,083,661
Long-Term Liabilities	33,196,410	29,834,921	5,107,738	5,066,372	38,304,148	34,901,293
Total Liabilities	45,900,307	43,712,091	5,279,327	5,272,863	51,179,634	48,984,954
Invested In Capital, Net	233,685,139	237,739,404	3,170,379	3,062,361	236,855,518	240,801,765
Multi-government Ins Fund	(1,470,586)	(483,443)	-	-	(1,470,586)	(483,443)
Social Services	-	-	164,063	26,380	164,063	26,380
PPP	4,068,531	3,589,283	-	-	4,068,531	3,589,283
Other Purposes	238,216	256,170	304,188	327,221	542,404	583,391
Other Capital Projects	8,233,462	13,324,357	-	-	8,233,462	13,324,357
Health and Welfare	1,398,907	1,949,046	-	-	1,398,907	1,949,046
Road	2,560,212	3,065,779	-	-	2,560,212	3,065,779
Unrestricted	30,882,889	35,034,782	(4,535,644)	(4,508,028)	26,347,245	30,526,754
Total Net Position	\$ 279,596,770	\$ 294,475,378	\$ (897,014)	\$ (1,092,066)	\$ 278,699,756	\$ 293,383,312

At June 30, 2015, the County's net position exceeded its liabilities by \$244,398,358, an increase of \$16,878,236 or 7.4%, over the prior year. The majority of the County's total assets (79.3%) are invested in capital assets which include land, buildings, infrastructure, equipment and vehicles. These assets are listed under the non-current assets section as capital and infrastructure assets. The unrestricted net position amount of \$30,526,754, an increase of \$4,179,509 or 15.9%, 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 \$11,169,127 (27.2%), which is attributable to an increase in the cash balance of several major and minor funds.
- Total liabilities under governmental activities decrease by \$2,188,216 (4.8%), net of continued debt service activities (\$3,186,022) on outstanding bonds and financing obligations and an increase in net profit tax extension payables (\$980,806).
- Total assets decreased in the business activities by \$201,516 (4.6%) due to the depreciation of capital assets and a change in the reimbursement practices of the Department of Housing and Urban Development (HUD). Again HUD continues to reduce the amount of current funding to local housing programs while instructing them to draw on approved cash reserves.
- In the business activities, a decrease in net position of \$195,052 (21.7%) is attributable to the change in HUD's reimbursement practice, resulting in Assisted Housing experiencing its second year of net losses of \$65,038 and the Golf Course showing a net loss of \$153,047.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015  
Unaudited  
(Continued)**

**STATEMENT OF ACTIVITIES**

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY14</u>	<u>FY15</u>	<u>FY14</u>	<u>FY15</u>	<u>FY14</u>	<u>FY15</u>
<b>Revenues:</b>						
<u>Program Revenues:</u>						
Charges for Services	\$ 7,498,185	\$ 7,318,470	\$ 2,654,542	\$ 2,707,752	\$ 10,152,727	\$ 10,026,222
Operating Grants and Contributions	9,865,967	9,566,902	5,452,762	5,531,622	15,318,729	15,098,524
Capital Grants and Contributions	1,392,210	1,472,599	-	-	1,392,210	1,472,599
Program revenues funded	18,756,362	18,357,971	8,107,304	8,239,374	26,863,666	26,597,345
<u>General Revenue:</u>						
Taxes	38,707,005	41,078,613	-	-	38,707,005	41,078,613
License Fees and Permits	263,173	312,039	-	-	263,173	312,039
Excess Fees	1,466,239	2,458,045	-	-	1,466,239	2,458,045
Rental Income	197,929	205,104	-	-	197,929	205,104
Investment Earnings	130,859	146,784	3,207	3,098	134,066	149,882
Gain on Donated Roads/Land	2,101,790	2,886,066	-	-	2,101,790	2,886,066
Gain on Sale of Fixed Assets	16,271	-	-	-	16,271	-
Miscellaneous	116,531	92,849	-	-	116,531	92,849
<b>Total Revenues</b>	<b>61,756,159</b>	<b>65,537,471</b>	<b>8,110,511</b>	<b>8,242,472</b>	<b>69,866,670</b>	<b>73,779,943</b>
<b>Expenses</b>						
General Government/Administration	13,449,444	13,437,465	-	-	13,449,444	13,437,465
Protection to Persons and Property	22,386,425	22,664,954	-	-	22,386,425	22,664,954
General Health and Sanitation	1,717,654	1,773,096	-	-	1,717,654	1,773,096
Social Services	1,213,061	1,200,345	-	-	1,213,061	1,200,345
Recreation and Culture	2,163,208	2,339,295	-	-	2,163,208	2,339,295
Roads	8,856,020	8,134,129	-	-	8,856,020	8,134,129
Capital Improvements	440,076	151,720	-	-	440,076	151,720
Interest on Long-Term Debt	1,091,754	957,859	-	-	1,091,754	957,859
Jail Canteen Fund	-	-	396,691	484,257	396,691	484,257
Golf Course Fund	-	-	2,486,099	2,355,073	2,486,099	2,355,073
Assisted Housing Fund	-	-	5,713,078	5,598,194	5,713,078	5,598,194
<b>Total Expenses</b>	<b>51,317,642</b>	<b>50,658,863</b>	<b>8,595,868</b>	<b>8,437,524</b>	<b>59,913,510</b>	<b>59,096,387</b>
Change in Net Position	10,438,517	14,878,608	(485,357)	(195,052)	9,953,160	14,683,556
Net Position - Beginning Year (As Restated)	269,158,253	279,596,770	(411,657)	(897,014)	268,746,596	278,699,756
Net Position -Ending Year	\$ 279,596,770	\$ 294,475,378	\$ (897,014)	\$ (1,092,066)	\$ 278,699,756	\$ 293,383,312

For the year ended June 30, 2015, governmental activities net position totaled \$294,475,378, an increase of 5.3% over the previous fiscal year. Net position for business-type activities was (\$1,092,066), a decrease of 21.7% due to another consecutive decrease in net position within the Assisted Housing Fund.

Total program revenues decreased \$266,321 or 1.0% compared to the previous fiscal year. Revenue from all other sources increased \$3,913,273 or 5.6% which offset the decrease.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015  
Unaudited  
(Continued)**

The County continues to maintain a very conservative approach to budgeting by eliminating most capital projects for which it cannot obtain grants or contributions to offset the cost and expenditures, hiring restrictions, and limiting discretionary spending. 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 decreased by \$817,123 or 1.4%. Overall total revenues exceeded total expenditures, resulting in a positive change in net position of \$14,683,556.

Significant changes compared to the prior year are listed below:

- The County continues to see positive housing growth as developers donated \$2,886,066 in new subdivision streets and sidewalks and increase of \$784,276 over the prior year.
- Tax collections maintain their year of year growth, \$2,371,608 (6.1%) when compared to the prior year. This reflects an increase of approximately \$1,090,000 (7.4%) in property taxes and an increase of approximately \$1,293,000 (5.6%) in occupational/payroll taxes. All other taxes remain comparable to prior year collections.
- Excess fees increased \$991,806 (67.6%) as a result of a significant end of term payment from the County Clerk's office.
- The business-type activity program revenues as a percentage of total expenditures were approximately 97.7%.

Program revenues for the governmental activities were 28.0% of total revenues received. This means that 28.0% 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 \$57,219,417 of which approximately 45.4% 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 15 through 18. An increase in fund balance in the General Fund of \$3,962,208 from the previous year is related to the continuing net growth in tax collections and the focus 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.

The County's proprietary funds' statements are shown on pages 19 through 21 with a total decrease in net position of \$195,052 for the enterprise funds from the prior fiscal year.

- The current year's Golf Course's net operating loss was \$153,047. As mentioned earlier concerning governmental funds, the Golf Course also adopted a conservative budgeting approach taken by the County to eliminate most capital projects and expenditures, impose hiring restrictions, and limit discretionary spending with operating expenses. Operating expenses, without depreciation, decreased by \$41,895 from the prior fiscal year. The primary cause of this year over year decrease was the related to the general repair needs of the facility.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015  
Unaudited  
(Continued)**

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

- The Golf Courses have liabilities recorded to the General Fund in the amount of \$4,815,118 and \$150,000 to the Capital Improvement Fund, which is a decrease of \$10,122. The Golf Course is expected to pay back these funds in future periods.
- The Jail Canteen Fund's net position increased with net income of \$23,033. 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 decreased by \$65,038 during the year. Revenues are up \$78,860 while expenses decreased \$114,884. The continued decrease in net position is related to a change in HUD's direct housing assistance program, instructing local housing programs to draw down on approved reserves to cover the decrease in certain reimbursements.

The County has four fiduciary funds; School Board Tax Fund, Jail Prisoners Fund, Motor Vehicle Rental Tax Fund and Flexible Spending Account, for which the statements are shown on page 22. 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 2015 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 revenues collected were over budget by 7.6%, while reoccurring line item operating expenses were well below budget by 38.3%.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of the year ended June 30, 2015, the government activities of the County had \$268,386,400 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 \$843,002 or 0.3%, on the governmental activities from the previous year. Due to the elimination of most capital purchases throughout the past couple of years, the governmental activities' increase in capital assets continues to be in the categories of construction in progress and roads. The increase in roads is a result of the County accepting additional roads donated from local developers of \$2,886,066.

The business activities continue to show a decrease due to the Golf Course and Assisted Housing having very limited capital budgets.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015  
Unaudited  
(Continued)**

**STATEMENT OF CAPITAL ASSETS**

	Governmental Activities		Business Activities		Total	
	FY14	FY15	FY14	FY15	FY14	FY15
Land	\$ 11,825,020	\$ 11,825,020	\$ 2,396,478	\$ 2,396,478	\$ 14,221,498	\$ 14,221,498
Roads, modified approach (not depr.)	192,197,679	195,405,926	-	-	192,197,679	195,405,926
Roads	13,354	11,732	-	-	13,354	11,732
Land Improvements	6,241,242	6,401,520	105,789	86,329	6,347,031	6,487,849
Building and Improvements	48,188,092	46,780,183	567,890	506,799	48,755,982	47,286,982
Construction In Progress	1,243,933	461,662	-	-	1,243,933	461,662
Vehicles, Machinery and Equipment	7,138,978	6,935,463	110,145	72,755	7,249,123	7,008,218
Furniture and Office Equipment	695,100	564,894	367	-	695,467	564,894
	<u>\$ 267,543,398</u>	<u>\$ 268,386,400</u>	<u>\$ 3,180,669</u>	<u>\$ 3,062,361</u>	<u>\$ 270,724,067</u>	<u>\$ 271,448,761</u>

A more detailed breakdown of the capital assets and depreciation can be found in Note 6 of the Notes to the Financial Statements, pages 23 through 48.

**Debt**

As of June 30, 2015, the County had \$30,265,000 in outstanding bonds and lease obligations (not including premium or discount) versus \$33,396,488 last year, a decrease of 9.4%, 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 and to retire certain bonds early.

	Governmental Activities		Business Activities		Total	
	FY14	FY15	FY14	FY15	FY14	FY15
General Obligation Bonds (backed by the County)	\$ 21,686,028	\$ 19,718,935	\$ -	\$ -	\$ 21,686,028	\$ 19,718,935
General Obligation Bonds (back by specific tax or fee)	2,163,972	2,026,065	-	-	2,163,972	2,026,065
Revenue Bonds and Notes (back by specific tax or fee revenues)	9,520,000	8,520,000	-	-	9,520,000	8,520,000
Capital Lease Payable	16,366	-	10,122	-	26,488	-
	<u>\$ 33,386,366</u>	<u>\$ 30,265,000</u>	<u>\$ 10,122</u>	<u>\$ -</u>	<u>\$ 33,396,488</u>	<u>\$ 30,265,000</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 2014 assessment the maximum allowable indebtedness of the County is approximately \$261 million, which far exceeds the County's outstanding debt.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015  
Unaudited  
(Continued)**

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

During the current fiscal year the County's local economy showed continued signs of growth. In particular, revenue sources related to the housing industry improved for a second year; building permit activity, development inspection fees, and deed transfer tax (revenue originating from housing sales/transfers), combined, these sources increased 16.0% over the previous year. Revenue from payroll tax receipts, the County's single largest source of revenue reflected growth of 5.4% over the previous fiscal year. Real and personal property tax revenues remain comparable to the prior period. State government continues to experience a decline in revenue which may translate, in part, to reductions in state aid for certain local government programs and services.

During the economic slowdown experienced in 2009 and 2010, the County developed 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.

**Reconciliation of Management's Discussion and Analysis to Audit Financial Statements for the Year Ended June 30, 2015**

	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
<b>Statement of Net Position</b>									
Current Assets	\$ 52,299,905	\$ -	\$ 52,299,905	\$ 1,118,436	\$ -	\$ 1,118,436	\$ 53,418,341	\$ -	\$ 53,418,341
Non-Current Assets	285,533,768	-	285,533,768	3,062,361	-	3,062,361	288,596,129	-	288,596,129
Total Assets	337,833,673	-	337,833,673	4,180,797	-	4,180,797	342,014,470	-	342,014,470
Deferred Outflows of Resources	353,796	1,416,553	1,770,349	-	102,058	102,058	353,796	1,518,611	1,872,407
Total Assets and Deferred Outflows of Resources	338,187,469	1,416,553	339,604,022	4,180,797	102,058	4,282,855	342,368,266	1,518,611	343,886,877
Current Liabilities	13,877,170	-	13,877,170	206,491	-	206,491	14,083,661	-	14,083,661
Long-Term Liabilities	29,834,921	15,139,533	44,974,454	5,066,372	1,102,141	6,168,513	34,901,293	16,241,674	51,142,967
Total Liabilities	43,712,091	15,139,533	58,851,624	5,272,863	1,102,141	6,375,004	48,984,954	16,241,674	65,226,628
Deferred Inflows of Resources	-	1,637,253	1,637,253	-	123,026	123,026	-	1,760,279	1,760,279
Total Liabilities and Deferred Inflows of Resources	43,712,091	16,776,786	60,488,877	5,272,863	1,225,167	6,498,030	48,984,954	18,001,953	66,986,907
Total Net Position	\$ 294,475,378	\$ (15,360,233)	\$ 279,115,145	\$ (1,092,066)	\$ (1,123,109)	\$ (2,215,175)	\$ 293,383,312	\$ (16,483,342)	\$ 276,899,970
<b>Statement of Activities</b>									
Program Revenues	\$ 18,357,971	\$ -	\$ 18,357,971	\$ 8,239,374	\$ -	\$ 8,239,374	\$ 26,597,345	\$ -	\$ 26,597,345
General Revenues	47,179,500	-	47,179,500	3,098	-	3,098	47,182,598	-	47,182,598
Total Revenues	65,537,471	-	65,537,471	8,242,472	-	8,242,472	73,779,943	-	73,779,943
Expenses	50,658,863	1,249,826	51,908,689	8,437,524	86,476	8,524,000	59,096,387	1,336,302	60,432,689
Change in Net Position	14,878,608	(1,249,826)	13,628,782	(195,052)	(86,476)	(281,528)	14,683,556	(1,336,302)	13,347,254
Net Position - Beginning Year (As Restated)	279,596,770	(14,110,407)	265,486,363	(897,014)	(1,036,633)	(1,933,647)	278,699,756	(15,147,040)	263,552,716
Net Position -Ending Year	\$ 294,475,378	\$ (15,360,233)	\$ 279,115,145	\$ (1,092,066)	\$ (1,123,109)	\$ (2,215,175)	\$ 293,383,312	\$ (16,483,342)	\$ 276,899,970

**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, 2015**

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 41,556,521	\$ 977,955	\$ 42,534,476
Investments	1,045,531	-	1,045,531
Inventory	-	79,325	79,325
Accounts Receivable	9,462,573	61,156	9,523,729
Notes Receivable, Due Within One Year	235,280	-	235,280
Total Current Assets	<u>52,299,905</u>	<u>1,118,436</u>	<u>53,418,341</u>
<b>Noncurrent Assets</b>			
Capital Assets, Net of Accumulated Depreciation			
Land	11,825,020	2,396,478	14,221,498
Land Improvements	6,401,520	86,329	6,487,849
Buildings and Building Improvements	46,780,183	506,799	47,286,982
Furniture and Office Equipment	564,894	-	564,894
Vehicles and Equipment	6,935,463	72,755	7,008,218
Construction in Progress	461,662	-	461,662
Infrastructure Assets, Net of Accumulated Depreciation	195,417,658	-	195,417,658
Restricted Cash	8,332,481	-	8,332,481
Due from Boone County Golf Course	4,965,118	-	4,965,118
Notes Receivable, Due in More than One Year	3,849,769	-	3,849,769
Total Noncurrent Assets	<u>285,533,768</u>	<u>3,062,361</u>	<u>288,596,129</u>
Total Assets	<u>337,833,673</u>	<u>4,180,797</u>	<u>342,014,470</u>
<b>Deferred Outflows of Resources</b>			
Deferred Loss on Refundings, Net	353,796	-	353,796
Contributions After Measurement Date	1,416,553	102,058	1,518,611
Total Deferred Outflows of Resources	<u>1,770,349</u>	<u>102,058</u>	<u>1,872,407</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 339,604,022</u>	<u>\$ 4,282,855</u>	<u>\$ 343,886,877</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
<b>Current Liabilities</b>			
Compensated Absences Payable, Due Within One Year	\$ 100,353	\$ 3,452	\$ 103,805
Bonds Payable, Due Within One Year	3,244,656	-	3,244,656
Accounts Payable	1,160,442	115,436	1,275,878
Accrued Payroll	697,237	87,603	784,840
Accrued Interest	301,940	-	301,940
Estimated Liability for Claims - HRA Accounts, Due Within One Year	250,781	-	250,781
Accrued Other	8,121,761	-	8,121,761
Total Current Liabilities	<u>13,877,170</u>	<u>206,491</u>	<u>14,083,661</u>
<b>Noncurrent Liabilities</b>			
Compensated Absences Payable, Due in More Than One Year	424,464	62,399	486,863
Due to General Fund	-	4,815,118	4,815,118
Due to Capital Improvements	-	150,000	150,000
Bonds Payable, Due in More than One Year	27,454,196	-	27,454,196
Estimated Liability for Claims - HRA Accounts, Due in More Than One Year	1,956,261	-	1,956,261
Accrued Other, Due in More Than One Year	-	38,855	38,855
Net Pension Liability	15,139,533	1,102,141	16,241,674
Total Noncurrent Liabilities	<u>44,974,454</u>	<u>6,168,513</u>	<u>51,142,967</u>
Total Liabilities	<u>58,851,624</u>	<u>6,375,004</u>	<u>65,226,628</u>
<b>Deferred Inflows of Resources</b>			
Net Difference Between Projected and Actual Investment Earnings	1,637,253	123,026	1,760,279
Total Liabilities and Deferred Inflows of Resources	<u>\$ 60,488,877</u>	<u>\$ 6,498,030</u>	<u>\$ 66,986,907</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF NET POSITION**  
**June 30, 2015**  
**(Continued)**

	<u>Primary Government</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	\$ 237,739,404	\$ 3,062,361	\$ 240,801,765
Restricted for			
Multi-Government Self Insurance	(483,443)	-	(483,443)
Social Services	-	26,380	26,380
Protection of Persons and Property	3,589,283	-	3,589,283
Other Purposes	256,170	327,221	583,391
Other Capital Projects	13,324,357	-	13,324,357
Health and Welfare	1,949,046	-	1,949,046
Road Resurfacing and Maintenance	3,065,779	-	3,065,779
Unrestricted	<u>19,674,549</u>	<u>(5,631,137)</u>	<u>14,043,412</u>
<b>Total Net Position</b>	<u>\$ 279,115,145</u>	<u>\$ (2,215,175)</u>	<u>\$ 276,899,970</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF ACTIVITIES**  
**Fiscal Year Ended June 30, 2015**

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		Total
					Governmental Activities	Business- Type Activities	
<b>Governmental Activities</b>							
General Government	\$ 13,437,465	\$ 700,021	\$ 1,102,868	\$ -	\$ (11,634,576)	\$ -	\$ (11,634,576)
Protection to Persons and Property	22,664,954	5,588,283	2,125,023	80,000	(14,871,648)	-	(14,871,648)
General Health and Sanitation	1,773,096	121,428	2,533,166	-	881,498	-	881,498
Social Services	1,200,345	12,538	250,000	-	(937,807)	-	(937,807)
Recreation and Culture	2,339,295	481,550	172,860	-	(1,684,885)	-	(1,684,885)
Roads	8,134,129	414,650	3,112,268	-	(4,607,211)	-	(4,607,211)
Capital Improvements	151,720	-	270,717	1,392,599	1,511,596	-	1,511,596
Pension Expense	1,249,826	-	-	-	(1,249,826)	-	(1,249,826)
Interest on Long-Term Debt	957,859	-	-	-	(957,859)	-	(957,859)
Total Governmental Activities	51,908,689	7,318,470	9,566,902	1,472,599	(33,550,718)	-	(33,550,718)
<b>Business-Type Activities</b>							
Jail Canteen Fund	484,257	506,350	-	-	-	22,093	22,093
Golf Course Fund	2,355,073	2,201,402	-	-	-	(153,671)	(153,671)
Assisted Housing	5,598,194	-	5,531,622	-	-	(66,572)	(66,572)
Pension Expense	86,476	-	-	-	-	(86,476)	(86,476)
Total Business-Type Activities	8,524,000	2,707,752	5,531,622	-	-	(284,626)	(284,626)
<b>Total Primary Government</b>	<b>\$ 60,432,689</b>	<b>\$ 10,026,222</b>	<b>\$ 15,098,524</b>	<b>\$ 1,472,599</b>	<b>(33,550,718)</b>	<b>(284,626)</b>	<b>(33,835,344)</b>
<b>General Revenues</b>							
Taxes							
Property Taxes					15,729,949	-	15,729,949
Occupational Taxes					24,470,032	-	24,470,032
Franchise Fees					878,632	-	878,632
License Fees and Permits					312,039	-	312,039
Excess Fees					2,458,045	-	2,458,045
Rental/Income					205,104	-	205,104
Unrestricted Investment Earnings					146,784	3,098	149,882
Donated Assets					2,886,066	-	2,886,066
Miscellaneous Revenues					92,849	-	92,849
Total General Revenues					47,179,500	3,098	47,182,598
Change in Net Position					13,628,782	(281,528)	13,347,254
<b>Net Position July 1, 2014 (As Restated)</b>					<b>265,486,363</b>	<b>(1,933,647)</b>	<b>263,552,716</b>
<b>Net Position June 30, 2015</b>					<b>\$ 279,115,145</b>	<b>\$ (2,215,175)</b>	<b>\$ 276,899,970</b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2015**

	Major Funds					Total Governmental Funds
	General Fund	Road and Bridge Fund	Jail Fund	Capital Improvements Fund	Nonmajor Governmental Funds	
<b>Assets</b>						
Cash and Cash Equivalents	\$ 18,019,301	\$ 3,074,753	\$ 1,095,920	\$ 12,045,064	\$ 5,266,164	\$ 39,501,202
Investments	1,045,531	-	-	-	-	1,045,531
Notes Receivable	3,139,839	-	-	945,210	-	4,085,049
Accounts Receivable	7,794,722	316,445	342,474	113,866	895,066	9,462,573
Due from Boone County Golf Course	4,815,118	-	-	150,000	-	4,965,118
Due from Self Insurance Fund	-	-	-	-	-	-
Restricted Cash	8,332,481	-	-	-	-	8,332,481
<b>Total Assets</b>	<b>\$ 43,146,992</b>	<b>\$ 3,391,198</b>	<b>\$ 1,438,394</b>	<b>\$ 13,254,140</b>	<b>\$ 6,161,230</b>	<b>\$ 67,391,954</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 469,345	\$ 83,852	\$ 57,827	\$ 33,814	\$ 183,884	\$ 828,722
Accrued Payroll	337,703	121,569	133,120	-	104,845	697,237
Compensated Absences Payable	240,181	119,998	77,679	-	86,959	524,817
Net Profit Tax Extension Payable	8,121,761	-	-	-	-	8,121,761
<b>Total Liabilities</b>	<b>9,168,990</b>	<b>325,419</b>	<b>268,626</b>	<b>33,814</b>	<b>375,688</b>	<b>10,172,537</b>
<b>Fund Balances</b>						
<b>Non Spendable</b>						
Notes Receivable Long-Term	7,800,927	-	-	1,013,960	-	8,814,887
<b>Restricted</b>						
Other Capital Projects	-	-	-	-	1,371,531	1,371,531
Other Purposes	210,720	-	-	-	45,450	256,170
Protection of Persons and Property	-	-	-	-	2,419,515	2,419,515
<b>Committed</b>						
Health and Welfare	-	-	-	-	1,949,046	1,949,046
<b>Assigned</b>						
Other Capital Projects	-	-	-	12,206,366	-	12,206,366
Protection of Persons and Property	-	-	1,169,768	-	-	1,169,768
Road Resurfacing and Maintenance	-	3,065,779	-	-	-	3,065,779
Unassigned	25,966,355	-	-	-	-	25,966,355
<b>Total Fund Balances</b>	<b>33,978,002</b>	<b>3,065,779</b>	<b>1,169,768</b>	<b>13,220,326</b>	<b>5,785,542</b>	<b>57,219,417</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 43,146,992</b>	<b>\$ 3,391,198</b>	<b>\$ 1,438,394</b>	<b>\$ 13,254,140</b>	<b>\$ 6,161,230</b>	<b>\$ 67,391,954</b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT  
RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
June 30, 2015**

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

Total Fund Balance - Governmental Funds		\$ 57,219,417
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	\$ 307,156,951	
Accumulated Depreciation	<u>38,770,551</u>	268,386,400
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.		
		(483,443)
Deferred loss on refunding, net is not a financial resource and therefore are not reported as assets in governmental funds.		
		353,796
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Contributions After Measurement Date		1,416,553
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		(1,637,253)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Accrued Interest on Bonds	301,940	
Discounts on Bonds, Net	(44,450)	
Premiums on Bonds, Net	478,302	
Bonds, Notes and Lease Principal Payments, Due within One Year	3,180,000	
Bonds, Notes and Lease Principal Payments, Due in More than One Year	27,085,000	
Net Pension Liability	<u>15,139,533</u>	<u>(46,140,325)</u>
<b>Total Net Position - Governmental Activities</b>		<b>\$ <u>279,115,145</u></b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Fiscal Year Ended June 30, 2015**

	Major Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Road and Bridge Fund	Jail Fund	Capital Improvements Fund		
<b>Revenues</b>						
Taxes	\$ 39,630,975	\$ -	\$ -	\$ -	\$ 4,200,362	\$ 43,831,337
In Lieu Tax Payments	100,208	-	-	-	-	100,208
Excess Fees	2,458,045	-	-	-	-	2,458,045
Licenses and Permits	1,630,794	95,396	-	-	-	1,726,190
Intergovernmental	1,980,615	2,872,294	4,425,932	402,156	1,874,385	11,555,382
Charges for Services	1,440,656	183,862	222,636	-	-	1,847,154
Miscellaneous	400,802	317,151	228,340	20,435	26,693	993,421
Interest	106,448	5,855	3,189	19,711	11,581	146,784
Total Revenues	<u>47,748,543</u>	<u>3,474,558</u>	<u>4,880,097</u>	<u>442,302</u>	<u>6,113,021</u>	<u>62,658,521</u>
<b>Expenditures</b>						
General Government	4,317,757	-	-	266,211	-	4,583,968
Protection to Persons and Property	11,936,477	-	4,407,303	-	2,718,026	19,061,806
General Health and Sanitation	643,082	-	-	4,630	1,094,460	1,742,172
Social Services	113,113	-	-	-	838,692	951,805
Recreation and Culture	2,180,819	-	-	-	-	2,180,819
Roads	-	6,422,951	-	-	163,778	6,586,729
Capital Projects	-	-	-	817,556	-	817,556
Administration	9,271,900	1,133,290	1,209,690	-	1,129,647	12,744,527
Debt Service	698,187	164,066	-	25,004	159,682	1,046,939
Total Expenditures	<u>29,161,335</u>	<u>7,720,307</u>	<u>5,616,993</u>	<u>1,113,401</u>	<u>6,104,285</u>	<u>49,716,321</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing (Uses) Sources	<u>18,587,208</u>	<u>(4,245,749)</u>	<u>(736,896)</u>	<u>(671,099)</u>	<u>8,736</u>	<u>12,942,200</u>
<b>Other Financing (Uses) Sources</b>						
Bond Principal Payments	(1,790,000)	(248,684)	-	(66,316)	(1,000,000)	(3,105,000)
Transfers to Other Funds	(12,835,000)	-	-	-	-	(12,835,000)
Transfers from Other Funds	-	5,000,000	325,000	5,760,000	1,750,000	12,835,000
Total Other Financing (Uses) Sources	<u>(14,625,000)</u>	<u>4,751,316</u>	<u>325,000</u>	<u>5,693,684</u>	<u>750,000</u>	<u>(3,105,000)</u>
Net Change in Fund Balances	3,962,208	505,567	(411,896)	5,022,585	758,736	9,837,200
<b>Fund Balances July 1, 2014 (As Restated)</b>	<u>30,015,794</u>	<u>2,560,212</u>	<u>1,581,664</u>	<u>8,197,741</u>	<u>5,026,806</u>	<u>47,382,217</u>
<b>Fund Balances June 30, 2015</b>	<u>\$ 33,978,002</u>	<u>\$ 3,065,779</u>	<u>\$ 1,169,768</u>	<u>\$ 13,220,326</u>	<u>\$ 5,785,542</u>	<u>\$ 57,219,417</u>

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, 2015**

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

Total Net Change in Fund Balances - Governmental Funds	\$	9,837,200
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense exceeded capital outlays in the period.</p>		
Depreciation Expense	\$	(3,837,536)
Capital Outlays		<u>1,801,588</u>
		(2,035,948)
<p>Repayment of bond and capital lease principal is an expenditure in the governmental funds but it reduces long-term liabilities in the statement of net assets, and does not affect the statement of activities.</p>		
		3,121,366
<p>Donated capital assets are not reported on the governmental fund statements. However, for governmental activities, these assets are reported on the statement of net assets.</p>		
		2,878,950
<p>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.</p>		
County Pension Contributions - June 30, 2014		(1,464,739)
County Pension Contributions - June 30, 2015		1,416,553
Cost of Benefits Earned Net of Employee Contributions		<u>(1,201,640)</u>
		(1,249,826)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities; however, interest expense is recognized as the interest accrues, regardless of when it is due. The 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.</p>		
		89,897
<p>Internal Service Funds are used by management to charge the cost of health insurance to individual funds. The net revenues (expenses) of this fund are reported with governmental activities.</p>		
		<u>987,143</u>
<b>Total Change in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u><u>13,628,782</u></u></b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**June 30, 2015**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Assisted Housing Fund	Golf Course Fund	Total	Self Insurance Fund
<b>Assets and Deferred Outflows of Resources</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 327,221	\$ 481,478	\$ 169,256	\$ 977,955	\$ 2,055,319
Inventory	-	-	79,325	79,325	-
Accounts Receivable	-	61,156	-	61,156	-
Total Current Assets	<u>327,221</u>	<u>542,634</u>	<u>248,581</u>	<u>1,118,436</u>	<u>2,055,319</u>
<b>Noncurrent Assets</b>					
Land	-	-	2,396,478	2,396,478	-
Land Improvements	-	-	5,621,565	5,621,565	-
Buildings and Building Improvements	-	137,418	2,249,487	2,386,905	-
Vehicles, Machinery and Equipment	-	18,412	162,997	181,409	-
Furniture and Office Equipment	-	154,891	942,470	1,097,361	-
	-	310,721	11,372,997	11,683,718	-
Less Accumulated Depreciation	-	201,357	8,420,000	8,621,357	-
Total Noncurrent Assets	<u>-</u>	<u>109,364</u>	<u>2,952,997</u>	<u>3,062,361</u>	<u>-</u>
Total Assets	<u>327,221</u>	<u>651,998</u>	<u>3,201,578</u>	<u>4,180,797</u>	<u>2,055,319</u>
<b>Deferred Outflows of Resources</b>					
Contributions After Measurement Date	-	40,687	61,371	102,058	-
Total Assets and Deferred Outflows of Resources	<u>\$ 327,221</u>	<u>\$ 692,685</u>	<u>\$ 3,262,949</u>	<u>\$ 4,282,855</u>	<u>\$ 2,055,319</u>
<b>Liabilities and Deferred Inflows of Resources</b>					
<b>Current Liabilities</b>					
Compensated Absences Payable, Due Within One Year	\$ -	\$ 1,539	\$ 1,913	\$ 3,452	\$ -
Accounts Payable	-	34,988	80,448	115,436	331,720
Accrued Payroll	-	18,044	69,559	87,603	-
Estimated Liability for Claims - HRA Accounts, Due Within One Year	-	-	-	-	250,781
Total Current Liabilities	<u>-</u>	<u>54,571</u>	<u>151,920</u>	<u>206,491</u>	<u>582,501</u>
<b>Noncurrent Liabilities</b>					
Compensated Absences Payable, Due in More than One Year	-	13,853	48,546	62,399	-
Due to General Fund	-	-	4,815,118	4,815,118	-
Due to Capital Improvements	-	-	150,000	150,000	-
Estimated Liability for Claims - HRA Accounts, Due in More than One Year	-	-	-	-	1,956,261
Accrued Other - Noncurrent, Due in More than One Year	-	38,855	-	38,855	-
Net Pension Liability	-	439,384	662,757	1,102,141	-
Total Noncurrent Liabilities	<u>-</u>	<u>492,092</u>	<u>5,676,421</u>	<u>6,168,513</u>	<u>1,956,261</u>
Total Liabilities	<u>-</u>	<u>546,663</u>	<u>5,828,341</u>	<u>6,375,004</u>	<u>2,538,762</u>
<b>Deferred Inflows of Resources</b>					
Net Difference Between Projected and Actual Investment Earnings	-	49,046	73,980	123,026	-
Total Liabilities and Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 595,709</u>	<u>\$ 5,902,321</u>	<u>\$ 6,498,030</u>	<u>\$ 2,538,762</u>
<b>Net Position</b>					
Invested in Capital Assets, Net of Related Debt Restricted for	\$ -	\$ 109,364	\$ 2,952,997	\$ 3,062,361	\$ -
Social Services	-	26,380	-	26,380	-
Other Purposes	327,221	-	-	327,221	-
Multi-Governmental Self Insurance	-	-	-	-	(483,443)
Unrestricted	<u>-</u>	<u>(38,768)</u>	<u>(5,592,369)</u>	<u>(5,631,137)</u>	<u>-</u>
Total Net Position	<u>\$ 327,221</u>	<u>\$ 96,976</u>	<u>\$ (2,639,372)</u>	<u>\$ (2,215,175)</u>	<u>\$ (483,443)</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS**  
**Fiscal Year Ended June 30, 2015**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental</b>
					<b>Activities -</b>
	<b>Jail Canteen</b>	<b>Assisted</b>	<b>Golf Course</b>	<b>Total</b>	<b>Internal</b>
<b>Fund</b>	<b>Housing</b>	<b>Fund</b>		<b>Service Fund</b>	
	<b>Fund</b>	<b>Fund</b>		<b>Self</b>	
				<b>Insurance</b>	
				<b>Fund</b>	
<b>Operating Revenues</b>					
Governmental Grants	\$ -	\$ 5,501,291	\$ -	\$ 5,501,291	\$ -
Canteen Receipts	506,350	-	-	506,350	-
Green Fees	-	-	1,179,907	1,179,907	-
Power Cart Rentals	-	-	406,344	406,344	-
Memberships	-	-	70,256	70,256	-
Commission	-	-	37,860	37,860	-
Pro Shop Sales and Pull Cart Rentals	-	-	133,796	133,796	-
Food and Beverage	-	-	362,977	362,977	-
Employer / Employee Contributions	-	-	-	-	5,471,458
Miscellaneous	-	30,331	10,262	40,593	-
	<u>506,350</u>	<u>5,531,622</u>	<u>2,201,402</u>	<u>8,239,374</u>	<u>5,471,458</u>
<b>Total Operating Revenues</b>					
<b>Operating Expenses</b>					
Cost of Merchandise Sold	484,257	-	99,945	584,202	-
Housing Assistance Payment	-	5,022,760	-	5,022,760	-
Salaries and Wages	-	322,285	879,483	1,201,768	-
Employee Benefits	-	167,047	289,575	456,622	-
Contract Services	-	12,207	31,138	43,345	-
Materials and Supplies	-	-	3,682	3,682	-
Golf Cart Lease	-	-	182,425	182,425	-
Utilities	-	-	151,448	151,448	-
Maintenance and Repairs	-	-	316,079	316,079	-
Petroleum Products	-	-	67,802	67,802	-
Uniforms	-	-	2,821	2,821	-
Food and Beverage	-	-	168,298	168,298	-
Depreciation	-	3,437	114,871	118,308	-
Pension Expense	-	34,390	52,086	86,476	-
Other Operating Expenses	-	70,458	47,472	117,930	-
Insurance Claims	-	-	-	-	4,489,296
	<u>484,257</u>	<u>5,632,584</u>	<u>2,407,125</u>	<u>8,523,966</u>	<u>4,489,296</u>
<b>Total Operating Expenses</b>					
Operating Income (Loss)	<u>22,093</u>	<u>(100,962)</u>	<u>(205,723)</u>	<u>(284,592)</u>	<u>982,162</u>
<b>Non-Operating Revenues (Expenses)</b>					
Interest Income	940	1,534	624	3,098	4,981
Interest Expense	-	-	(34)	(34)	-
	<u>940</u>	<u>1,534</u>	<u>590</u>	<u>3,064</u>	<u>4,981</u>
<b>Total Non-Operating Revenues (Expenses)</b>					
Change in Net Position	23,033	(99,428)	(205,133)	(281,528)	987,143
<b>Net Position July 1, 2014 (As Restated)</b>	<u>304,188</u>	<u>196,404</u>	<u>(2,434,239)</u>	<u>(1,933,647)</u>	<u>(1,470,586)</u>
<b>Net Position June 30, 2015</b>	<u>\$ 327,221</u>	<u>\$ 96,976</u>	<u>\$ (2,639,372)</u>	<u>\$ (2,215,175)</u>	<u>\$ (483,443)</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**Fiscal Year Ended June 30, 2015**

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>
	<b>Jail Canteen Fund</b>	<b>Assisted Housing Fund</b>	<b>Golf Course Fund</b>	<b>Totals</b>	<b>Self Insurance Fund</b>
<b>Cash Flows From Operating Activities</b>					
Receipts from Customers	\$ 506,350	\$ -	\$ 2,163,542	\$ 2,669,892	\$ -
Receipts from Commissions	-	-	37,860	37,860	-
Receipts from Governmental Grants	-	5,509,341	-	5,509,341	-
Receipts from Employees/Intergovernmental	-	-	-	-	5,471,458
Payments to Suppliers	(484,257)	(5,003,151)	(1,074,797)	(6,562,205)	-
Payments to Employees	-	(490,006)	(1,158,315)	(1,648,321)	-
Payments for Claims	-	-	-	-	(4,429,345)
Other Expenses	-	(83,239)	-	(83,239)	-
Net Cash Provided (Used) by Operating Activities	<u>22,093</u>	<u>(67,055)</u>	<u>(31,710)</u>	<u>(76,672)</u>	<u>1,042,113</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Payments on Capital Lease Obligations	-	-	(10,122)	(10,122)	-
Interest Paid on Capital Lease Obligations	-	-	(202)	(202)	-
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(10,324)</u>	<u>(10,324)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>					
Interest Income	940	1,534	624	3,098	4,981
Net Change in Cash	23,033	(65,521)	(41,410)	(83,898)	1,047,094
<b>Cash and Cash Equivalents July 1, 2014</b>	<u>304,188</u>	<u>546,999</u>	<u>210,666</u>	<u>1,061,853</u>	<u>1,008,225</u>
<b>Cash and Cash Equivalents June 30, 2015</b>	<u>\$ 327,221</u>	<u>\$ 481,478</u>	<u>\$ 169,256</u>	<u>\$ 977,955</u>	<u>\$ 2,055,319</u>
Reconciliation of Operating Income					
Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 22,093	\$ (100,962)	\$ (205,723)	\$ (284,592)	\$ 982,162
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Depreciation	-	3,437	114,871	118,308	-
Change in Assets and Liabilities					
Accounts Receivable	-	8,050	-	8,050	-
Inventory	-	-	(8,740)	(8,740)	-
Deferred Outflows of Resources	-	(778)	(960)	-	-
Accounts Payable	-	31,816	5,053	36,869	90,735
Estimated Liability for Claims - HRA	-	-	-	-	(30,784)
Accrued Payroll	-	(674)	7,534	6,860	-
Accrued Other	-	(43,112)	-	(43,112)	-
Compensated Absences Payable	-	-	3,209	3,209	-
Net Pension Liability	-	(13,878)	(20,934)	(34,812)	-
Deferred Inflows of Resources	-	49,046	73,980	123,026	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 22,093</u>	<u>\$ (67,055)</u>	<u>\$ (31,710)</u>	<u>\$ (76,672)</u>	<u>\$ 1,042,113</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**June 30, 2015**

	<b>Agency Funds</b>			
	<b>School Board Tax Fund</b>	<b>Jail Prisoners Funds</b>	<b>Motor Vehicle Rental Tax Fund</b>	<b>Flexible Spending Account</b>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 875,164	\$ 328,484	\$ 101	\$ 24,919
Accounts Receivable	3,493,742	-	467,993	-
Total Assets	4,368,906	328,484	468,094	24,919
<b>Liabilities</b>				
Accounts Payable and Accrued Liabilities	4,368,906	328,484	468,094	24,919
<b>Net Position</b>	\$ -	\$ -	\$ -	\$ -

See accompanying notes.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The financial statements of Boone County Fiscal Court (the County) include the funds, agencies, boards, component units, and entities for which the fiscal court is financially accountable. Blended component unit, although a legally separate entity is, in substance, part of the County's operations. Discretely presented component unit is reported in a separate column in the government wide financial statements to emphasize that they are legally separate from the County.

Additional – Boone County Constitutional Elected Officials:

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

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

**Blended Component 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.

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

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

**Basis of Presentation**Government Wide Statements

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

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

Fund Financial Statements

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

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 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.

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

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

Capital Improvements Fund

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

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, TIF District #1 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.

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.

Assisted Housing Fund

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

Self Insurance Fund

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

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

The government reports the following fiduciary funds:

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.

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the County's Enterprise Fund are charges to customers for sales in the Jail Canteen Fund, and greens fees revenue in the Public Properties Golf Course. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets.

**Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1<sup>st</sup>. Taxes are levied and are due and payable on November 1<sup>st</sup> of each year, and may be paid upon receipt of the notice at declining discounts through the month of February. All unpaid taxes on real and personal property become delinquent on April 1<sup>st</sup> of the year following the year in which the taxes were levied. Delinquent real property taxes bear interest at the rate of 1.5% per month, and interest continues to accrue until a certificate is sold at auction, from which time the interest rate shall be as bid by the buyer of the certificate. Personal property taxes bear interest at 1.5% per month from April 1<sup>st</sup> until paid. After May 1<sup>st</sup> of each year and following proper procedures, a court order may be issued to seize and sell the property.

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

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

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

**Legal Compliance - Budget**

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

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 16 and 18 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).

**Inventories**

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

**Capital Assets**

General capital assets are those assets not specifically related to activities reported in the Proprietary Funds. These assets generally result from expenditures in the Governmental Funds. These assets are reported in the governmental activities column of the 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.

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

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:

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

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.

**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.

**Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net 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.

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

**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.

**NOTE 2 - EMPLOYEE RETIREMENT SYSTEM****General Information about the Pension Plan**

*Plan description:* County Employees Retirement System consists of two plans, Nonhazardous 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 nonhazardous 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.

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

<b>Retirement Eligibility for Members Whose Participation Began Before 09/01/2008</b>		
<b>Age</b>	<b>Years of Service</b>	<b>Allowance Reduction</b>
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.

<b>Retirement Eligibility for Members Whose Participation Began On or After 09/01/2008</b>		
<b>Age</b>	<b>Years of Service</b>	<b>Allowance Reduction</b>
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).

<b>Benefit Formula</b>				
<b>Final Compensation</b>	<b>X</b>	<b>Benefit Factor</b>	<b>X</b>	<b>Years of Service</b>
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 (if the member's employer participates in an approved sick leave program).
		2.00% if:	Member begins participating prior to 08/01/2004.	
Average of the last complete five if participation began on or after 09/01/2008.		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 09/01/2008.	

\* **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%)**

For post-retirement death benefits, if the member is receiving a monthly benefit based on at 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.

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

For disability benefits, members participating before 08/01/2004 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 08/01/2004 but before 01/01/2014 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% of Final Rate of Pay or the amount calculated under the Benefit Formula based upon actual service. Members participating on or after 01/01/2014 may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical 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% of the member's monthly final rate of pay or the annuitized hypothetical 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.

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. On July 1, 2013, the COLA was not granted. Effective July 1, 2009, and on July 1 of each year thereafter through June 30, 2014, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce the COLA if, in its judgment, the welfare of the Commonwealth so demands.

Each system's assets are used only for the payment of benefits to the members of that system, and a pro rata share of administrative costs in accordance with the provisions of Kentucky Revised Statute Section 78.630.

*Contributions:* For the fiscal years ended June 30, 2015 and 2014, plan members who began participating prior to September 1, 2008, were required to contribute 5% nonhazardous and 8% hazardous of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate for CERS pensions. Per Kentucky Revised Statute Section CERS 78.545, normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal year ended June 30, 2015, participating employers contributed 17.67% for the nonhazardous system and 34.31% 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 from the County were \$1,518,611 (not including the insurance portion) for the year ended June 30, 2015.

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

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

At June 30, 2015, the County reported a liability of \$16,241,674 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2015, the County's proportion for the nonhazardous system was 0.38% and for the hazardous system was 0.33%.

For the year ended June 30, 2015, the County recognized pension expense of \$1,336,302. At June 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,760,279
County contributions subsequent to the measurement date	<u>1,518,611</u>	<u>-</u>
Total	<u>\$ 1,518,611</u>	<u>\$ 1,760,279</u>

\$1,518,611 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>		
2016	\$	440,070
2017		440,070
2018		440,070
2019		<u>440,069</u>
Total	\$	<u>1,760,279</u>

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

*Actuarial assumptions:* The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2014
Experience Study	July 1, 2005 – June 30, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increase	4.5%, average, including inflation
Investment Rate of Return	7.75% net of pension plan investment expense, including inflation

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members. The group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five year for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, at a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Nominal Return</u>
Domestic Equity	30.00 %	8.45 %
International Equity	22.00	8.85
Emerging Market Equity	5.00	10.50
Private Equity	7.00	11.25
Real Estate	5.00	7.00
Core U.S. Fixed Income	10.00	5.25
High Yield U.S. Fixed Income	5.00	7.25
Non U.S. Fixed Income	5.00	5.50
Commodities	5.00	7.75
TIPS	5.00	5.00
Cash	1.00	3.25
Total	100.00 %	

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

*Discount rate:* The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

*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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Nonhazardous	\$ 16,150,820	\$ 12,273,284	\$ 8,847,389
Hazardous	5,191,285	3,968,390	2,930,053

*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](http://www.kyret.ky.gov).

**NOTE 3 - DEPOSITS AND INVESTMENTS**

**Deposits**

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on 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, 2015, 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.

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

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, 2015, the County investments are neither insured nor registered, but are held by the County's counter party in the County's name.

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

At June 30, 2015, the County's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Certificates of Deposit	\$ 949,905	Various	N/A
Money Market Funds	<u>95,626</u>	N/A	N/A
Total	<u>\$ 1,045,531</u>		

**NOTE 4 - NOTES RECEIVABLE**

The Walton Fire Protection District has a lease/purchase agreement with County for the construction of a single level firehouse. Principal payments are due yearly with interest due semi-annually. The note matures in October, 2018. The receivable balance on the lease/purchase agreement at June 30, 2015 is \$84,300 and the Walton Fire Protection District is in substantial compliance with the terms of the agreement.

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 receivables balance on the lease agreement at June 30, 2015 is \$2,038,948 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 receivables balance on the lease agreement at June 30, 2015 totaled \$1,016,591.

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, 2015, the note receivable balance was \$945,210. The note is expected to be paid off by June, 2028.

The remaining maturities on the notes are as follows:

<u>Years Ending June 30,</u>	
2016	\$ 235,280
2017	244,070
2018	250,630
2019	250,670
2020	244,530
Thereafter	<u>2,859,869</u>
	<u>\$ 4,085,049</u>

**NOTE 5 - ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following at June 30, 2015:

	Governmental Activities	Business- Type Activities	Total
Taxes – Current	\$ 7,660,327	\$ -	\$ 7,660,327
Taxes – Delinquent	14,415	-	14,415
Excess Fees	93,441	-	93,441
Charges for Service	40,093	-	40,093
Intergovernmental	1,085,640	-	1,085,640
License Fees	176,595	-	176,595
Miscellaneous	392,062	61,156	453,218
	\$ 9,462,573	\$ 61,156	\$ 9,523,729

**NOTE 6 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2015 was as follows:

<b>Governmental Activities</b>	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 11,825,020	\$ -	\$ -	\$ 11,825,020
Roads	192,197,679	3,208,247	-	195,405,926
Construction in Progress	1,243,933	404,046	1,186,317	461,662
<b>Total Capital Assets Not Being Depreciated</b>	<b>205,266,632</b>	<b>3,612,293</b>	<b>1,186,317</b>	<b>207,692,608</b>
<b>Depreciable Capital Assets</b>				
Land Improvements	10,601,232	582,868	-	11,184,100
Buildings and Building Improvements	64,968,768	43,295	-	65,012,063
Equipment	11,010,619	1,390,095	22,500	12,378,214
Furniture and Office Equipment	1,897,523	7,500	-	1,905,023
Vehicles	8,669,236	230,804	-	8,900,040
Roads	84,903	-	-	84,903
<b>Total Depreciable Capital Assets</b>	<b>97,232,281</b>	<b>2,254,562</b>	<b>22,500</b>	<b>99,464,343</b>
<b>Total Capital Assets at Historical Cost</b>	<b>302,498,913</b>	<b>5,866,855</b>	<b>1,208,817</b>	<b>307,156,951</b>
<b>Less Accumulated Depreciation</b>				
Land Improvements	4,359,990	422,590	-	4,782,580
Buildings and Building Improvements	16,780,676	1,451,204	-	18,231,880
Equipment	6,515,557	1,062,746	22,500	7,555,803
Furniture and Office Equipment	1,202,423	137,706	-	1,340,129
Vehicles	6,025,320	761,668	-	6,786,988
Roads	71,549	1,622	-	73,171
<b>Total Accumulated Depreciation</b>	<b>34,955,515</b>	<b>3,837,536</b>	<b>22,500</b>	<b>38,770,551</b>
<b>Depreciable Capital Assets, Net</b>	<b>62,276,766</b>	<b>(1,582,974)</b>	<b>-</b>	<b>60,693,792</b>
<b>Governmental Activities Capital Assets - Net</b>	<b>\$ 267,543,398</b>	<b>\$ 2,029,319</b>	<b>\$ 1,186,317</b>	<b>\$ 268,386,400</b>

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

<u>Business-Type Activities</u>	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
Capital Assets Not Being Depreciated				
Land	\$ 2,396,478	\$ -	\$ -	\$ 2,396,478
Depreciable Capital Assets				
Land Improvements	5,621,565	-	-	5,621,565
Buildings and Building Improvements	2,386,905	-	-	2,386,905
Furniture and Office Equipment	181,409	-	-	181,409
Vehicles, Machinery and Equipment	1,097,361	-	-	1,097,361
Totals at Historical Cost	<u>9,287,240</u>	<u>-</u>	<u>-</u>	<u>9,287,240</u>
Total Capital Assets at Historical Cost	<u>11,683,718</u>	<u>-</u>	<u>-</u>	<u>11,683,718</u>
Less Accumulated Depreciation				
Land Improvements	5,515,776	19,460	-	5,535,236
Buildings and Building Improvements	1,819,015	61,091	-	1,880,106
Furniture and Office Equipment	181,042	367	-	181,409
Vehicles, Machinery and Equipment	987,216	37,390	-	1,024,606
Total Accumulated Depreciation	<u>8,503,049</u>	<u>118,308</u>	<u>-</u>	<u>8,621,357</u>
Depreciable Capital Assets, Net	<u>784,191</u>	<u>(118,308)</u>	<u>-</u>	<u>665,883</u>
Business - Type Activities Capital Assets - Net	<u>\$ 3,180,669</u>	<u>\$ (118,308)</u>	<u>\$ -</u>	<u>\$ 3,062,361</u>

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

	June 30, 2015
Governmental Activities	
General Government	\$ 881,690
Protection to Persons and Property	1,922,567
General Health and Sanitation	55,597
Social Services	2,625
Recreation and Culture	229,420
Roads, Including Depreciation of General Infrastructure Assets	<u>745,637</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 3,837,536</u>
Business-Type Activities	
Golf Course	\$ 114,871
Assisted Housing	<u>3,437</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 118,308</u>

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payable consists of the following at June 30, 2015:

	Governmental Activities	Business- Type Activities	Total
General Government	\$ 56,481	\$ -	\$ 56,481
Protection to Persons and Property	102,229	-	102,229
General Health and Sanitation	9,371	-	9,371
Social Services	110,106	34,988	145,094
Recreation and Culture	67,429	80,448	147,877
Roads	77,424	-	77,424
Capital Projects	33,814	-	33,814
Administration	371,868	-	371,868
Insurance Claims	331,720	-	331,720
	<u>\$ 1,160,442</u>	<u>\$ 115,436</u>	<u>\$ 1,275,878</u>

**NOTE 8 - LONG-TERM DEBT**

The following is a summary of the County's long-term debt transactions for the year ended June 30, 2015:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
<b>Governmental Activities</b>					
General Obligation Bonds	\$ 23,850,000	\$ -	\$ 2,105,000	\$ 21,745,000	\$ 2,165,000
Special Revenue Bonds	9,520,000	-	1,000,000	8,520,000	1,015,000
Unamortized Premium	549,161	-	70,859	478,302	70,859
Unamortized Discount	(50,653)	-	(6,203)	(44,450)	(6,203)
Financing Obligations	16,366	-	16,366	-	-
Governmental Activities Long-Term Liabilities	<u>\$ 33,884,874</u>	<u>\$ -</u>	<u>\$ 3,186,022</u>	<u>\$ 30,698,852</u>	<u>\$ 3,244,656</u>
<b>Business-Type Activities</b>					
Financing Obligations	\$ 10,122	\$ -	\$ 10,122	\$ -	\$ -
Business-Type Activities Long-Term Liabilities	<u>\$ 10,122</u>	<u>\$ -</u>	<u>\$ 10,122</u>	<u>\$ -</u>	<u>\$ -</u>

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

**Series 2002 - General Fund**

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

**Series 2002 - General Fund**

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2016	\$ 163,013	\$ 220,000
2017	153,869	230,000
2018	144,175	240,000
2019	133,850	250,000
2020	122,513	265,000
2021-2025	418,952	1,510,000
2026-2028	<u>74,250</u>	<u>1,080,000</u>
Total	<u>\$ 1,210,622</u>	<u>\$ 3,795,000</u>

**Series 2003C - General Fund**

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

**Series 2003C - General Fund**

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2016	\$ 118,387	\$ 380,000
2017	102,887	395,000
2018	86,275	410,000
2019	68,425	430,000
2020	49,831	445,000
2021-2022	<u>40,801</u>	<u>950,000</u>
Total	<u>\$ 466,606</u>	<u>\$ 3,010,000</u>

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

**Series 2006 - General Fund**

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

**Series 2006 - General Fund**

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2016	\$ 52,542	\$ 105,000
2017	48,656	110,000
2018	44,586	110,000
2019	40,514	120,000
2020	36,076	120,000
2021-2025	108,966	700,000
2026	5,734	155,000
Total	\$ 337,074	\$ 1,420,000

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

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

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

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2016	\$ 177,416	\$ 325,000
2017	165,390	335,000
2018	152,996	350,000
2019	140,046	360,000
2020	126,726	375,000
2021-2026	414,402	2,100,000
2027	53,096	950,000
Total	\$ 1,230,072	\$ 4,795,000

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

**Special Revenue Bonds - Public Properties**

The County has issued bonds where the County pledges income derived from the acquired or constructed assets, to pay debt service.

*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, 2015, are as follows:

**Justice Center**

Purpose	Interest Rate	Amount
2011 Justice Center Bonds	1.00% - 2.50%	\$ <u>8,520,000</u>

The minimum obligations at June 30, 2015 for debt service of these bonds are as follows:

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2016	\$ 143,404	\$ 1,015,000
2017	132,464	1,020,000
2018	118,837	1,035,000
2019	101,670	1,045,000
2020	81,565	1,070,000
2021-2023	107,379	3,335,000
Total	\$ 685,319	\$ 8,520,000

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

**Series 2010B - Build America Bonds**

The County issued General Obligation Bonds for the purpose of funding the energy savings performance project. These particular bonds are known as Build America Bonds (BAB) and were allowed by the American Recovery and Reinvestment Act of 2009 (ARRA). The BAB provide for a federal subsidy paid to state or local government issuers in an amount equal to 35% of the total coupon interest payable to investors. The series, dated May 6, 2010, were issued at various interest rates ranging from 4.05% to 5.05% and will be retired November, 2025. Interest payments are due by May 15<sup>th</sup> and November 15<sup>th</sup> with principal payments due by November 15<sup>th</sup> of each year. The first principal payment was due in November, 2013. In 2014 the Federal Government reduced the interest subsidy payments associated with these bonds, allowing the County to exercise the early retirement clause contained in the bond documents and fully retire these bonds in November, 2014.

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

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

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

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2016	\$ 385,609	\$ 1,135,000
2017	362,909	1,155,000
2018	328,259	1,190,000
2019	280,659	1,235,000
2020	231,259	1,285,000
2021-2022	288,607	2,725,000
Total	\$ 1,877,302	\$ 8,725,000

**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, 2015, the outstanding principal on these bonds were \$424,755,836.

**NOTE 9 - CAPITAL LEASE PURCHASE AGREEMENTS**

**Road and Bridge Fund**

In December, 2007, the County entered into a lease-purchase agreement for a rubber tire loader for the Public Works Department. The lease term for this agreement was 7 years. The lease was fully repaid during the year ended June 30, 2015.

Debt Outstanding July 1, 2014	Additions	Repayments	Debt Outstanding June 30, 2015	Amount Expected to be Paid Within One Year
\$ 16,336	\$ -	\$ 16,336	\$ -	\$ -

**Golf Course**

During 2010, the Golf Course entered into a lease purchase agreement for equipment with the Capital Improvement Fund. The lease term for this agreement was 5 years. The lease was fully repaid during the year ended June 30, 2015.

The following is a summary of the Golf Course's capital lease purchase agreement transactions for the fiscal year ended June 30, 2015:

Debt Outstanding July 1, 2014	Additions	Repayments	Debt Outstanding June 30, 2015	Amount Expected to be Paid Within One Year
\$ 10,122	\$ -	\$ 10,122	\$ -	\$ -

**NOTE 10 - OPERATING LEASES**

The County owns various buildings throughout Boone County that are leased to organizations, accounted for under an operating lease. Seven leases renew annually, one expiring in June, 2020, one expiring in March, 2019, one expiring in December, 2023, and the other one expiring in October, 2025. Rental income for the fiscal year ended June 30, 2015 was \$237,117. The future minimum lease payments to be received are as follows:

Years Ending June 30,	
2016	\$ 95,604
2017	101,724
2018	101,966
2019	101,291
2020	93,265
Thereafter	<u>225,908</u>
Total Minimum Lease Payments	<u>\$ 719,758</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 six 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, 2015 was \$402,378.

**NOTE 10 - OPERATING LEASES (Continued)**

The future minimum lease payments are as follows:

Years Ending June 30,		
2016	\$	309,903
2017		301,328
2018		243,646
2019		125,112
2020		78,581
Thereafter		733,608
Total Minimum Lease Payments	\$	1,792,178

**NOTE 11 - INSURANCE**

For the fiscal year ended June 30, 2015, 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, 2015 was \$2,538,762, 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 \$2,055,319 in the account, but with the liability of the HRA account, the net position on June 30, 2015 is a negative \$483,443.

In 2015, the County paid out 9.12% of total HRA liability, including the rolled over amounts from 2014, and 73.14% of that year's liability, with no rollover. Another 2.2% 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 18.28% with rollover amounts, and 48.24% without the rollover.

Cash Balance, Beginning of Year	\$	1,008,225
Premiums Collected		5,471,458
Interest Earned		4,981
Claims Paid		4,429,345
Cash Balance, End of Year	\$	2,055,319

**NOTE 13 - INTER-FUND TRANSACTIONS**

The following is a list of inter-fund transactions as of June 30, 2015:

	<u>Total</u>	<u>General Fund</u>	<u>Jail Fund</u>	<u>Road Fund</u>	<u>Capital Improve- ments Fund</u>	<u>PSCC Fund</u>
	\$ -	\$ (5,000,000) <sup>1</sup>	\$ -	\$ 5,000,000 <sup>1</sup>	\$ -	\$ -
	-	(325,000) <sup>1</sup>	325,000 <sup>1</sup>	-	-	-
	-	(1,750,000) <sup>1</sup>	-	-	-	1,750,000 <sup>1</sup>
	<u>-</u>	<u>(5,760,000) <sup>1</sup></u>	<u>-</u>	<u>-</u>	<u>5,760,000 <sup>1</sup></u>	<u>-</u>
Total Transfer to Other Funds	\$ <u>(12,835,000)</u>	\$ <u>(12,835,000)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Total Transfer from Other Funds	\$ <u>12,835,000</u>	\$ <u>-</u>	\$ <u>325,000</u>	\$ <u>5,000,000</u>	\$ <u>5,760,000</u>	\$ <u>1,750,000</u>

1. To remove resources from the funds recording the revenue to the funds that will expend them.

**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 - 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.

The County reached a settlement in a lawsuit naming both the Boone County Sheriff's Office and the Fiscal Court as defendants during December, 2016 for \$3.5 million dollars. The County's KALF policy is limited to \$3.0 million, including defense costs. As the final settlement exceeds the applicable coverage limits, the County will be responsible for reimbursing KALF for the funds paid in excess of the policy limits, not to exceed \$800,000.

**NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT**

The County adopted Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, for the County Employee’s Retirement System and Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. For defined benefit pensions, 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. These Statements also require enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope.

Additionally, the beginning net position balance was understated by \$406,572 as a result of not recognizing a receivable related to Federal grants awarded.

The implementation of GASB Statements No. 68 and 71 as well as the restatement related to the Federal grant receivable had the following effect:

Net Position, June 30, 2014	\$ 278,293,184
Receivable for FEMA 1979 Grant	394,644
Receivable for Veterans Way Grant	11,928
Recognition of Contributions after Measurement Date	1,565,059
Recognition of Net Pension Liability	<u>(16,712,099)</u>
 Restated Net Position, June 30, 2014	 \$ <u>263,552,716</u>

**NOTE 17 - SUBSEQUENT EVENTS**

Effective September, 2015, the County issued General Obligation Refunding Bonds, Series 2015 in the amount of \$5,090,000 to refund certain maturities of the outstanding Boone County, Kentucky General Obligation Public Project Bonds, Series 2002B and General Obligation Public Project Bonds, Series 2006.

The County has evaluated subsequent events through February 7, 2017, which is the date on which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BOONE COUNTY FISCAL COURT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**CASH BASIS**  
**Fiscal Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
<b>Revenues</b>				
Taxes	\$ 37,165,000	\$ 37,165,000	\$ 39,214,879	\$ 2,049,879
In Lieu Tax Payments	125,000	125,000	100,208	(24,792)
Excess Fees	1,500,400	1,500,400	2,803,126	1,302,726
Licenses and Permits	1,521,885	1,521,885	1,631,551	109,666
Intergovernmental	2,066,500	2,066,500	2,140,871	74,371
Charges for Services	871,863	871,863	847,779	(24,084)
Miscellaneous	1,223,054	1,223,054	1,091,620	(131,434)
Interest	81,500	81,500	105,283	23,783
<b>Total Revenues</b>	<u>44,555,202</u>	<u>44,555,202</u>	<u>47,935,317</u>	<u>3,380,115</u>
<b>Expenditures</b>				
General Government	4,843,950	4,897,766	4,292,984	604,782
Protection to Persons and Property	12,210,551	12,218,051	11,888,957	329,094
General Health and Sanitation	598,015	652,673	636,506	16,167
Social Services	123,975	123,975	113,958	10,017
Recreation and Culture	2,362,952	2,426,452	2,134,993	291,459
Debt Service	698,194	698,194	698,188	6
Administration	9,749,643	10,694,543	9,243,140	1,451,403
Reserve Balance	16,441,921	15,317,547	5,924	15,311,623
<b>Total Expenditures</b>	<u>47,029,201</u>	<u>31,711,654</u>	<u>29,014,650</u>	<u>18,014,551</u>
<b>(Deficit) Excess of Revenues Over Expenditures</b>	<u>(2,473,999)</u>	<u>12,843,548</u>	<u>18,920,667</u>	<u>21,394,666</u>
<b>Other Financing (Uses) Sources</b>				
Bond Principal Payments	(1,790,001)	(1,790,001)	(1,790,000)	1
Operating Transfers Out	(9,235,000)	(9,235,000)	(12,835,000)	(3,600,000)
<b>Total Other Financing (Uses) Sources</b>	<u>(11,025,001)</u>	<u>(11,025,001)</u>	<u>(14,625,000)</u>	<u>(3,599,999)</u>
<b>(Deficit) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>(13,499,000)</u>	<u>1,818,547</u>	<u>4,295,667</u>	<u>17,794,667</u>
<b>Fund Balance July 1, 2014</b>	<u>13,499,000</u>	<u>13,499,000</u>	<u>14,768,828</u>	<u>1,269,828</u>
<b>Fund Balance June 30, 2015</b>	<u>\$ -</u>	<u>\$ 15,317,547</u>	<u>\$ 19,064,495</u>	<u>\$ 19,064,495</u>

**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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Licenses and Permits	\$ 50,000	\$ 50,000	\$ 64,900	\$ 14,900
Intergovernmental	4,058,122	4,058,122	3,395,838	(662,284)
Charges for Services	180,000	180,000	183,385	3,385
Miscellaneous	297,000	297,000	313,059	16,059
Interest	3,500	3,500	5,855	2,355
	<u>4,588,622</u>	<u>4,588,622</u>	<u>3,963,037</u>	<u>(625,585)</u>
<b>Total Revenues</b>				
<b>Expenditures</b>				
Roads	7,760,930	7,873,985	6,439,317	1,434,668
Debt Service	164,066	164,066	164,066	-
Administration	1,233,500	1,246,000	1,109,365	136,635
Reserve Balance	2,018,442	1,892,887	12,538	1,880,349
	<u>11,176,938</u>	<u>11,176,938</u>	<u>7,725,286</u>	<u>3,451,652</u>
<b>Total Expenditures</b>				
<b>(Deficit) Excess of Revenues Over Expenditures</b>				
	<u>(6,588,316)</u>	<u>(6,588,316)</u>	<u>(3,762,249)</u>	<u>2,826,067</u>
<b>Other Financing (Uses) Sources</b>				
Bond Principal Payment	(248,684)	(248,684)	(248,684)	-
Operating Transfers In	5,000,000	5,000,000	5,000,000	-
	<u>4,751,316</u>	<u>4,751,316</u>	<u>4,751,316</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>				
<b>(Deficit) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>				
	(1,837,000)	(1,837,000)	989,067	2,826,067
<b>Fund Balance July 1, 2014</b>				
	<u>1,837,000</u>	<u>\$ 1,837,000</u>	<u>\$ 2,085,687</u>	<u>\$ 2,085,687</u>
<b>Fund Balance June 30, 2015</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,074,754</u>	<u>\$ 4,911,754</u>

**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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 4,480,500	\$ 4,480,500	\$ 4,486,431	\$ 5,931
Charges for Services	174,500	174,500	223,371	48,871
Miscellaneous	190,000	190,000	228,465	38,465
Interest	2,000	2,000	3,190	1,190
<b>Total Revenues</b>	<u>4,847,000</u>	<u>4,847,000</u>	<u>4,941,457</u>	<u>94,457</u>
<b>Expenditures</b>				
Protection to Persons and Property	4,697,700	4,762,700	4,411,244	351,456
Administration	1,474,500	1,474,500	1,197,268	277,232
Reserve Balance	138,800	73,800	-	73,800
<b>Total Expenditures</b>	<u>6,311,000</u>	<u>6,311,000</u>	<u>5,608,512</u>	<u>702,488</u>
<b>(Deficit) Excess of Revenues Over Expenditures</b>	(1,464,000)	(1,464,000)	(667,055)	796,945
<b>Other Financing Sources</b>				
Operating Transfers In	1,050,000	1,050,000	325,000	(725,000)
<b>Deficit of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources</b>	(414,000)	(414,000)	(342,055)	(71,945)
<b>Fund Balance July 1, 2014</b>	<u>414,000</u>	<u>414,000</u>	<u>1,437,974</u>	<u>1,023,974</u>
<b>Fund Balance June 30, 2015</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,095,919</u>	<u>\$ 952,029</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, 2015**

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>
<b>Revenues</b>			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 47,935,317	\$ 3,963,037	\$ 4,941,457
Accounts Receivable June 30, 2014 (As Restated)	(7,834,220)	(804,924)	(403,834)
Accounts Receivable June 30, 2015	7,794,722	316,445	342,474
Change in Note Receivable Balance	(147,839)	-	-
Reclass of Reimbursements	<u>563</u>	<u>-</u>	<u>-</u>
<b>Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds</b>	<u>\$ 47,748,543</u>	<u>\$ 3,474,558</u>	<u>\$ 4,880,097</u>
<b>Expenses</b>			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 29,014,650	\$ 7,725,286	\$ 5,608,512
Accounts Payable June 30, 2014	(153,223)	(111,938)	(80,357)
Accounts Payable June 30, 2015	258,625	83,852	57,827
Accrued Payroll June 30, 2014	(306,259)	(111,870)	(118,323)
Accrued Payroll June 30, 2015	337,703	121,569	133,120
Compensated Absences Payable June 30, 2014	(230,565)	(106,590)	(61,465)
Compensated Absences Payable June 30, 2015	240,181	119,998	77,679
Reclass of Reimbursements	<u>223</u>	<u>-</u>	<u>-</u>
<b>Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds</b>	<u>\$ 29,161,335</u>	<u>\$ 7,720,307</u>	<u>\$ 5,616,993</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, 2015**  
(Continued)

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>
<b>Other Financing (Uses) Sources</b>			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ <u>(14,625,000)</u>	\$ <u>4,751,316</u>	\$ <u>325,000</u>
<b>Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds</b>	\$ <u><u>(14,625,000)</u></u>	\$ <u><u>4,751,316</u></u>	\$ <u><u>325,000</u></u>
<b>Ending Balance</b>			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 19,064,495	\$ 3,074,754	\$ 1,095,919
Notes Receivable	3,139,839	-	-
Accounts Receivable	7,794,722	316,445	342,474
Due from Boone County Golf Course	8,332,481	-	-
Restricted Cash	4,815,118	-	-
Accounts Payable	(469,345)	(83,852)	(57,827)
Accrued Payroll	(337,703)	(121,569)	(133,120)
Compensated Balances Payable	(240,181)	(119,998)	(77,679)
Net Profit Tax Extension Payable	(8,121,761)	-	-
Rounding Adjustment	<u>337</u>	<u>(1)</u>	<u>1</u>
<b>Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds</b>	\$ <u><u>33,978,002</u></u>	\$ <u><u>3,065,779</u></u>	\$ <u><u>1,169,768</u></u>

**BOONE COUNTY FISCAL COURT  
CONDITION RATING OF THE COUNTY'S STREET SYSTEM  
Fiscal Year Ended June 30, 2015**

	<u>2015</u>
Total Road System Length in Miles:	418.3
Total Road System PCI Average:	72
Percentage of Lane Miles With PCI Greater Than or Equal to 65:	68%
Percentage of Lane Miles With PCI Less Than 65:	32%
Backlog as a Percentage of Total Lane Miles:	3%
Comparison of Needed-to-Actual Maintenance/Preservation:	
Needed	\$ 3,268,010
Actual	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, 2015**

Percentage of Lane-Miles in Good or Better Condition			
2014	2013	2012	2011
93%	92%	98%	97%

Percentage of Lane-Miles in Substandard Condition			
2014	2013	2012	2011
7%	8%	2%	3%

Comparison of Needed-to-Actual Maintenance/Preservation				
	2014	2013	2012	2011
Bridge				
Needed	\$ 270,000	\$ -	\$ -	\$ -
Actual	162,435	-	-	-
Roads				
Needed	467,685	736,920	670,000	762,000
Actual	424,713	553,570	582,477	500,456
Subdivision				
Needed	1,870,712	2,947,690	2,680,000	2,048,000
Actual	1,698,853	2,214,280	2,329,906	2,001,824

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, 2015**

**County Employees Retirement System**

County's Proportion of the Net Pension Liability (Asset) - Non Hazardous	0.38%
County's Proportion of the Net Pension Liability (Asset) - Hazardous	0.33%
County's Proportionate Share of the Net Pension Liability (Asset) - Non Hazardous	\$ 12,273,284
County's Proportionate Share of the Net Pension Liability (Asset) - Hazardous	<u>3,968,390</u>
Total County's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 16,241,674</u>
County's Covered - Employee Payroll	\$ 11,001,640
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	147.63%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non Hazardous	66.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Hazardous	63.46%

**BOONE COUNTY FISCAL COURT  
SCHEDULE OF COUNTY CONTRIBUTIONS  
June 30, 2015**

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

<b>Nonhazardous</b>	<b>2015</b>	<b>2014</b>
Contractually Required Contribution	\$ 1,136,496	\$ 1,200,715
Contributions in Relation to the Contractually Required Contribution	<u>(1,136,496)</u>	<u>(1,200,715)</u>
Contribution Deficiency (Excess)	\$ <u>          -</u>	\$ <u>          -</u>
County's Covered-Employee Payroll	\$ 9,014,830	\$ 9,060,903
Contributions as a Percentage of Covered-Employee Payroll	12.61%	13.25%
<b>Hazardous</b>	<b>2015</b>	<b>2014</b>
Contractually Required Contribution	\$ 382,115	\$ 364,344
Contributions in Relation to the Contractually Required Contribution	<u>(382,115)</u>	<u>(364,344)</u>
Contribution Deficiency (Excess)	\$ <u>          -</u>	\$ <u>          -</u>
County's Covered-Employee Payroll	\$ 1,986,811	\$ 1,874,774
Contributions as a Percentage of Covered-Employee Payroll	19.23%	19.43%

**SUPPLEMENTARY INFORMATION**

**BOONE COUNTY FISCAL COURT**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2015**

	<u>Public Safety Communications 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>
<b>Assets</b>							
Cash and Cash Equivalents	\$ 2,434,456	\$ 48,809	\$ 32,315	\$ 952,706	\$ 1,456,826	\$ 341,052	\$ 5,266,164
Accounts Receivable	<u>186,001</u>	<u>-</u>	<u>19,686</u>	<u>77,773</u>	<u>611,606</u>	<u>-</u>	<u>895,066</u>
<b>Total Assets</b>	<u>\$ 2,620,457</u>	<u>\$ 48,809</u>	<u>\$ 52,001</u>	<u>\$ 1,030,479</u>	<u>\$ 2,068,432</u>	<u>\$ 341,052</u>	<u>\$ 6,161,230</u>
<b>Liabilities and Fund Balances</b>							
<b>Balances Liabilities</b>							
Accounts Payable	\$ 9,138	\$ 3,359	\$ 52,001	\$ -	\$ 119,386	\$ -	\$ 183,884
Accrued Payroll	104,845	-	-	-	-	-	104,845
Compensated Absences Payable	<u>86,959</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>86,959</u>
Total Liabilities	<u>200,942</u>	<u>3,359</u>	<u>52,001</u>	<u>-</u>	<u>119,386</u>	<u>-</u>	<u>375,688</u>
<b>Fund Balances</b>							
Restricted							
Other Capital Projects	-	-	-	1,030,479	-	341,052	1,371,531
Other Purposes	-	45,450	-	-	-	-	45,450
Protection to Persons and Property	2,419,515	-	-	-	-	-	2,419,515
Committed							
Health and Welfare	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,949,046</u>	<u>-</u>	<u>1,949,046</u>
Total Fund Balances	<u>2,419,515</u>	<u>45,450</u>	<u>-</u>	<u>1,030,479</u>	<u>1,949,046</u>	<u>341,052</u>	<u>5,785,542</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,620,457</u>	<u>\$ 48,809</u>	<u>\$ 52,001</u>	<u>\$ 1,030,479</u>	<u>\$ 2,068,432</u>	<u>\$ 341,052</u>	<u>\$ 6,161,230</u>

**BOONE COUNTY FISCAL COURT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Fiscal Year Ended June 30, 2015**

	<b>Public Safety Communications Center</b>	<b>Local Government Economic Assistance Fund</b>	<b>Federal Grants Fund</b>	<b>Tax Improvement Fund</b>	<b>Mental Health Fund</b>	<b>Earl Parker Robinson Fund</b>	<b>Public Properties Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>								
Taxes	\$ 1,357,759	\$ -	\$ -	\$ 380,389	\$ 2,462,214	\$ -	\$ -	\$ 4,200,362
Intergovernmental	406,488	58,215	250,000	-	-	-	1,159,682	1,874,385
Miscellaneous	14,155	-	-	-	12,538	-	-	26,693
Interest	6,004	109	-	-	4,454	1,014	-	11,581
<b>Total Revenues</b>	<b>1,784,406</b>	<b>58,324</b>	<b>250,000</b>	<b>380,389</b>	<b>2,479,206</b>	<b>1,014</b>	<b>1,159,682</b>	<b>6,113,021</b>
<b>Expenditures</b>								
Protection to Persons and Property	2,718,026	-	-	-	-	-	-	2,718,026
General Health and Sanitation	-	-	-	-	1,094,460	-	-	1,094,460
Social Services	-	-	250,000	-	588,692	-	-	838,692
Roads	-	22,975	-	140,803	-	-	-	163,778
Administration	883,732	-	-	-	245,915	-	-	1,129,647
Debt Service	-	-	-	-	-	-	159,682	159,682
<b>Total Expenditures</b>	<b>3,601,758</b>	<b>22,975</b>	<b>250,000</b>	<b>140,803</b>	<b>1,929,067</b>	<b>-</b>	<b>159,682</b>	<b>6,104,285</b>
(Deficiency) Excess of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	(1,817,352)	35,349	-	239,586	550,139	1,014	1,000,000	8,736
<b>Other Financing Sources (Uses)</b>								
Bond Principal Payments	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Transfers from Other Funds	1,750,000	-	-	-	-	-	-	1,750,000
<b>Total Other Financing Sources (Uses)</b>	<b>1,750,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,000,000)</b>	<b>750,000</b>
<b>Net Change in Fund Balances</b>	<b>(67,352)</b>	<b>35,349</b>	<b>-</b>	<b>239,586</b>	<b>550,139</b>	<b>1,014</b>	<b>-</b>	<b>758,736</b>
<b>Fund Balances July 1, 2014</b>	<b>2,486,867</b>	<b>10,101</b>	<b>-</b>	<b>790,893</b>	<b>1,398,907</b>	<b>340,038</b>	<b>-</b>	<b>5,026,806</b>
<b>Fund Balances June 30, 2015</b>	<b>\$ 2,419,515</b>	<b>\$ 45,450</b>	<b>\$ -</b>	<b>\$ 1,030,479</b>	<b>\$ 1,949,046</b>	<b>\$ 341,052</b>	<b>\$ -</b>	<b>\$ 5,785,542</b>

**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, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Boone County, Kentucky (the County) as of and for the fiscal year ended June 30, 2015, 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 7, 2017.

#### **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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness defined as 2015-001.

#### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the management recommendation letter.

### **The County's Response to Findings**

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 7, 2017

**BOONE COUNTY FISCAL COURT  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2015**

**Finding 2015-001: Description of Finding**

*Criteria:* The County must prepare a schedule of expenditures of Federal awards for the period covered by the County's financial statements which must include the total Federal awards expended as determined in accordance with subsection 200.502 of the Uniform Guidance.

*Condition:* \$340,210 in Federal expenditures were not reported on the schedule of expenditures of Federal awards in previous years as well as \$394,644 were not properly reported as a receivable.

*Context:* During the reconciliation of the schedule of expenditures of Federal awards, it was noted there was \$292,193 received during the year ended June 30, 2015 for the FEMA-1976DR-KY grant (CFDA #97.036). However, there were no Federal expenditures recorded. After review, it was determined these expenditures were incurred in previous fiscal years but were never recorded on the schedule of expenditures of Federal awards.

*Effect:* The schedule of expenditures of Federal awards was materially misstated and therefore the single audit determination was potentially incorrect.

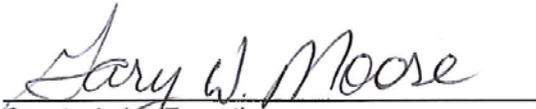
*Cause:* The program was administered by a department outside of the finance department. The expenditures were not identified as Federal expenditures when incurred and as no funds were received until the current fiscal year, the finance department was not aware of the misstatement.

*Recommendation:* We recommend the County implement policies and procedures for identifying and notifying the finance department of Federal expenditures when incurred

*Views of Responsible Officials and Planned Corrective Actions:* FEMA grant management was previously assigned to the Public Works Supervisor and Director of Emergency Management, with no executive management review. Subsequent to the finding identified the County Administrator, Engineer and Treasurer met to discuss the internal communications and processes; out of those discussions an internal Federal expenditure and revenue statement listing all major open projects/grants, individually, was developed and is now reviewed quarterly. The Treasurer met with various members of the County's Public Works and Emergency Management staff who are responsible for daily oversight of County activities that involve expending federal funds to discuss and communicate the expectations and responsibilities of their roles. In addition to improving the internal tracking and communication, the County Engineer and Treasurer, along with the Director of Emergency Management, attended a 40 hour class specific to FEMA incident management and cost reporting.

**BOONE COUNTY FISCAL COURT  
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2015**

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