

BOONE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2014

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



Boone County
Kentucky

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INDEPENDENT AUDITORS' REPORT

People of Kentucky
Honorable Steven L. Beshear, Governor
Lori H. Flanery, Secretary
Finance and Administration Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court

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, 2014, 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 – 17% of the assets and 67% 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, 2014, 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.

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 condition rating of the county's street system on pages 2 through 11, 45 through 49, and 50 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 non-major 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards 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 non-major fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2016, 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.

**BOONE COUNTY OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2014**

Fiscal Court Members:

Gary W. Moore	County Judge/Executive
Matt Dedden	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	Property Valuation Administrator
Douglas M. Stith	Coroner

Appointed Personnel:

Lisa H. Buerkley	County Treasurer
Gregory V. Sketch	County Engineer

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014
Unaudited**

Management's discussion and analysis (MD&A) of the Boone County's (County) financial performance provides a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the County's financial statements that begin on page 12.

Financial Highlights

- As of June 30, 2014, Boone County's net position was \$278,293,184, which is an increase of \$9,941,232 or 4% over the prior year. Total current assets of \$41,925,850 increased by \$4,231,025 or 11% and the non-current assets (including deferred outflows) increased by \$2,355,327 or 1%.
 - The \$4,231,025 increase in current assets is attributable to an increase in cash across most of the government funds.
 - Non-current assets increased again this year by approximately \$2.0 million due to the net activity associated with the accepting of new subdivision roads from local developers, deployment of a first responder's in-vehicle connectivity platform costing a little over \$1.0 million, along with an increase in the restricted cash balances associated with Occupation/Business License tax estimated and extension payments.
 - Total liabilities decreased \$3,354,880 or 6% when compared to the previous year as the County continues to make payments against its outstanding capital leases and bonds.
- Program revenues offset 37% of Boone County's governmental activity expenses, totaling \$51,317,642. 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 approximately \$3.4 million. During the current fiscal year, the County took advantage of an early call provision with its outstanding Build America Bonds and retired the entire \$990,000 outstanding principal. As of June 30, 2014 the County has approximately \$33.9 million of outstanding capital leases and bonds, of which \$3.2 million is due within one year.
- Through budgeted expenditures, grants and in-kind donations, the County capitalized nearly \$5.5 million in long lived assets during 2014. Significant additions include the following;
 - South Airport Connector Road (Aero Parkway) was completed during the year; as result nearly \$18.2 million of costs were transferred from construction in progress and capitalized.
 - Operating capital purchased included \$1,024,188 for an in-vehicle wireless connectivity platform for all First Response vehicles, \$670,729 in Sheriff's vehicles, \$297,596 for a new Recycling Center, \$197,119 for heavy equipment for use in Public Works, and \$125,913 in light duty equipment for use in various other County departments.
 - The County accepted several new roads valued at \$2,101,790 from local developers.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014
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 entities:

- Boone County Fiscal Court, including Boone County Public Golf Courses and Assisted Housing
- 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 37% by program revenues which include charges for services and federal, state and local operating and capital grants. The Statement of Activities shows a positive change in net assets of \$10,426,589. Revenues decreased \$4,082,358 or 6% when compared to the previous year and the expenses increased by \$1,769,517 or 4%. The completion of Aero Parkway had the greatest impact on the County's revenue sources as capital grants decrease by more than \$9.5 million.
- **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 services. Current year program revenues covered 94% of service costs; the Jail Canteen and Assisted Housing were self-sufficient. The Golf Course resulted in a negative change in assets and borrowed an additional \$200,000 from the General Fund. The combined operations of all business-type activities resulted in a negative change in net position of \$485,357.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014
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, public safety communication center, 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 44) 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, 2014
Unaudited
(Continued)**

Required Supplementary Information

The budgetary comparison schedules (pages 45 through 47) 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 Road System. The Public Works Department is utilizing the modified approach method in valuing the County's maintained road system. The modified approach establishes a minimum condition level set for all Boone County maintained roads. The Public Works Department will maintain the necessary condition level through its Pavement Management Program which establishes a Pavement Quality Index (PQI) when the roads are analyzed (every 3 to 4 years) on a range from 2.0 to 10.0. The County has and will continue its commitment to preserve and maintain the road system at a level of at least 7.0 on all collector roads and 6.0 on other local roads. Using this approach, the roads will maintain the asset value of construction or historic cost, whichever is available, and will not depreciate each year. The 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 PQI in a given fiscal year, the road/street will be listed to be rehabilitated in that year and placed on the yearly paving list submitted to the Court through the budget process. The PQI is upgraded upon rehabilitation and by doing this the County fulfills the requirements of the Modified Approach.

Supplementary Information

The Combining Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds (pages 51 and 52) present the activities of the non-major governmental funds.

The Schedule of Expenditures of Federal Awards (page 53) provides information required pursuant to the Office of Management and Budget (OMB) Circular A-133 of all federal grant money expended by the County.

Basis of Accounting

The County has converted all financial information to the modified accrual basis of accounting as required by generally accepted accounting principles (GAAP). Under this basis of accounting, revenues are recorded when the resources are measurable and available and expenditures are recorded in the accounting period in which the related fund liability is incurred. In previous years, certain assets such as accounts receivable and certain liabilities such as accounts payable were not recorded in the financial statements, therefore limiting the reader of the full effect of the financial statements. The Boone County budget is adopted on a cash basis of accounting, which is required by the Kentucky Constitution. The schedule on page 48 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, 2014
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

	Governmental Activities		Business Activities		Total	
	FY13	FY14	FY13	FY14	FY13	FY14
Current Assets	\$ 36,264,145	\$ 40,724,206	\$ 1,430,680	\$ 1,201,644	\$ 37,694,825	\$ 41,925,850
Non-Current Assets	281,939,125	284,366,299	3,252,516	3,180,669	285,191,641	287,546,968
Total Assets	318,203,270	325,090,505	4,683,196	4,382,313	322,886,466	329,472,818
Current Liabilities	12,014,698	12,703,897	209,294	171,589	12,223,992	12,875,486
Long-Term Liabilities	37,424,963	33,196,410	4,885,559	5,107,738	42,310,522	38,304,148
Total Liabilities	49,439,661	45,900,307	5,094,853	5,279,327	54,534,514	51,179,634
Invested In Capital, Net	228,900,358	233,685,139	3,232,471	3,170,379	232,132,829	236,855,518
Multi-government Ins Fund	(2,052,476)	(1,470,586)	-	-	(2,052,476)	(1,470,586)
Social Services	-	-	379,191	164,063	379,191	164,063
PPP	4,104,273	4,068,531	-	-	4,104,273	4,068,531
Other Purposes	228,364	238,216	192,976	304,188	421,340	542,404
Other Capital Projects	5,509,024	8,221,534	-	-	5,509,024	8,221,534
Health and Welfare	982,420	1,398,907	-	-	982,420	1,398,907
Road	1,952,162	2,165,568	-	-	1,952,162	2,165,568
Unrestricted	29,139,484	30,882,889	(4,216,295)	(4,535,644)	24,923,189	26,347,245
Total Position	\$ 268,763,609	\$ 279,190,198	\$ (411,657)	\$ (897,014)	\$ 268,351,952	\$ 278,293,184

At June 30, 2014, the County's net position exceeded its liabilities by \$227,113,550, an increase of \$13,296,112 or 6%, over the prior year. The majority of the County's total assets (82%) 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 \$26,347,245, an increase of \$1,424,056 or 6%, 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 \$4,460,061 (12%), which is attributable to an increase in the cash balance of several major and minor funds.
- Total liabilities under governmental activities decrease by \$3,539,354 (8%), due to a combination of continued debt service payments on outstanding bonds and the early retirement of the Build America Bonds of \$990,000.
- Total assets decreased in the business activities by \$300,883 (6%) due to the depreciation of capital assets and a change in the reimbursement practices of the Department of Housing and Urban Development (HUD). The overall cash position of business activities decreased by approximately \$218,360. 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 assets of \$485,357 (118%) is attributable to the change in HUD's reimbursement practice, resulting in Assisted Housing experiencing its second year of net losses of \$258,521 and the Golf Course showing a net loss of \$338,048.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014
Unaudited
(Continued)**

STATEMENT OF ACTIVITES

	Governmental Activities		Business Activities		Total	
	FY13	FY14	FY13	FY14	FY13	FY14
Revenues:						
<u>Program Revenues:</u>						
Charges for Services	\$ 7,232,801	\$ 7,498,185	\$ 2,676,362	\$ 2,654,542	\$ 9,909,163	\$ 10,152,727
Operating Grants and Contributions	7,183,214	9,865,967	5,621,988	5,452,762	12,805,202	15,318,729
Capital Grants and Contributions	10,852,465	1,380,282	-	-	10,852,465	1,380,282
Program revenues funded	25,268,480	18,744,434	8,298,350	8,107,304	33,566,830	26,851,738
<u>General Revenue:</u>						
Taxes	37,701,673	38,707,005	-	-	37,701,673	38,707,005
License Fees and Permits	242,658	263,173	-	-	242,658	263,173
Excess Fees	770,396	1,466,239	-	-	770,396	1,466,239
Rental Income	197,611	197,929	-	-	197,611	197,929
Investment Earnings	120,153	130,859	2,769	3,207	122,922	134,066
Gain on Donated Roads/Land	1,259,650	2,101,790	-	-	1,259,650	2,101,790
Gain on Sale of Fixed Assets	23,550	16,271	-	-	23,550	16,271
Reimbursements	182,721	-	-	-	182,721	-
Other	59,697	116,531	-	-	59,697	116,531
Total Revenues	65,826,589	61,744,231	8,301,119	8,110,511	74,127,708	69,854,742
Expenses						
General Government/Administration	12,854,756	13,449,444	-	-	12,854,756	13,449,444
Protection to Persons and Property	22,052,361	22,386,425	-	-	22,052,361	22,386,425
General Health and Sanitation	1,683,816	1,717,654	-	-	1,683,816	1,717,654
Social Services	1,091,292	1,213,061	-	-	1,091,292	1,213,061
Recreation and Culture	2,208,295	2,163,208	-	-	2,208,295	2,163,208
Roads	8,379,813	8,856,020	-	-	8,379,813	8,856,020
Capital Improvements	37,043	440,076	-	-	37,043	440,076
Interest on Long-Term Debt	1,240,749	1,091,754	-	-	1,240,749	1,091,754
Jail Canteen Fund	-	-	397,031	396,691	397,031	396,691
Golf Course Fund	-	-	2,557,865	2,486,099	2,557,865	2,486,099
Assisted Housing Fund	-	-	5,901,946	5,713,078	5,901,946	5,713,078
Total Expenses	49,548,125	51,317,642	8,856,842	8,595,868	58,404,967	59,913,510
Change in Net Position	16,278,464	10,426,589	(555,723)	(485,357)	15,722,741	9,941,232
Prior Period Adjustments	(1,655,795)	-	-	-	(1,655,795)	-
Net Position - Beginning Year	254,140,940	268,763,609	144,066	(411,657)	254,285,006	268,351,952
Net Position -Ending Year	\$ 268,763,609	\$ 279,190,198	\$ (411,657)	\$ (897,014)	\$ 268,351,952	\$ 278,293,184

For the year ended June 30, 2014, governmental activities net position totaled \$279,190,198, an increase of 4% over the previous fiscal year. Net position for business-type activities was (\$897,014), a decrease of 118% as a result of the change in HUD funding practices.

Total program revenues decreased \$6,715,092 or 20% compared to the previous fiscal year. The completion of the Aero Parkway project had a significant, yet expected negative impact on capital grants and contributions of a little more than \$7.5 million. Revenue from all other sources increased \$2,442,126 which helped offset the decrease.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014
Unaudited
(Continued)**

The County continues efforts 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 increased by \$1,508,543 or 3%. Overall total revenues exceeded total expenditures, resulting in a positive change in net position of \$9,941,232.

Significant changes compared to the prior year are listed below:

- The completion of Aero Parkway impact on the statement of activities is demonstrated by a decrease in the Capital Grants and Contributions; the County received both federal and state dollars to pay for 100% of the actual construction cost.
- The County also experienced an increase in tax collections of \$1,005,332 (3%). This reflects a decrease of approximately \$457,000 (3%) in property taxes and an increase of approximately \$1,397,000 (6%) in occupational/payroll taxes. All other taxes remain comparable to prior year collections.
- The business-type activity program revenues as a percentage of total expenditures were approximately 94%.

Program revenues for the governmental activities were 30% of total revenues received. This means that 30% 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 non-major funds with major funds presented individually. The County has four major funds; General, Road and Bridge, Public Safety Communication Center and Capital Improvements. The County's governmental funds reflect a combined fund balance of \$46,975,645 of which approximately 46% 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 \$1,443,432 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% 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 \$485,357 for the enterprise funds from the prior fiscal year.

- The current year's Golf Course's net operating loss was \$338,048. 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, increased by \$42,254 from the prior fiscal year. The primary cause of this year over year increase 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, 2014
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 \$160,122 to the Capital Improvement Fund, which is an increase of \$200,000. 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 \$111,212. 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 \$258,521 during the year. Revenues are down \$169,226 while expenses decreased \$188,898. The decrease 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 2014 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 3%, while reoccurring line item operating expenses were well below budget by 32%.

Capital Assets and Debt Administration

Capital Assets

At the end of the year ended June 30, 2014, the government activities of the County had \$267,543,398 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 \$1,786,454 or 1%, on the governmental activities and a decrease of \$71,847 or 2%, on the business activities from the previous year. Due to the elimination of most capital purchases throughout the past couple of years, the governmental activities' increase in capital assets 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 approximately \$2,102,000, along with the transfer of Aero Parkway out of construction in progress with a final construction value of approximately \$18.2 million.

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

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2014
Unaudited
(Continued)**

STATEMENT OF CAPITAL ASSETS

Capital Assets, net of Accumulated Depreciation (PSCC factored into P/Y Numbers)

	Governmental Activities		Business Activities		Total	
	FY13	FY14	FY13	FY14	FY13	FY14
Land	\$ 11,825,020	\$ 11,825,020	\$ 2,396,478	\$ 2,396,478	\$ 14,221,498	\$ 14,221,498
Roads, modified approach (not depr.)	171,912,720	192,197,679	-	-	171,912,720	192,197,679
Roads	14,976	13,354	-	-	14,976	13,354
Land Improvements	6,281,714	6,241,242	122,093	105,789	6,403,807	6,347,031
Building and Improvements	49,333,265	48,188,092	632,506	567,890	49,965,771	48,755,982
Construction In Progress	19,259,414	1,243,933	-	-	19,259,414	1,243,933
Vehicles, Machinery and Equipment	6,501,839	7,138,978	94,141	110,145	6,595,980	7,249,123
Furniture and Office Equipment	627,996	695,100	7,298	367	635,294	695,467
	<u>\$ 265,756,944</u>	<u>\$ 267,543,398</u>	<u>\$ 3,252,516</u>	<u>\$ 3,180,669</u>	<u>\$ 269,009,460</u>	<u>\$ 270,724,067</u>

A more detailed breakdown of the capital assets and depreciation can be found in Note 6 (pages 34 and 35) of the Notes to the Financial Statements.

Debt

As of June 30, 2014, the County had \$33,396,488 in outstanding bonds and lease obligations (not including premium or discount) versus \$36,766,999 last year, a decrease of 9.2%, 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.

Outstanding Debt at Year-End

	Governmental Activities		Business Activities		Total	
	FY13	FY14	FY13	FY14	FY13	FY14
General Obligation Bonds (backed by the County)	\$ 24,579,859	\$ 21,686,028	\$ -	\$ -	\$ 24,579,859	\$ 21,686,028
General Obligation Bonds (back by specific tax or fee)	2,295,141	2,163,972	-	-	2,295,141	2,163,972
Revenue Bonds and Notes (back by specific tax or fee revenues)	9,840,000	9,520,000	-	-	9,840,000	9,520,000
Capital Lease Payable	31,954	16,366	20,045	10,122	51,999	26,488
	<u>\$ 36,746,954</u>	<u>\$ 33,386,366</u>	<u>\$ 20,045</u>	<u>\$ 10,122</u>	<u>\$ 36,766,999</u>	<u>\$ 33,396,488</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%) of the value of the taxable property within the County's limits. According to Boone County's 2013 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, 2014
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 28% over the previous year. Revenue from payroll tax receipts, the County's single largest source of revenue reflected growth of approximately 6% 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.

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, 2014**

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 29,930,523	\$ 1,061,853	\$ 30,992,376
Investments	1,039,608	-	1,039,608
Inventory	-	70,585	70,585
Accounts Receivable	9,517,364	69,206	9,586,570
Due from Boone County Golf Course	10,122	-	10,122
Notes Receivable, Due Within One Year	226,589	-	226,589
Total Current Assets	<u>40,724,206</u>	<u>1,201,644</u>	<u>41,925,850</u>
Noncurrent Assets			
Capital Assets, Net of Accumulated Depreciation			
Land	11,825,020	2,396,478	14,221,498
Land Improvements	6,241,242	105,789	6,347,031
Buildings and Building Improvements	48,188,092	567,890	48,755,982
Furniture and Office Equipment	695,100	367	695,467
Vehicles and Equipment	7,138,978	110,145	7,249,123
Construction in Progress	1,243,933	-	1,243,933
Infrastructure Assets, Net of Accumulated Depreciation	192,211,033	-	192,211,033
Restricted Cash	7,369,070	-	7,369,070
Due from Boone County Golf Course	4,965,118	-	4,965,118
Notes Receivable, Due in More than One Year	4,085,049	-	4,085,049
Total Noncurrent Assets	<u>283,962,635</u>	<u>3,180,669</u>	<u>287,143,304</u>
Total Assets	<u>324,686,841</u>	<u>4,382,313</u>	<u>329,069,154</u>
Deferred Outflows of Resources			
Deferred Loss on Refundings, Net	403,664	-	403,664
Total Assets and Deferred Outflows of Resources	<u>\$ 325,090,505</u>	<u>\$ 4,382,313</u>	<u>\$ 329,472,818</u>
LIABILITIES			
Current Liabilities			
Compensated Absences Payable, Due Within One Year	\$ 12,343	\$ 1,989	\$ 14,332
Capital Lease, Due Within One Year	16,366	10,122	26,488
Bonds Payable, Due Within One Year	3,169,656	-	3,169,656
Accounts Payable	1,137,283	78,567	1,215,850
Accrued Payroll	633,182	80,743	713,925
Accrued Interest	377,049	168	377,217
Estimated Liability for Claims - HRA Accounts, Due Within One Year	217,063	-	217,063
Accrued Other	7,140,955	-	7,140,955
Total Current Liabilities	<u>12,703,897</u>	<u>171,589</u>	<u>12,875,486</u>
Noncurrent Liabilities			
Compensated Absences Payable, Due in More Than One Year	476,795	60,653	537,448
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	30,698,852	-	30,698,852
Estimated Liability for Claims - HRA Accounts, Due in More Than One Year	2,020,763	-	2,020,763
Accrued Other, Due in More Than One Year	-	81,967	81,967
Total Noncurrent Liabilities	<u>33,196,410</u>	<u>5,107,738</u>	<u>38,304,148</u>
Total Liabilities	<u>\$ 45,900,307</u>	<u>\$ 5,279,327</u>	<u>\$ 51,179,634</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF NET POSITION
June 30, 2014
(Continued)

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Net Position			
Invested in Capital Assets, Net of Related Debt	\$ 233,685,139	\$ 3,170,379	\$ 236,855,518
Restricted for			
Multi-Government Self Insurance	(1,470,586)	-	(1,470,586)
Social Services	-	164,063	164,063
Protection of Persons and Property	4,068,531	-	4,068,531
Other Purposes	238,216	304,188	542,404
Other Capital Projects	8,221,534	-	8,221,534
Health and Welfare	1,398,907	-	1,398,907
Road Resurfacing and Maintenance	2,165,568	-	2,165,568
Unrestricted	30,882,889	(4,535,644)	26,347,245
Total Net Position	\$ 279,190,198	\$ (897,014)	\$ 278,293,184

See accompanying notes.

**BOONE COUNTY FISCAL COURT
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2014**

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	
Governmental Activities							
General Government	\$ 13,449,444	\$ 745,080	\$ 1,218,223	\$ -	\$ (11,486,141)	\$ -	\$ (11,486,141)
Protection to Persons and Property	22,386,425	5,715,986	2,215,517	18,738	(14,436,184)	-	(14,436,184)
General Health and Sanitation	1,717,654	104,963	2,397,021	-	784,330	-	784,330
Social Services	1,213,061	12,526	250,000	-	(950,535)	-	(950,535)
Recreation and Culture	2,163,208	456,834	163,688	-	(1,542,686)	-	(1,542,686)
Roads	8,856,020	462,796	3,540,941	-	(4,852,283)	-	(4,852,283)
Capital Improvements	440,076	-	80,577	1,361,544	1,002,045	-	1,002,045
Interest on Long-Term Debt	1,091,754	-	-	-	(1,091,754)	-	(1,091,754)
Total Governmental Activities	51,317,642	7,498,185	9,865,967	1,380,282	(32,573,208)	-	(32,573,208)
Business-Type Activities							
Jail Canteen Fund	396,691	507,136	-	-	-	110,445	110,445
Golf Course Fund	2,486,099	2,147,406	-	-	-	(338,693)	(338,693)
Assisted Housing	5,713,078	-	5,452,762	-	-	(260,316)	(260,316)
Total Business-Type Activities	8,595,868	2,654,542	5,452,762	-	-	(488,564)	(488,564)
Total Primary Government	\$ 59,913,510	\$ 10,152,727	\$ 15,318,729	\$ 1,380,282	(32,573,208)	(488,564)	(33,061,772)
General Revenues							
Taxes							
Property Taxes							
					14,640,083	-	14,640,083
Occupational Taxes							
					23,177,281	-	23,177,281
Franchise Fees							
					889,641	-	889,641
License Fees and Permits							
					263,173	-	263,173
Excess Fees							
					1,466,239	-	1,466,239
Rental/Income							
					197,929	-	197,929
Unrestricted Investment Earnings							
					130,859	3,207	134,066
Donated Assets							
					2,101,790	-	2,101,790
Gain on Sale of Fixed Assets							
					16,271	-	16,271
Miscellaneous Revenues							
					116,531	-	116,531
Total General Revenues							
					42,999,797	3,207	43,003,004
Change in Net Position							
					10,426,589	(485,357)	9,941,232
Net Position July 1, 2013							
					268,763,609	(411,657)	268,351,952
Net Position June 30, 2014							
					\$ 279,190,198	\$ (897,014)	\$ 278,293,184

See accompanying notes.

**BOONE COUNTY FISCAL COURT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014**

	Major Funds					
	General Fund	Road and Bridge Fund	Public Safety Communications Center	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	\$ 13,729,218	\$ 2,085,688	\$ 2,599,089	\$ 7,111,374	\$ 3,396,929	\$ 28,922,298
Investments	1,039,608	-	-	-	-	1,039,608
Notes Receivable	3,287,678	-	-	1,023,960	-	4,311,638
Accounts Receivable	7,834,219	410,278	114,854	52,667	1,105,346	9,517,364
Due from Boone County Golf Course	4,815,118	-	-	160,122	-	4,975,240
Restricted Cash	7,369,070	-	-	-	-	7,369,070
Total Assets	\$ 38,074,911	\$ 2,495,966	\$ 2,713,943	\$ 8,348,123	\$ 4,502,275	\$ 56,135,218
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ 381,338	\$ 111,938	\$ 39,828	\$ 162,310	\$ 200,884	\$ 896,298
Accrued Payroll	306,259	111,870	96,730	-	118,323	633,182
Compensated Absences Payable	230,565	106,590	90,518	-	61,465	489,138
Net Profit Tax Extension Payable	7,140,955	-	-	-	-	7,140,955
Total Liabilities	8,059,117	330,398	227,076	162,310	380,672	9,159,573
Fund Balances						
Non Spendable						
Notes Receivable Long-Term	7,954,957	-	-	1,095,210	-	9,050,167
Restricted						
Other Capital Projects	-	-	-	-	1,130,931	1,130,931
Other Purposes	228,115	-	-	-	10,101	238,216
Protection of Persons and Property	-	-	2,486,867	-	-	2,486,867
Committed						
Health and Welfare	-	-	-	-	1,398,907	1,398,907
Assigned						
Other Capital Projects	-	-	-	7,090,603	-	7,090,603
Protection of Persons and Property	-	-	-	-	1,581,664	1,581,664
Road Resurfacing and Maintenance	-	2,165,568	-	-	-	2,165,568
Unassigned	21,832,722	-	-	-	-	21,832,722
Total Fund Balances	30,015,794	2,165,568	2,486,867	8,185,813	4,121,603	46,975,645
Total Liabilities and Fund Balances	\$ 38,074,911	\$ 2,495,966	\$ 2,713,943	\$ 8,348,123	\$ 4,502,275	\$ 56,135,218

See accompanying notes.

**BOONE COUNTY FISCAL COURT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2014**

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

Total Fund Balance - Governmental Funds		\$ 46,975,645
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	\$ 302,498,913	
Accumulated Depreciation	<u>34,955,515</u>	
		267,543,398
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.		
		(1,470,586)
Deferred loss on refunding, net is not a financial resource and therefore are not reported as assets in governmental funds		
		403,664
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	377,049	
Discounts on Bonds, Net	(50,653)	
Premiums on Bonds, Net	549,161	
Bonds, Notes and Lease Principal Payments, Due within One Year	3,121,366	
Bonds, Notes and Lease Principal Payments, Due in More than One Year	<u>30,265,000</u>	
		<u>(34,261,923)</u>
Total Net Position - Governmental Activities		\$ <u>279,190,198</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2014

	Major Funds					Total Governmental Funds
	General Fund	Road and Bridge Fund	Public Safety Communications Center	Capital Improvements Fund	Nonmajor Governmental Funds	
Revenues						
Taxes	\$ 37,343,405	\$ -	\$ -	\$ -	\$ 2,600,056	\$ 39,943,461
In Lieu Tax Payments	152,963	-	-	-	-	152,963
Excess Fees	1,466,239	-	-	-	-	1,466,239
Licenses and Permits	1,510,955	53,148	-	-	-	1,564,103
Intergovernmental	2,106,957	3,314,615	-	677,242	5,424,451	11,523,265
Charges for Services	1,440,837	184,950	-	-	192,604	1,818,391
Miscellaneous	416,836	396,567	1,834,404	193,371	214,426	3,055,604
Interest	102,324	4,830	6,343	10,366	6,996	130,859
Total Revenues	44,540,516	3,954,110	1,840,747	880,979	8,438,533	59,654,885
Expenditures						
General Government	4,122,703	-	-	296,159	-	4,418,862
Protection to Persons and Property	12,408,085	-	2,819,299	-	4,301,263	19,528,647
General Health and Sanitation	575,981	-	-	-	1,086,970	1,662,951
Social Services	105,509	-	-	-	836,715	942,224
Recreation and Culture	2,044,521	-	-	-	-	2,044,521
Roads	-	7,095,650	-	-	418,074	7,513,724
Capital Projects	-	-	-	1,595,934	-	1,595,934
Administration	9,265,877	1,184,511	881,543	-	1,483,275	12,815,206
Debt Service	760,408	173,701	-	26,466	166,282	1,126,857
Total Expenditures	29,283,084	8,453,862	3,700,842	1,918,559	8,292,579	51,648,926
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing (Uses) Sources	15,257,432	(4,499,752)	(1,860,095)	(1,037,580)	145,954	8,005,959
Other Financing (Uses) Sources						
Bond Principal Payments	(2,725,000)	(236,842)	-	(63,158)	(320,000)	(3,345,000)
Transfers to Other Funds	(11,089,000)	-	-	-	-	(11,089,000)
Transfers from Other Funds	-	4,950,000	1,500,000	3,825,000	814,000	11,089,000
Total Other Financing (Uses) Sources	(13,814,000)	4,713,158	1,500,000	3,761,842	494,000	(3,345,000)
Net Change in Fund Balances	1,443,432	213,406	(360,095)	2,724,262	639,954	4,660,959
Fund Balances July 1, 2013	28,572,362	1,952,162	2,846,962	5,461,551	3,481,649	42,314,686
Fund Balances June 30, 2014	\$ 30,015,794	\$ 2,165,568	\$ 2,486,867	\$ 8,185,813	\$ 4,121,603	\$ 46,975,645

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, 2014**

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

Total Net Change in Fund Balances - Governmental Funds	\$ 4,660,959
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net 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.

Depreciation Expense	\$ (3,561,079)	
Capital Outlays	<u>3,261,743</u>	(299,336)

Repayment of bond and capital lease principal is an expenditure in the governmental funds but it reduces long-term liabilities in the statement of net assets, and does not affect the statement of activities.	3,360,588
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Donated capital assets are not reported on the governmental fund statements. However, for governmental activities, these assets are reported on the statement of net assets.	2,101,790
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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.	36,698
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Internal Service Funds are used by management to charge the cost of health insurance to individual funds. The net revenues (expenses) of this fund are reported with governmental activities.	581,890
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Proceeds from the disposal of capital assets are recorded at the gross amount received. On the statement of activities, the proceeds from the sale are netted against the net book value of the asset.	<u>(16,000)</u>
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Total Change in Net Position - Governmental Activities	\$ <u>10,426,589</u>
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See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Fund
	<u>Jail Canteen Fund</u>	<u>Assisted Housing Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>	<u>Self Insurance Fund</u>
Assets					
Current Assets					
Cash and Cash Equivalents	\$ 304,188	\$ 546,999	\$ 210,666	\$ 1,061,853	\$ 1,008,225
Inventory	-	-	70,585	70,585	-
Accounts Receivable	-	69,206	-	69,206	-
Total Current Assets	<u>304,188</u>	<u>616,205</u>	<u>281,251</u>	<u>1,201,644</u>	<u>1,008,225</u>
Noncurrent Assets					
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	-	197,920	8,305,129	8,503,049	-
Total Noncurrent Assets	<u>-</u>	<u>112,801</u>	<u>3,067,868</u>	<u>3,180,669</u>	<u>-</u>
Total Assets	<u>\$ 304,188</u>	<u>\$ 729,006</u>	<u>\$ 3,349,119</u>	<u>\$ 4,382,313</u>	<u>\$ 1,008,225</u>
Liabilities					
Current Liabilities					
Compensated Absences Payable, Due Within One Year	\$ -	\$ 770	\$ 1,219	\$ 1,989	\$ -
Capital Lease, Due Within One Year	-	-	10,122	10,122	-
Accounts Payable	-	3,172	75,395	78,567	240,985
Accrued Payroll	-	18,718	62,025	80,743	-
Accrued Interest Payable	-	-	168	168	-
Estimated Liability for Claims - HRA Accounts, Due Within One Year	-	-	-	-	217,063
Total Current Liabilities	<u>-</u>	<u>22,660</u>	<u>148,929</u>	<u>171,589</u>	<u>458,048</u>
Noncurrent Liabilities					
Compensated Absences Payable, Due in More than One Year	-	14,622	46,031	60,653	-
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	-	-	-	-	2,020,763
Accrued Other - Noncurrent, Due in More than One Year	-	81,967	-	81,967	-
Total Noncurrent Liabilities	<u>-</u>	<u>96,589</u>	<u>5,011,149</u>	<u>5,107,738</u>	<u>2,020,763</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 119,249</u>	<u>\$ 5,160,078</u>	<u>\$ 5,279,327</u>	<u>\$ 2,478,811</u>
Net Position					
Invested in Capital Assets, Net of Related Debt Restricted for	\$ -	\$ 112,801	\$ 3,057,578	\$ 3,170,379	\$ -
Social Services	-	164,063	-	164,063	-
Other Purposes	304,188	-	-	304,188	-
Multi-Governmental Self Insurance	-	-	-	-	(1,470,586)
Unrestricted	-	332,893	(4,868,537)	(4,535,644)	-
Total Net Position	<u>\$ 304,188</u>	<u>\$ 609,757</u>	<u>\$ (1,810,959)</u>	<u>\$ (897,014)</u>	<u>\$ (1,470,586)</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2014

	<u>Business-Type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Fund
	<u>Jail Canteen Fund</u>	<u>Assisted Housing Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>	<u>Self Insurance Fund</u>
Operating Revenues					
Governmental Grants	\$ -	\$ 5,422,764	\$ -	\$ 5,422,764	\$ -
Canteen Receipts	507,136	-	-	507,136	-
Green Fees	-	-	1,113,659	1,113,659	-
Power Cart Rentals	-	-	428,155	428,155	-
Memberships	-	-	64,303	64,303	-
Commission	-	-	18,771	18,771	-
Pro Shop Sales and Pull Cart Rentals	-	-	127,339	127,339	-
Food and Beverage	-	-	374,263	374,263	-
Employer / Employee Contributions	-	-	-	-	5,552,651
Miscellaneous	-	29,998	20,916	50,914	-
Total Operating Revenues	<u>507,136</u>	<u>5,452,762</u>	<u>2,147,406</u>	<u>8,107,304</u>	<u>5,552,651</u>
Operating Expenses					
Cost of Merchandise Sold	396,691	-	90,406	487,097	-
Housing Assistance Payment	-	5,073,459	-	5,073,459	-
Salaries and Wages	-	366,507	874,879	1,241,386	-
Employee Benefits	-	177,310	303,947	481,257	-
Contract Services	-	12,200	29,471	41,671	-
Materials and Supplies	-	-	6,283	6,283	-
Golf Cart Lease	-	-	152,845	152,845	-
Utilities	-	-	150,325	150,325	-
Maintenance and Repairs	-	-	393,882	393,882	-
Petroleum Products	-	-	76,563	76,563	-
Uniforms	-	-	3,991	3,991	-
Food and Beverage	-	-	157,696	157,696	-
Depreciation	-	10,366	203,801	214,167	-
Other Operating Expenses	-	73,236	41,775	115,011	-
Insurance Claims	-	-	-	-	4,974,743
Total Operating Expenses	<u>396,691</u>	<u>5,713,078</u>	<u>2,485,864</u>	<u>8,595,633</u>	<u>4,974,743</u>
Operating Income (Loss)	<u>110,445</u>	<u>(260,316)</u>	<u>(338,458)</u>	<u>(488,329)</u>	<u>577,908</u>
Non-Operating Revenues (Expenses)					
Interest Income	767	1,795	645	3,207	3,982
Interest Expense	-	-	(235)	(235)	-
Total Non-Operating Revenues (Expenses)	<u>767</u>	<u>1,795</u>	<u>410</u>	<u>2,972</u>	<u>3,982</u>
Net Income (Loss)	111,212	(258,521)	(338,048)	(485,357)	581,890
Net Position July 1, 2013	<u>192,976</u>	<u>868,278</u>	<u>(1,472,911)</u>	<u>(411,657)</u>	<u>(2,052,476)</u>
Net Position June 30, 2014	<u>\$ 304,188</u>	<u>\$ 609,757</u>	<u>\$ (1,810,959)</u>	<u>\$ (897,014)</u>	<u>\$ (1,470,586)</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Assisted Housing Fund	Golf Course Fund	Totals	Self Insurance Fund
Cash Flows From Operating Activities					
Receipts from Customers	\$ 507,136	\$ -	\$ 2,128,635	\$ 2,635,771	\$ -
Receipts from Commissions	-	-	18,771	18,771	-
Receipts from Governmental Grants	-	5,426,718	-	5,426,718	-
Receipts from Employees/Intergovernmental	-	-	-	-	5,552,651
Payments to Suppliers	(396,691)	(5,085,906)	(1,089,254)	(6,571,851)	-
Payments to Employees	-	(546,640)	(1,176,933)	(1,723,573)	-
Payments for Claims	-	-	-	-	(5,072,824)
Other Expenses	-	(54,759)	-	(54,759)	-
Net Cash Provided (Used) by Operating Activities	<u>110,445</u>	<u>(260,587)</u>	<u>(118,781)</u>	<u>(268,923)</u>	<u>479,827</u>
Cash Flows from Capital and Related Financing Activities					
Purchase of Capital Assets	-	-	(142,320)	(142,320)	-
Proceeds from General Fund Obligations	-	-	200,000	200,000	-
Payments on General Fund Obligations	-	-	-	-	(500,000)
Payments on Capital Lease Obligations	-	-	(9,923)	(9,923)	-
Interest Paid on Capital Lease Obligations	-	-	(401)	(401)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>47,356</u>	<u>47,356</u>	<u>(500,000)</u>
Cash Flows from Investing Activities					
Interest Income	<u>767</u>	<u>1,795</u>	<u>645</u>	<u>3,207</u>	<u>3,982</u>
Net Change in Cash	111,212	(258,792)	(70,780)	(218,360)	(16,191)
Cash and Cash Equivalents July 1, 2013	<u>192,976</u>	<u>805,791</u>	<u>281,446</u>	<u>1,280,213</u>	<u>1,024,416</u>
Cash and Cash Equivalents June 30, 2014	<u>\$ 304,188</u>	<u>\$ 546,999</u>	<u>\$ 210,666</u>	<u>\$ 1,061,853</u>	<u>\$ 1,008,225</u>
Reconciliation of Operating Income					
Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 110,445	\$ (260,316)	\$ (338,458)	\$ (488,329)	\$ 577,908
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities					
Depreciation	-	10,366	203,801	214,167	-
Change in Assets and Liabilities					
Accounts Receivable	-	12,369	-	12,369	-
Inventory	-	-	(1,693)	(1,693)	-
Accounts Payable	-	(247)	15,676	15,429	(50,751)
Estimated Liability for Claims - HRA	-	-	-	-	(47,330)
Accrued Payroll	-	486	6,602	7,088	-
Funds Received in Excess of Funds Earned	-	(8,415)	-	(8,415)	-
Accrued Other	-	(11,521)	-	(11,521)	-
Compensated Absences Payable	-	(3,309)	(4,709)	(8,018)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 110,445</u>	<u>\$ (260,587)</u>	<u>\$ (118,781)</u>	<u>\$ (268,923)</u>	<u>\$ 479,827</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
June 30, 2014

	Agency Funds			
	School Board Tax Fund	Jail Prisoners Funds	Motor Vehicle Rental Tax Fund	Flexible Spending Account
Assets				
Cash and Cash Equivalents	\$ 898,254	\$ 297,560	\$ 83	\$ 22,921
Accounts Receivable	2,242,223	-	447,673	-
Total Assets	3,140,477	297,560	447,756	22,921
Liabilities				
Accounts Payable and Accrued Liabilities	3,140,477	297,560	447,756	22,921
Net Position	\$ -	\$ -	\$ -	\$ -

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 units, although legally separate entities are, in substance, part of the County's operations. Discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

Additional – Boone County Constitutional Elected Officials:

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

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

Blended Component Units

The following organizations are shown as blended component units:

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Basis of PresentationGovernment Wide Statements

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

Public Safety Communications Center

This fund is for the communication system and the police files and records of the County and Cities. The primary sources of revenue for this fund are transfers from the General Fund and 911 user fees.

Capital Improvements Fund

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

Non-major Funds

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

Special Revenue Funds

The Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Federal Grants Fund, TIF District #1 Fund, Mental Health Fund, JAG Recovery Grant Fund, and Earl Parker Robinson Fund 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, a blended component unit of the County. The Public Properties Golf Course owns and operates two golf courses.

Assisted Housing Fund

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

Self Insurance Fund

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

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

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

The County may change the original budget by transferring appropriations at the activity level; however, the County may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The schedules of revenues, expenditures and changes in fund balances budget and actual present a comparison of budgetary data in actual results. These funds utilize the same basis of accounting for both budgetary purposes and actual results. See pages 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 (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 assets, and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Description	Governmental Activities Estimated Lives
Buildings and Building Improvements	25 - 50 Years
Land Improvements	20 Years
Technology Equipment	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.

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.

Fund Equity

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

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

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

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

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

NOTE 2 – EMPLOYEE RETIREMENT SYSTEM

The County has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Non-hazardous covered employees are required to contribute 5% of their salary to the plan. Non-hazardous covered employees who begin participation on or after September 1, 2008, are required to contribute 6% of their salaries to be allocated as follows; 5% will go to the member's account and 1% will go to the KRS Insurance Fund. The County's contribution rate for non-hazardous employees was 18.89%.

Hazardous covered employees are required to contribute 8% of their salary to the plan. Hazardous covered employees who begin participation after September 1, 2008, are required to contribute 9% of their salaries to be allocated as follows; 8% will go to the member's account and 1% will go to the KRS Insurance Fund. The County's contribution rate for hazardous employees was 35.70%.

The County's contribution (both withholding and match) for FY14 was \$2,844,570, FY13 was \$2,898,171, and FY12 was \$2,746,295.

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

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

NOTE 2 – EMPLOYEE RETIREMENT SYSTEM (Continued)

CERS also provides post retirement health care coverage as follows:

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

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

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

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

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC, in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2014, 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.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)**Investments**

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

Interest Rate Risk

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

Credit Risk

The policy limits investments to the following:

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

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.

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

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, 2014, the County investments are neither insured nor registered, but are held by the County's counter party in the County's name.

At June 30, 2014, 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	\$ 998,000	Various	N/A
Money Market Funds	<u>41,608</u>	N/A	N/A
Total	<u>\$ 1,039,608</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, 2014 is \$107,327 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, 2014 is \$2,092,169 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 District's portion of principal and interest due on these bonds. The receivables balance on the lease agreement at June 30, 2014 totaled \$1,088,182.

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, 2014, the note receivable balance was \$1,023,960. The note is expected to be paid off by June, 2028.

NOTE 4 – NOTES RECEIVABLE (Continued)

The remaining maturities on the notes are as follows:

Years Ending June 30,		
2015	\$	226,589
2016		235,280
2017		244,070
2018		250,630
2019		250,670
Thereafter		3,104,399
	\$	4,311,638

NOTE 5 – ACCOUNTS RECEIVABLE

Accounts Receivable consists of the following at June 30, 2014:

	Governmental Activities	Business-Type Activities	Total
Taxes – Current	\$ 7,225,648	\$ -	\$ 7,225,648
Taxes – Delinquent	22,995	-	22,995
Excess Fees	438,522	-	438,522
Charges for Service	33,166	-	33,166
Intergovernmental	1,278,303	-	1,278,303
License Fees	361,623	-	361,623
Miscellaneous	157,107	69,206	226,313
	\$ 9,517,364	\$ 69,206	\$ 9,586,570

NOTE 6 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014 was as follows:

Governmental Activities	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Capital Assets Not Being Depreciated				
Land	\$ 11,825,020	\$ -	\$ -	\$ 11,825,020
Roads	171,912,720	20,284,959	-	192,197,679
Construction in Progress	19,259,414	582,986	18,598,467	1,243,933
Total Capital Assets Not Being Depreciated	202,997,154	20,867,945	18,598,467	205,266,632
Depreciable Capital Assets				
Land Improvements	10,234,881	366,351	-	10,601,232
Buildings and Building Improvements	64,665,040	303,728	-	64,968,768
Equipment	9,601,565	1,423,953	14,899	11,010,619
Furniture and Office Equipment	1,960,797	172,120	235,394	1,897,523
Vehicles	8,171,920	827,903	330,587	8,669,236
Roads	84,903	-	-	84,903
Total Depreciable Capital Assets	94,719,106	3,094,055	580,880	97,232,281
Total Capital Assets at Historical Cost	297,716,260	23,962,000	19,179,347	302,498,913
Less Accumulated Depreciation				
Land Improvements	3,953,167	406,823	-	4,359,990
Buildings and Building Improvements	15,331,775	1,448,901	-	16,780,676
Equipment	5,693,577	836,879	14,899	6,515,557
Furniture and Office Equipment	1,332,801	105,016	235,394	1,202,423
Vehicles	5,578,069	761,838	314,587	6,025,320
Roads	69,927	1,622	-	71,549
Total Accumulated Depreciation	31,959,316	3,561,079	564,880	34,955,515
Depreciable Capital Assets, Net	62,759,790	(467,024)	16,000	62,276,766
Governmental Activities Capital Assets - Net	\$ 265,756,944	\$ 20,400,921	\$ 18,614,467	\$ 267,543,398

NOTE 6 – CAPITAL ASSETS (Continued)

Business-Type Activities	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Capital Assets Not Being Depreciated				
Land	\$ 2,396,478	\$ -	\$ -	\$ 2,396,478
Depreciable Capital Assets				
Land Improvements	5,523,656	97,909	-	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	1,274,430	44,411	221,480	1,097,361
Totals at Historical Cost	9,366,400	142,320	221,480	9,287,240
Total Capital Assets at Historical Value	11,762,878	142,320	221,480	11,683,718
Less Accumulated Depreciation				
Land Improvements	5,401,563	114,213	-	5,515,776
Buildings and Building Improvements	1,754,399	64,616	-	1,819,015
Furniture and Office Equipment	174,111	6,931	-	181,042
Vehicles, Machinery and Equipment	1,180,289	28,407	221,480	987,216
Total Accumulated Depreciation	8,510,362	214,167	221,480	8,503,049
Depreciable Capital Assets, Net	856,038	(71,847)	-	784,191
Business - Type Activities Capital Assets - Net	\$ 3,252,516	\$ (71,847)	\$ -	\$ 3,180,669

Depreciation expense was charged to functions of the primary government as follows for the fiscal year ended June 30, 2014:

	Year Ended June 30, 2014
Governmental Activities	
General Government	\$ 757,738
Protection to Persons and Property	1,729,973
General Health and Sanitation	54,703
Social Services	2,625
Recreation and Culture	208,654
Roads, Including Depreciation of General Infrastructure Assets	807,386
Total Depreciation Expense – Governmental Activities	\$ 3,561,079
Business-Type Activities	
Golf Course	\$ 203,801
Assisted Housing	10,366
Total Depreciation Expense – Business-Type Activities	\$ 214,167

NOTE 7 – ACCOUNTS PAYABLE

Accounts payable consists of the following at June 30, 2014:

	Governmental Activities	Business-Type Activities	Total
General Government	\$ 168,522	\$ -	\$ 168,522
Protection to Persons and Property	138,335	-	138,335
General Health and Sanitation	46,728	-	46,728
Social Services	68,783	3,172	71,955
Recreation and Culture	35,900	75,395	111,295
Roads	112,210	-	112,210
Capital Projects	30,205	-	30,205
Administration	295,053	-	295,053
Insurance Claims	241,547	-	241,547
	<u>\$ 1,137,283</u>	<u>\$ 78,567</u>	<u>\$ 1,215,850</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, 2014:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 26,875,000	\$ -	\$ 3,025,000	\$ 23,850,000	\$ 2,105,000
Special Revenue Bonds	9,840,000	-	320,000	9,520,000	1,000,000
Unamortized Premium	620,020	-	70,859	549,161	70,859
Unamortized Discount	(56,856)	-	(6,203)	(50,653)	(6,203)
Financing Obligations	31,954	-	15,588	16,366	16,366
	<u>\$ 37,310,118</u>	<u>\$ -</u>	<u>\$ 3,425,244</u>	<u>\$ 33,884,874</u>	<u>\$ 3,186,022</u>
Business-Type Activities					
Financing Obligations	\$ 20,045	\$ -	\$ 9,923	\$ 10,122	\$ 10,122
	<u>\$ 20,045</u>	<u>\$ -</u>	<u>\$ 9,923</u>	<u>\$ 10,122</u>	<u>\$ 10,122</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 1st and August 1st, with principal payments due August 1st of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2015	\$ 171,713	\$ 215,000
2016	163,013	220,000
2017	153,869	230,000
2018	144,175	240,000
2019	133,850	250,000
2020-2024	485,439	1,445,000
2025-2028	<u>130,277</u>	<u>1,410,000</u>
Total	<u>\$ 1,382,336</u>	<u>\$ 4,010,000</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 1st and December 1st, with principal payments due December 1st of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2015	\$ 133,287	\$ 365,000
2016	118,387	380,000
2017	102,887	395,000
2018	86,275	410,000
2019	68,425	430,000
2020-2022	<u>90,632</u>	<u>1,395,000</u>
Total	<u>\$ 599,893</u>	<u>\$ 3,375,000</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 1st and September 1st, with principal payments due March 1st 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
2015	\$ 56,240	\$ 100,000
2016	52,542	105,000
2017	48,656	110,000
2018	44,586	110,000
2019	40,514	120,000
2020-2024	133,572	665,000
2025-2026	17,204	310,000
Total	\$ 393,314	\$ 1,520,000

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 1st and August 1st, with principal payments due February 1st 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
2015	\$ 189,070	\$ 315,000
2016	177,416	325,000
2017	165,390	335,000
2018	152,996	350,000
2019	140,046	360,000
2020-2024	489,328	2,025,000
2025-2027	104,896	1,400,000
Total	\$ 1,419,142	\$ 5,110,000

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 will be called in 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, 2014, are as follows:

Justice Center		
Purpose	Interest Rate	Amount
2011 Justice Center Bonds	1.00% - 2.50%	\$ <u>9,520,000</u>

The minimum obligations at June 30, 2014 for debt service of these bonds are as follows:

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2015	\$ 153,479	\$ 1,000,000
2016	143,404	1,015,000
2017	132,464	1,020,000
2018	118,837	1,035,000
2019	101,670	1,045,000
2020-2023	<u>188,944</u>	<u>4,405,000</u>
Total	\$ <u>838,798</u>	\$ <u>9,520,000</u>

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 15th and November 15th with principal payments due by November 15th 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 1st and April 1st with principal payments due April 1st each year. Principal payments are required and scheduled interests for the retirement of the bonds are as follows:

Series 2010C - General Obligation Refunding Bonds

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2015	\$ 407,809	\$ 1,110,000
2016	385,609	1,135,000
2017	362,909	1,155,000
2018	328,259	1,190,000
2019	280,659	1,235,000
2020-2022	<u>519,866</u>	<u>4,010,000</u>
Total	<u>\$ 2,285,111</u>	<u>\$ 9,835,000</u>

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 is 7 years. The total balance of the agreement is \$16,366 as of June 30, 2014.

<u>Debt Outstanding July 1, 2013</u>	<u>Additions</u>	<u>Repayments</u>	<u>Debt Outstanding June 30, 2014</u>	<u>Amount Expected to be Paid Within One Year</u>
\$ <u>31,954</u>	\$ <u>-</u>	\$ <u>15,588</u>	\$ <u>16,366</u>	\$ <u>16,366</u>

NOTE 9 – CAPITAL LEASE PURCHASE AGREEMENTS (Continued)

The following is a schedule of future minimum lease payments as of June 30, 2014:

Year Ending June 30,	Scheduled Principal
2015	\$ <u>17,183</u>
Total Minimum Lease Payments	17,183
Less Remaining Interest	<u>817</u>
Present Value of Minimum Lease Payments	\$ <u><u>16,366</u></u>

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 is 5 years. The balance of the agreement is \$10,122 as of June 30, 2014.

The following is a summary of the Golf Course's capital lease purchase agreement transactions for the fiscal year ended June 30, 2014:

Debt Outstanding July 1, 2013	Additions	Repayments	Debt Outstanding June 30, 2014	Amount Expected to be Paid Within One Year
\$ <u>20,045</u>	\$ <u>-</u>	\$ <u>9,923</u>	\$ <u>10,122</u>	\$ <u>10,122</u>

The following is a schedule of future minimum lease payments as of June 30, 2014:

Year Ending June 30,	Scheduled Principal
2015	\$ <u>10,324</u>
Total Minimum Lease Payments	10,324
Less Remaining Interest	<u>202</u>
Present Value of Minimum Lease Payments	\$ <u><u>10,122</u></u>

NOTE 10 – OPERATING LEASES

The County owns various buildings throughout Boone County that are leased to organizations, accounted for under an operating lease. Seven leases renew annually, one expiring in June, 2015, 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, 2014 was \$227,240. The future minimum lease payments to be received are as follows:

Years Ending June 30,		
2015	\$	135,451
2016		65,604
2017		71,604
2018		77,724
2019		77,044
Thereafter		295,782
Total Minimum Lease Payments	\$	723,209

The County leases various equipment and office space accounted for under operating leases. The leases are month-to-month and annual renewals. The County may also rent equipment on an as-needed basis. Rental expense for the fiscal year ended June 30, 2014 was \$220,963.

NOTE 11 – INSURANCE

For the fiscal year ended June 30, 2014, 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, 2014 was \$2,478,811, 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 \$1,008,225 in the account, but with the liability of the HRA account, the net position on June 30, 2014 is a negative \$1,470,586.

NOTE 12 – GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND (Continued)

In 2014, the County paid out 10.46% of total HRA liability, including the rolled over amounts from 2013, and 85.39% of that year's liability, with no rollover. Another -0-% was forfeited, either through waiving the health plan or leaving employment. Through studies conducted, the Kentucky Government Block (employers with similar HRA programs), the average amount of claims paid as a percentage of total liability is 20.29% with rollover amounts, and 46.68% without the rollover.

Cash Balance, Beginning of Year	\$	1,024,416
Premiums Collected		5,552,651
Interest Earned		3,982
Claims Paid		5,072,824
Payments on Note Payable		<u>500,000</u>
Cash Balance, End of Year	\$	<u><u>6,081,049</u></u>

NOTE 13 – INTER-FUND TRANSACTIONS

The following is a list of inter-fund transactions as of June 30, 2014:

	<u>Total</u>	<u>General Fund</u>	<u>Jail Fund</u>	<u>Road Fund</u>	<u>Capital Improvements Fund</u>	<u>PSCC Fund</u>
	\$ -	\$ (4,950,000) ¹	\$ -	\$ 4,950,000 ¹	\$ -	\$ -
	-	(814,000) ¹	814,000 ¹	-	-	-
	-	(1,500,000) ¹	-	-	-	1,500,000 ¹
	<u>-</u>	<u>(3,825,000) ¹</u>	<u>-</u>	<u>-</u>	<u>3,825,000 ¹</u>	<u>-</u>
Total Transfer to Other Funds	\$ <u>(11,089,000)</u>	\$ <u>(11,089,000)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Total Transfer from Other Funds	\$ <u>11,089,000</u>	\$ <u>-</u>	\$ <u>814,000</u>	\$ <u>4,950,000</u>	\$ <u>3,825,000</u>	\$ <u>1,500,000</u>

1. To remove resources from the funds recording to 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 – ACCOUNTING PRONOUNCEMENTS

Effective for fiscal years beginning after June 15, 2014, accounting pronouncements will require governmental entities to revise recognition, measurement and disclosure requirements for employer pension plans. The County will be responsible for reporting on the balance sheet its proportionate share of the pension system's unfunded liability and will also be required to include in its financial statements an increase in disclosure and required supplementary information related to the pension plan.

NOTE 16 – CONTINGENT LIABILITIES

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

NOTE 17 – 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 June 9, 2016, 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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 35,954,000	\$ 35,954,000	\$ 36,743,226	\$ 789,226
In Lieu Tax Payments	150,000	150,000	152,963	2,963
Excess Fees	1,245,400	1,245,400	1,333,202	87,802
Licenses and Permits	1,496,885	1,496,885	1,563,580	66,695
Intergovernmental	1,963,760	1,963,760	2,060,654	96,894
Charges for Services	800,340	800,340	794,324	(6,016)
Miscellaneous	1,173,290	1,173,290	1,524,202	350,912
Interest	83,000	83,000	100,931	17,931
Total Revenues	42,866,675	42,866,675	44,273,082	1,406,407
Expenditures				
General Government	4,588,590	4,631,950	4,099,618	532,332
Protection to Persons and Property	12,685,951	12,686,701	12,399,657	287,044
General Health and Sanitation	582,850	589,950	582,076	7,874
Social Services	120,250	120,250	103,036	17,214
Recreation and Culture	2,225,500	2,225,500	2,049,570	175,930
Debt Service	788,633	760,443	760,408	35
Administration	23,176,889	22,223,869	9,457,448	12,766,421
Total Expenditures	44,168,663	43,238,663	29,451,813	13,786,850
Excess of Revenues Over Expenditures	(1,301,988)	(371,988)	14,821,269	15,193,257
Other Financing Sources (Uses)				
Bond Principal Payments	(1,795,002)	(2,725,002)	(2,725,000)	2
Operating Transfers Out	(10,714,070)	(10,714,070)	(11,089,000)	(374,930)
Total Other Financing Sources (Uses)	(12,509,072)	(13,439,072)	(13,814,000)	(374,928)
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(13,811,060)	(13,811,060)	1,007,269	14,818,329
Fund Balance July 1, 2013	13,811,060	13,811,060	14,083,961	272,901
Fund Balance June 30, 2014	\$ -	\$ -	\$ 15,091,230	\$ 15,091,230

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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Licenses and Permits	\$ 10,000	\$ 10,000	\$ 66,352	\$ 56,352
Intergovernmental	3,603,215	3,603,215	3,106,367	(496,848)
Charges for Services	175,000	175,000	181,858	6,858
Miscellaneous	238,000	238,000	395,186	157,186
Interest	7,000	7,000	4,830	(2,170)
Total Revenues	4,033,215	4,033,215	3,754,593	(278,622)
Expenditures				
Roads	7,489,650	8,174,933	7,053,987	1,120,946
Debt Service	173,700	173,702	173,701	1
Administration	3,945,023	3,259,738	1,184,380	2,075,358
Total Expenditures	11,608,373	11,608,373	8,412,068	3,196,305
Excess (Deficit) of Revenues Over Expenditures	(7,575,158)	(7,575,158)	(4,657,475)	2,917,683
Other Financing Sources (Uses)				
Bond Principal Payment	(236,842)	(236,842)	(236,842)	-
Operating Transfers In	5,500,000	5,500,000	4,950,000	(550,000)
Total Other Financing Sources (Uses)	5,263,158	5,263,158	4,713,158	(550,000)
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(2,312,000)	(2,312,000)	55,683	2,367,683
Fund Balance July 1, 2013	2,312,000	2,312,000	2,030,004	(281,996)
Fund Balance June 30, 2014	\$ -	\$ -	\$ 2,085,687	\$ 2,085,687

BOONE COUNTY FISCAL COURT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PUBLIC SAFETY COMMUNICATIONS CENTER
CASH BASIS
Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 1,350,000	\$ 1,350,000	\$ 1,368,224	\$ 18,224
Intergovernmental	358,700	358,700	391,441	32,741
Miscellaneous	3,000	3,000	4,222	1,222
Interest	3,000	3,000	6,343	3,343
Total Revenues	<u>1,714,700</u>	<u>1,714,700</u>	<u>1,770,230</u>	<u>55,530</u>
Expenditures				
Protection to Persons and Property Administration	2,669,950	3,358,860	3,191,600	167,260
	<u>3,188,181</u>	<u>2,499,271</u>	<u>880,430</u>	<u>1,618,841</u>
Total Expenditures	<u>5,858,131</u>	<u>5,858,131</u>	<u>4,072,030</u>	<u>1,786,101</u>
Excess (Deficit) of Revenues Over Expenditures	(4,143,431)	(4,143,431)	(2,301,800)	1,841,631
Other Financing Sources				
Operating Transfers In	<u>1,750,000</u>	<u>1,750,000</u>	<u>1,500,000</u>	<u>(250,000)</u>
Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources	(2,393,431)	(2,393,431)	(801,800)	1,591,631
Fund Balance July 1, 2013	<u>2,393,431</u>	<u>2,393,431</u>	<u>3,400,888</u>	<u>1,007,457</u>
Fund Balance June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,599,088</u>	<u>\$ 2,599,088</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, 2014

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>Public Safety Communications Center</u>
Revenues			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 44,273,082	\$ 3,754,593	\$ 1,770,230
Accounts Receivable June 30, 2013	(6,943,310)	(210,760)	(44,337)
Accounts Receivable June 30, 2014	7,834,219	410,278	114,854
Change in Note Receivable Balance	(641,738)	-	-
Reclass of Reimbursements	<u>18,263</u>	<u>(1)</u>	<u>-</u>
 Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	 <u>\$ 44,540,516</u>	 <u>\$ 3,954,110</u>	 <u>\$ 1,840,747</u>
 Expenses			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 29,451,813	\$ 8,412,068	\$ 4,072,030
Transfer to Golf Course	(200,000)	-	-
Accounts Payable June 30, 2013	(533,818)	(54,080)	(436,389)
Accounts Payable June 30, 2014	153,223	111,938	39,828
Accrued Payroll June 30, 2013	(264,044)	(108,550)	(85,534)
Accrued Payroll June 30, 2014	306,259	111,870	96,730
Compensated Absences Payable June 30, 2013	(226,720)	(125,970)	(76,341)
Compensated Absences Payable June 30, 2014	230,565	106,590	90,518
Reclass of Reimbursements	<u>365,806</u>	<u>(4)</u>	<u>-</u>
 Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	 <u>\$ 29,283,084</u>	 <u>\$ 8,453,862</u>	 <u>\$ 3,700,842</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, 2014
(Continued)

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Public Safety Communications Center</u>
Other Financing Sources (Uses)			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ (13,814,000)	\$ 4,713,158	\$ 1,500,000
Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	<u>\$ (13,814,000)</u>	<u>\$ 4,713,158</u>	<u>\$ 1,500,000</u>
Ending Balance			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 15,091,230	\$ 2,085,687	\$ 2,599,088
Notes Receivable	3,287,678	-	-
Accounts Receivable	7,834,219	410,278	114,854
Due from Boone County Golf Course	7,369,070	-	-
Restricted Cash	4,815,118	-	-
Accounts Payable	(381,338)	(111,938)	(39,828)
Accrued Payroll	(306,259)	(111,870)	(96,730)
Compensated Balances Payable	(230,565)	(106,590)	(90,518)
Net Profit Tax Extension Payable	(7,140,955)	-	-
Rounding Adjustment	(2)	1	1
Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	<u>\$ 30,338,196</u>	<u>\$ 2,165,568</u>	<u>\$ 2,486,867</u>

BOONE COUNTY FISCAL COURT
CONDITION RATING OF THE COUNTY'S STREET SYSTEM
Fiscal Year Ended June 30, 2014

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

2014	2013	2012
93%	92%	98%

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

2014	2013	2012
7%	8%	2%

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

	2014	2013	2012
Bridge			
Needed	\$ 270,000	\$ -	\$ -
Actual	162,435	-	-
Roads			
Needed	467,685	736,920	670,000
Actual	424,713	553,570	582,477
Subdivision			
Needed	1,870,712	2,947,690	2,680,000
Actual	1,698,853	2,214,280	2,329,906

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

SUPPLEMENTARY INFORMATION

BOONE COUNTY FISCAL COURT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

	<u>Jail Fund</u>	<u>Local Government Economic Assistance Fund</u>	<u>Federal Grants Fund</u>	<u>TIF District #1 Fund</u>	<u>Mental Health Fund</u>	<u>Earl Parker Robinson Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets							
Cash and Cash Equivalents	\$ 1,437,975	\$ 10,373	\$ 15,456	\$ 718,769	\$ 874,318	\$ 340,038	\$ 3,396,929
Accounts Receivable	<u>403,834</u>	<u>-</u>	<u>21,144</u>	<u>72,124</u>	<u>608,244</u>	<u>-</u>	<u>1,105,346</u>
Total Assets	<u>\$ 1,841,809</u>	<u>\$ 10,373</u>	<u>\$ 36,600</u>	<u>\$ 790,893</u>	<u>\$ 1,482,562</u>	<u>\$ 340,038</u>	<u>\$ 4,502,275</u>
Liabilities and Fund Balances							
Balances Liabilities							
Accounts Payable	\$ 80,357	\$ 272	\$ 36,600	\$ -	\$ 83,655	\$ -	\$ 200,884
Accrued Payroll	118,323	-	-	-	-	-	118,323
Compensated Absences Payable	<u>61,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,465</u>
Total Liabilities	<u>260,145</u>	<u>272</u>	<u>36,600</u>	<u>-</u>	<u>83,655</u>	<u>-</u>	<u>380,672</u>
Fund Balances							
Restricted							
Other Capital Projects	-	-	-	790,893	-	340,038	1,130,931
Other Purposes	-	10,101	-	-	-	-	10,101
Committed							
Health and Welfare	-	-	-	-	1,398,907	-	1,398,907
Assigned							
Protection to Persons and Property	<u>1,581,664</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,581,664</u>
Total Fund Balances	<u>1,581,664</u>	<u>10,101</u>	<u>-</u>	<u>790,893</u>	<u>1,398,907</u>	<u>340,038</u>	<u>4,121,603</u>
Total Liabilities and Fund Balances	<u>\$ 1,841,809</u>	<u>\$ 10,373</u>	<u>\$ 36,600</u>	<u>\$ 790,893</u>	<u>\$ 1,482,562</u>	<u>\$ 340,038</u>	<u>\$ 4,502,275</u>

BOONE COUNTY FISCAL COURT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2014

	Jail Fund	Local Government Economic Assistance Fund	Federal Grants Fund	TIF District #1 Fund	Mental Health Fund	Earl Parker Robinson Fund	Public Properties Fund	Total Nonmajor Governmental Funds
Revenues								
Taxes	\$ -	\$ -	\$ -	\$ 257,549	\$ 2,342,507	\$ -	\$ -	\$ 2,600,056
Intergovernmental	4,629,612	58,557	250,000	-	-	-	486,282	5,424,451
Charges for Services	192,604	-	-	-	-	-	-	192,604
Miscellaneous	201,900	-	-	-	12,526	-	-	214,426
Interest	2,563	58	-	-	3,351	1,024	-	6,996
Total Revenues	5,026,679	58,615	250,000	257,549	2,358,384	1,024	486,282	8,438,533
Expenditures								
Protection to Persons and Property	4,301,263	-	-	-	-	-	-	4,301,263
General Health and Sanitation	-	-	-	-	1,086,970	-	-	1,086,970
Social Services	-	-	250,000	-	586,715	-	-	836,715
Roads	-	58,877	-	359,197	-	-	-	418,074
Administration	1,215,063	-	-	-	268,212	-	-	1,483,275
Debt Service	-	-	-	-	-	-	166,282	166,282
Total Expenditures	5,516,326	58,877	250,000	359,197	1,941,897	-	166,282	8,292,579
(Deficiency) Excess of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	(489,647)	(262)	-	(101,648)	416,487	1,024	320,000	145,954
Other Financing Sources (Uses)								
Bond Principal Payments	-	-	-	-	-	-	(320,000)	(320,000)
Transfers from Other Funds	814,000	-	-	-	-	-	-	814,000
Total Other Financing Sources (Uses)	814,000	-	-	-	-	-	(320,000)	494,000
Net Change in Fund Balances	324,353	(262)	-	(101,648)	416,487	1,024	-	639,954
Fund Balances July 1, 2013	1,257,311	10,363	-	892,541	982,420	339,014	-	3,481,649
Fund Balances June 30, 2014	\$ 1,581,664	\$ 10,101	\$ -	\$ 790,893	\$ 1,398,907	\$ 340,038	\$ -	\$ 4,121,603

**BOONE COUNTY FISCAL COURT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2014**

<u>Federal Grants/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Direct Program			
Section Eight Housing Rental Assistance Program	14.871		\$ 5,258,701
Passed-Through Department for Local Government			
Community Development Block Grant			
-Kentucky Recovery Grant - Year 5			
-Brighton Center (Operating)	14.228	10-125	<u>250,000</u>
Total U.S. Department of Housing and Urban Development			<u>5,508,701</u>
<u>U.S. Federal Emergency Management Agency</u>			
Passed-Through State Department of Military Affairs			
-Emergency Management Assistance Program			
Support Emergency Preparedness	97.042	PON2 095 080007930 1	<u>41,418</u>
<u>U.S. Department of Transportation</u>			
Passed-Through Kentucky Transportation Cabinet			
Highway Planning and Construction			
-South Airfield Road Bypass Connect KY 18 to			
Turfway Road and the Greater Cincinnati			
Airport in Boone County	20.205	600004103	328,501
Highway Planning and Construction			
-Burlington Sidewalk Phase III	20.205	STPE 3002 223	<u>224,428</u>
Total U.S. Department of Transportation			<u>552,929</u>
Total Cash Expenditures of Federal Awards			\$ <u><u>6,103,048</u></u>

**BOONE COUNTY FISCAL COURT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Boone County, and is presented on the basis of accounting described in the Summary of Significant Accounting Policies note to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

NOTE 2 - SECTION EIGHT HOUSING RENTAL ASSISTANCE PROGRAM

As required by this grant agreement, all program moneys received by the recipient after the completion of all recipient grant activities, shall be used by the recipient for community or economic development activities eligible for assistance under Title I of the Housing and Community Development Act of 1974, so specified in the Commonwealth of Kentucky's Community Development Block Grant Eligible Activities Policy Statement.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 9, 2016.

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 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 over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

VonLehman & Company Inc.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited Boone County, Kentucky's (the County) compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2014. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance, with the types of compliance requirements referred to above, that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above, that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with types of compliance referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on the internal control over compliance in Accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

VonLehman & Company Inc.

**BOONE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2014**

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS	
Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Were there any control deficiencies identified, not considered to be material weaknesses reported for major programs?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	<ul style="list-style-type: none"> • Section Eight Housing Rental Assistance Program [CFDA 14.871] • Highway Planning and Construction [CFDA 20.205]
Dollar threshold used to distinguish between type A and type B programs:	Type A: > \$300,000 Type B: > all others
Auditee qualified as low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

**BOONE COUNTY FISCAL COURT
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FISCAL YEAR ENDED JUNE 30, 2014**

PRIOR YEAR - FINANCIAL STATEMENT FINDINGS

NONE

PRIOR YEAR - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

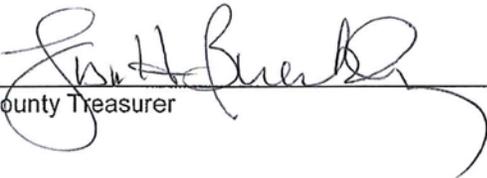
NONE

**CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BOONE COUNTY FISCAL COURT
FOR THE YEAR ENDED JUNE 30, 2014**

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