

BOONE COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2017

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



Boone County
Kentucky

**BOONE COUNTY FISCAL COURT
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INDEPENDENT AUDITORS' REPORT

People of Kentucky
Honorable Matt Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boone County Fiscal Court, as of and for the year ended June 30, 2017, 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.

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 did not audit the financial statements of the Boone County Assisted Housing Department which represents the following percentages of assets and revenues – 20.2% of the assets and 68.3% 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. 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boone County Fiscal Court as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in the notes to the financial statements, the previously issued financial statements for the year ended June 30, 2016 has been restated for the correction of material misstatements as noted in the footnotes. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, condition rating of the County's street system, and pension schedules on pages 2 through 15, 54 through 55, 56 through 57, and 58 through 59, respectively, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Boone County Fiscal Court's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2019, on our consideration of the Boone County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions and laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Boone County Fiscal Courts' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Boone County Fiscal Court's internal control over financial reporting and compliance.

VonLehman & Company Inc.

Fort Wright, Kentucky
April 12, 2019

**BOONE COUNTY OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2017**

Fiscal Court Members:

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

Other Elected Officials:

Robert D. Neace	County Attorney
Edward Prindle	Jailer
Kenny Brown	County Clerk
Dianne Murray	Circuit Court Clerk
Michael A. Helmig	Sheriff
Cindy Arlinghaus Martin	Property Valuation Administrator
Douglas M. Stith	Coroner

Appointed Personnel:

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

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
Unaudited**

Management's discussion and analysis (MD&A) of the Boone County Fiscal Court's (the County) financial performance provides a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2017. The MD&A does not include GASB 68 – Accounting and Financial Reporting for Pensions and GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date as Management believes the impact significantly distorts an operational discussion. Management provides a table at the end of its discussion to reconcile current year activities with the results; please read it in conjunction with the County's financial statements that begin on page 16.

Financial Highlights

- As of June 30, 2017, Boone County's net position was \$325,929,107, which is an increase of \$17,737,856 or 5.8% over the prior year. Total current assets of \$68,792,516 increased by \$7,354,514 or 12.0% and the non-current assets (including deferred outflows) increased by \$1,918,135 or 0.7%.
 - The \$7,354,514 increase in current assets is attributable to an increase in cash across most of the government funds as a result of strong revenues and focused spending. Growth in ending cash balances in the Road, Jail Public Safety Communication Center, Mental Health and Self-Insurance account for approximately \$6.3 million of the overall increase.
 - Non-current assets (including deferred outflows) increased again this year by \$1,918,135 due to the net activity associated with the acceptance of new subdivision roads from local developers, along with a decrease of \$1.5 million in the restricted cash balances associated with Occupational/Business License tax estimates and extension payments.
 - Total liabilities decreased \$8,465,207 or 19.2% when compared to the previous year as the County elected to retire \$4.5 million in outstanding bonds from available cash funds along with the scheduled payments on the three remaining bonds of \$2.5 million and a reduction in the Occupational/Business License tax estimates and extension payments of \$1.5 million.
- Program revenues offset 39.3% of Boone County's governmental activity expenses, totaling \$53,192,373. 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 gross indebtedness decreased by \$7,030,000. As of June 30, 2017, the County has \$17,475,000 of outstanding bonds, of which \$2,615,000 is due within one year.
- Through budgeted expenditures, grants and in-kind donations, the County capitalized \$7,883,032 in long lived assets during 2017. Significant additions include the following:
 - Development of a new and enhanced public safety communication system began with an initial investment of \$955,449, final costs are estimated to exceed \$6.0 million. The County continues to make progress on several infrastructure improvements relating to local roads and sidewalks for \$225,891, a storage dome for use during snow removal events in the southwestern portion of the county for \$232,266 and several public use spaces for \$469,156.
 - Operating capital purchases included \$1,325,519 for first responders' equipment and technology for use in law enforcement and first response vehicles, \$159,011 for information technology infrastructure and records retention, \$131,372 for a bailer at the Solid Waste and Recycling Center, \$66,855 for a back-up generator located at the inmate work camp.
 - Vehicles purchased included \$254,484 in heavy equipment for use in Public Works, \$528,484 in light duty equipment for use in various other County departments.
 - The County accepted new subdivision roads valued at \$2,680,627 from local developers.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
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 statements of net position and a statements of activities. The financial statements include all activities for which the Boone County Fiscal Court is fiscally responsible. These activities, defined as the County's reporting entity, are operated within separate legal entities that make up the primary government.

The primary government includes the following legal entity:

- Boone County Public Properties Corporation

The financial information of the County "as a whole" is reported in the two government wide financial statements (pages 16 through 18). One of the most important questions to ask is whether the County is in better financial shape as a result of the year's activities. The two government wide financial statements will help answer this question. These two statements report the County's net position and changes from the prior period. You can think of the County's net position – the difference between assets and liabilities – as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or declining. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the roads and other infrastructure, to assess the overall health of the County.

In the Statements of Net Position and the Statements 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 39.3% by program revenues which include charges for services and federal, state and local operating and capital grants. The Statements of Activities shows a positive change in net position of \$17,555,442. Revenues increased \$4,927,447 or 7.5% when compared to the previous year and the expenses increased by \$2,184,753 or 4.3%.
- **Business-Type Activities** - The County has business-type funds; the Jail Canteen, Assisted Housing, and Golf Course fund. Generally these funds charge a fee to customers to help cover the cost of these activities. Current year program revenues covered 98.4% of service costs. Both Assisted Housing and the Golf Course experienced an increase in their net position. The Golf Course did require the full \$325,000 in budgeted support from the General Fund. The combined operations of all business-type activities resulted in a positive change in net position of \$182,414.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
Unaudited
(Continued)**

Fund Financial Statements

The fund financial statements (pages 19 through 26) focus on the individual funds of the County's government. These fund financial statements report the County's operations in more detail than the government wide statements by providing information on the County's most significant funds. The four funds deemed "major" are general, road and bridge, jail, and capital improvements funds.

- Governmental funds are used to report most of the County's basic services. These funds provide a short-term view of the County's operations. The County currently has ten governmental funds and adopts a budget for each except Public Properties, Self-Insurance and HRA accounts. These funds provide the reader with information to help determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. Narrative describing the difference between governmental activities (reported in the Statements of Net Position and the Statements of Activities) and governmental funds are included in the reconciliations on pages 20 and 22.
- 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, Burlington Cemetery Fund, and Flexible Spending Account.

Notes to the Financial Statements

The notes to the financial statements (pages 27 through 53) 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, 2017
Unaudited
(Continued)**

Required Supplementary Information

The budgetary comparison schedules (pages 54 through 58) for three major operating governmental funds provide information that supplements the government wide and fund financial statements.

Other required information is the Condition Rating of the County's Street System. The Public Works Department is utilizing the modified approach method in valuing the County's maintained road system. The modified approach establishes a minimum condition level set for all Boone County maintained roads. The Public Works Department will maintain the necessary condition level through its Pavement Management Program which establishes a Pavement Condition Index (PCI) when the roads are analyzed (every 3 to 4 years) on a range from 0 to 100. The County has and will continue its commitment to preserve and maintain the road system at a level of at least 65 or higher. Using this approach, the roads will maintain the asset value of construction or historic cost, whichever is available, and will not depreciate each year. The recorded value of the road will not change unless a significant change in condition or use of the road occurs. Each year the Public Works Department is responsible for maintaining this condition level and the Fiscal Court is responsible for budgeting annually the estimated amount to expend for maintaining all roads at this level. When a road/street is scheduled to fall below the minimum PCI in a given fiscal year, the road/street will be listed to be rehabilitated in that year and placed on the yearly paving list submitted to the Court through the budget process. The PCI is upgraded upon rehabilitation and by doing this the County fulfills the requirements of the Modified Approach. For more information relating to Condition Rating of the County's Street System, please see its more detailed report on pages 59 and 60.

Supplementary Information

The Combining Balance Sheet and Statements of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds (pages 63 and 64) present the activities of the nonmajor governmental funds.

Basis of Accounting

The County has converted all financial information to the modified accrual basis of accounting as required by generally accepted accounting principles (GAAP). Under this basis of accounting, revenues are recorded when the resources are measurable and available and expenditures are recorded in the accounting period in which the related fund liability is incurred. In previous years, certain assets such as accounts receivable and certain liabilities such as accounts payable were not recorded in the financial statements, therefore limiting the reader of the full effect of the financial statements. The Boone County budget is adopted on a cash basis of accounting, which is required by the Kentucky Constitution. The schedule on pages 57 and 58 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, 2017
Unaudited
(Continued)**

Financial Analysis of the County as a Whole

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

STATEMENTS OF NET POSITION

	Governmental Activities		Business Activities		Total	
	FY16	FY17	FY16	FY17	FY16	FY17
Current Assets	\$ 60,360,654	\$ 67,601,024	\$ 1,077,348	\$ 1,191,492	\$ 61,438,002	\$ 68,792,516
Non-Current Assets	287,602,098	289,484,036	3,028,875	3,114,940	290,630,973	292,598,976
Total Assets	347,962,752	357,085,060	4,106,223	4,306,432	352,068,975	361,391,492
Deferred Outflows of Resources	303,928	254,060	-	-	303,928	254,060
Total Assets and Deferred Outflows of Resources	348,266,680	357,339,120	4,106,223	4,306,432	352,372,903	361,645,552
Current Liabilities	14,499,402	12,925,126	117,230	145,873	14,616,632	13,070,999
Long-Term Liabilities	24,454,382	17,545,656	5,110,638	5,099,790	29,565,020	22,645,446
Total Liabilities	38,953,784	30,470,782	5,227,868	5,245,663	44,181,652	35,716,445
Deferred Inflows of Resources	1,637,253	1,637,253	123,026	123,026	1,760,279	1,760,279
Total Liabilities and Deferred Inflows of Resources	40,591,037	32,108,035	5,350,894	5,368,689	45,941,931	37,476,724
Net Investment in Capital Assets	244,867,269	255,444,013	3,028,875	3,114,940	247,896,144	258,558,953
Multi-government Ins Fund	288,735	1,437,302	-	-	288,735	1,437,302
Social Services	-	-	24,210	-	24,210	-
PPP	3,645,702	8,579,104	-	-	3,645,702	8,579,104
Other Purposes	332,243	381,613	334,854	254,642	667,097	636,255
Other Capital Projects	18,871,872	20,489,219	-	-	18,871,872	20,489,219
Health and Welfare	2,555,436	3,281,166	-	-	2,555,436	3,281,166
Road	2,822,498	3,519,989	-	-	2,822,498	3,519,989
Unrestricted	35,929,141	33,735,932	(4,509,584)	(4,308,813)	31,419,557	29,427,119
Total Net Position	\$ 309,312,896	\$ 326,868,338	\$ (1,121,645)	\$ (939,231)	\$ 308,191,251	\$ 325,929,107

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
Unaudited
(Continued)**

At June 30, 2017, the County's net position exceeded its liabilities by \$290,212,662, an increase of \$26,203,063 or 9.9%, over the prior year. The majority of the County's total assets (76.4%) are invested in capital assets which include land, buildings, infrastructure, equipment and vehicles. These assets are listed under the non-current assets section as capital and infrastructure assets. The unrestricted net position amount of \$29,427,119, a decrease of \$1,992,438 or 6.3%, 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 Statements of Net Position to the prior year, some other key points to consider are below:

- In governmental activity, current assets increased by \$7,240,370 (12.0%), which is attributable to an increase in the cash balance of several major and minor funds.
- Total liabilities under governmental activities decrease by \$8,483,002 (21.8%), net of debt service activities (\$7,103,678) on outstanding bond obligations and a decrease in net profit tax extension payables (\$1,558,967).
- Total assets increased in the business activities by \$200,209 (4.9%) due to net increase in capital assets of approximately \$86,000. The overall cash position of business activities increased by approximately \$126,000.
- In the business activities, an increase in net position of \$182,414 is attributable the Golf Course receiving \$325,000 in budgeted support from the General Fund.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
Unaudited
(Continued)**

STATEMENTS OF ACTIVITIES

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY16</u>	<u>FY17</u>	<u>FY16</u>	<u>FY17</u>	<u>FY16</u>	<u>FY17</u>
Revenues						
<u>Program Revenues:</u>						
Charges for Services	\$ 8,114,743	\$ 9,328,491	\$ 2,820,759	\$ 2,932,379	\$ 10,935,502	\$ 12,260,870
Operating Grants and Contributions	9,784,786	10,220,302	5,797,327	6,327,826	15,582,113	16,548,128
Capital Grants and Contributions	1,660,903	1,374,459	-	-	1,660,903	1,374,459
Program Revenues Funded	<u>19,560,432</u>	<u>20,923,252</u>	<u>8,618,086</u>	<u>9,260,205</u>	<u>28,178,518</u>	<u>30,183,457</u>
<u>General Revenue:</u>						
Taxes	42,334,536	44,867,128	-	-	42,334,536	44,867,128
License Fees and Permits	319,237	338,757	-	-	319,237	338,757
Excess Fees	1,445,412	1,505,278	-	-	1,445,412	1,505,278
Rental Income	259,282	178,137	-	-	259,282	178,137
Investment Earnings	245,244	431,146	3,957	5,395	249,201	436,541
Gain on Donated Roads/Land	1,526,726	2,680,627	-	-	1,526,726	2,680,627
(Loss) Gain on Sale of Fixed Assets	(28,048)	51,932	-	-	(28,048)	51,932
Miscellaneous	157,547	96,558	-	-	157,547	96,558
Transfers	-	(325,000)	-	325,000	-	-
Total General Revenue	<u>46,259,936</u>	<u>49,824,563</u>	<u>3,957</u>	<u>330,395</u>	<u>46,263,893</u>	<u>50,154,958</u>
Total Revenues	<u>65,820,368</u>	<u>70,747,815</u>	<u>8,622,043</u>	<u>9,590,600</u>	<u>74,442,411</u>	<u>80,338,415</u>
Expenses						
General Government/Administration	13,989,318	17,772,174	-	-	13,989,318	17,772,174
Protection to Persons and Property	23,182,762	22,261,552	-	-	23,182,762	22,261,552
General Health and Sanitation	1,810,572	1,947,605	-	-	1,810,572	1,947,605
Social Services	1,146,244	1,126,541	-	-	1,146,244	1,126,541
Recreation and Culture	2,388,228	2,317,555	-	-	2,388,228	2,317,555
Roads	7,450,419	6,911,997	-	-	7,450,419	6,911,997
Capital Improvements	120,918	264,019	-	-	120,918	264,019
Interest on Long-Term Debt	919,159	590,930	-	-	919,159	590,930
Jail Canteen Fund	-	-	540,994	803,999	540,994	803,999
Golf Course Fund	-	-	2,390,228	2,399,818	2,390,228	2,399,818
Assisted Housing Fund	-	-	5,720,400	6,204,369	5,720,400	6,204,369
Total Expenses	<u>51,007,620</u>	<u>53,192,373</u>	<u>8,651,622</u>	<u>9,408,186</u>	<u>59,659,242</u>	<u>62,600,559</u>
Change in Net Position	14,812,748	17,555,442	(29,579)	182,414	14,783,169	17,737,856
Net Position - Beginning Year (As Restated)	<u>294,500,148</u>	<u>309,312,896</u>	<u>(1,092,066)</u>	<u>(1,121,645)</u>	<u>293,408,082</u>	<u>308,191,251</u>
Net Position - Ending Year	<u>\$ 309,312,896</u>	<u>\$ 326,868,338</u>	<u>\$ (1,121,645)</u>	<u>\$ (939,231)</u>	<u>\$ 308,191,251</u>	<u>\$ 325,929,107</u>

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
Unaudited
(Continued)**

For the year ended June 30, 2017, governmental activities net position totaled \$326,868,338, an increase of 5.7% over the previous fiscal year. Net position for business-type activities was (\$939,231), an increase of 16.3% due to positive operating results within the Assisted Housing Fund and budget support of the Golf Course Fund.

Total program revenues increased \$2,004,939 or 7.1% compared to the previous fiscal year. Revenue from all sources increased \$5,896,004 or 7.9%.

The County continues to maintain a very conservative approach to budgeting by eliminating most capital projects for which it cannot obtain grants or contributions to offset the cost and expenditures, hiring restrictions, and limiting discretionary spending. These conservative spending efforts have provided the County with adequate reserves and allowed for the investment in needed capital projects on roads, sidewalks and other infrastructure. Most capital improvements, other than regular maintenance of roads, were funded partially or fully by grants. Total expenditures increased by \$2,941,317 or 4.9%. Overall total revenues exceeded total expenditures, resulting in a positive change in net position of \$17,737,856.

Significant changes compared to the prior year are listed below:

- The County continues to see positive housing growth as developers donated \$2,680,627 in new subdivision streets and sidewalks an increase of \$1,153,901 over the prior year.
- Tax collections maintain their year of year growth, \$2,532,592 (6.0%) when compared to the prior year. This reflects an increase of approximately \$2,038,000 (7.9%) in occupational/payroll taxes and approximately \$483,000 (3.1%) in property taxes. All other taxes remain comparable to prior year collections.
- The business-type activity program revenues as a percentage of total expenditures were approximately 98.4%.

Program revenues for the governmental activities were 29.6% of total revenues received. This means that 29.6% of the revenues collected went directly to funding specific programs and offset the amount of general revenue needed for these programs. General revenues consist of all taxes, excess fees, borrowed money, donated roads and investment earnings, which cannot be directly linked to a function.

Administration and Protection to Persons and Property's activities are the largest users of the general revenue category. The administrative function includes all departments' fringe benefits, liability insurance and all contractual agreements, including the Transit Authority of Northern Kentucky (TANK). The other major use of general revenue is the protection to persons and property, which includes emergency management, water rescue, building inspector, Public Safety Communication Center (911 Emergency Dispatch) and support of the Sherriff's Office and Jail.

Financial Analysis of the County's Funds

Fund financial statements generally distinguish between major and nonmajor funds with major funds presented individually. The County has four major funds; General, Road and Bridge, Jail, and Capital Improvements. The County's governmental funds reflect a combined fund balance of \$69,987,023 of which approximately 36.2% is described as, unassigned, which allows these dollars to be used for day-to-day operational expenses for the following year's budget. The fund financial statements for the governmental funds can be found on pages 19 through 22. The General Fund balance decrease of approximately \$2,244,000 from the previous year is related to the continuing net growth in tax collections (approximately \$2,611,000) offset by an inter-fund transfer of approximately \$5,200,000 to the Public Safety Communication Center to fund the capital project relating to the enhanced 911 radio network. The County remains focused on conservative budgeting and a policy to maintain a minimum 25.0% emergency reserve in the General Fund; along with additional reserves in all major funds.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
Unaudited
(Continued)**

The County's proprietary funds' statements are shown on pages 23 through 25 with a total increase in net position of \$182,414 for the enterprise funds from the prior fiscal year.

- The current year's Golf Course's operating activities reflect an increase in the net position of \$136,696. During 2017 the General Fund provided \$325,000 in budget support in operations and began a full review of Golf Course activities and facilities. Operating expenses, without depreciation, increased by \$6,912 (0.3%) from the prior fiscal year. Subsequent to June 30, 2017, management determined there was a need to significantly reinvest in the Golf Course, specifically Boone Links facility to update the club house, add an eighteen-hole miniature golf course, and rehabilitate the cart paths. The fundings for these capital investments were a combination of \$750,000 in support from the Capital Fund and the issuance of \$4.4 million in general obligation bonds.
- The Jail Canteen Fund's net position decreased with a net loss of \$80,212. 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 increased by \$125,930 during the year. Revenues are up \$530,724 while expenses increased \$483,969.

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

General Budgetary Highlights

There were no amendments to Boone County's budget in Fiscal Year 2017 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 5.8%, while reoccurring line item operating expenses were well below budget by 35.4% due to a budgeted reserve balance.

Capital Assets and Debt Administration

Capital Assets

At the end of the year ended June 30, 2017, the government activities of the County had \$273,186,513 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 \$3,647,476 or 1.4%, on the governmental activities from the previous year. Due to the elimination of most capital purchases throughout the past couple of years, the governmental activities' increase in capital assets continues to be in the categories of construction in progress and roads. The increase in roads is a result of the County accepting additional roads donated from local developers of \$2,680,627.

The business activities reflect a net increase of \$86,065 as the Golf Course facilities required new siding and gutters, along with an update to the irrigation system at Lassing Pointe.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
Unaudited
(Continued)**

STATEMENTS OF CAPITAL ASSETS

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>		
	<u>FY16</u>	<u>FY17</u>	<u>FY16</u>	<u>FY17</u>	<u>FY16</u>	<u>FY17</u>	
Land	\$ 11,825,020	\$ 12,055,580	\$ 2,396,478	\$ 2,396,478	\$ 14,221,498	\$ 14,452,058	\$ 230,560
Roads, Modified Approach (Not Depr.)	197,281,864	199,962,491	-	-	197,281,864	199,962,491	2,680,627
Roads	10,111	8,493	-	-	10,111	8,493	(1,618)
Land Improvements	5,974,446	5,547,371	81,792	63,675	6,056,238	5,611,046	(445,192)
Building and Improvements	45,613,154	44,277,666	495,683	455,054	46,108,837	44,732,720	(1,376,117)
Construction In Progress	1,412,071	3,441,561	2,000	17,750	1,414,071	3,459,311	2,045,240
Vehicles, Machinery and Equipment	6,987,306	7,554,503	40,727	145,973	7,028,033	7,700,476	672,443
Furniture and Office Equipment	435,065	338,848	12,195	36,010	447,260	374,858	(72,402)
	<u>\$ 269,539,037</u>	<u>\$ 273,186,513</u>	<u>\$ 3,028,875</u>	<u>\$ 3,114,940</u>	<u>\$ 272,567,912</u>	<u>\$ 276,301,453</u>	<u>\$ 3,733,541</u>

A more detailed breakdown of the capital assets and depreciation can be found in Note 6 of the Notes to the Financial Statements, pages 27 through 53.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
Unaudited
(Continued)**

Noncurrent Liabilities

Noncurrent liabilities consist of outstanding bonds, accruals relating to earned and unused vacation of County employees, and escrowed dollars under the Family Self-Sufficiency program within the Assisted Housing Fund. As of June 30, 2017, the County had \$17,475,000 in outstanding bond obligations (not including premiums or discounts) versus \$24,505,000 last year, a decrease of 28.7%, 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.

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY16</u>	<u>FY17</u>	<u>FY16</u>	<u>FY17</u>	<u>FY16</u>	<u>FY17</u>
General Obligation Bonds (Backed by the County)	\$ 16,058,948	\$ 10,990,000	\$ -	\$ -	\$ 16,058,948	\$ 10,990,000
General Obligation Bonds (Back by specific tax or fee)	941,052	-	-	-	941,052	-
Revenue Bonds and Notes (Back by specific tax or fee revenues)	7,505,000	6,485,000	-	-	7,505,000	6,485,000
Compensated Absences	524,748	572,649	78,295	69,657	603,043	642,306
Accrued Other	-	-	78,587	65,015	78,587	65,015
	<u>\$ 25,029,748</u>	<u>\$ 18,047,649</u>	<u>\$ 156,882</u>	<u>\$ 134,672</u>	<u>\$ 25,186,630</u>	<u>\$ 18,182,321</u>

The County's general obligation bond rating is Aa1, a rating that has been assigned by national rating agency, Moody's Rating Service. The Kentucky Revised Statutes provide that a county will not incur net indebtedness for all purposes that exceed an amount equal to two percent (2.0%) of the value of the taxable property within the County's limits. According to Boone County's 2016 assessment the maximum allowable indebtedness of the County is excess of \$260 million, which far exceeds the County's outstanding debt. Subsequent to June 30, 2017, the County was upgraded to Aaa bond rating by Moody's Rating Services.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
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 21.7% over the previous year. Revenue from payroll tax receipts, the County's single largest source of revenue reflected growth of 6.9% 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.

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

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
Unaudited
(Continued)**

Reconciliation of Management's Discussion and Analysis to Audit Financial Statements for the Year Ended June 30, 2016

	Governmental Activities			Business Activities			Total		
	Management's Statements	GASB 68 & 71 Adjustments	Audited Statements	Management's Statements	GASB 68 & 71 Adjustments	Audited Statements	Management's Statements	GASB 68 & 71 Adjustments	Audited Statements
Statements of Net Position									
Current Assets	\$ 60,360,654	\$ -	\$ 60,360,654	\$ 1,077,348	\$ -	\$ 1,077,348	\$ 61,438,002	\$ -	\$ 61,438,002
Non-Current Assets	287,602,098	-	287,602,098	3,028,875	-	3,028,875	290,630,973	-	290,630,973
Total Assets	347,962,752	-	347,962,752	4,106,223	-	4,106,223	352,068,975	-	352,068,975
Deferred Outflows of Resources	303,928	4,144,281	4,448,209	-	284,839	284,839	303,928	4,429,120	4,733,048
Total Assets and Deferred Outflows of Resources	348,266,680	4,144,281	352,410,961	4,106,223	284,839	4,391,062	352,372,903	4,429,120	356,802,023
Current Liabilities	14,499,402	-	14,499,402	117,230	-	117,230	14,616,632	-	14,616,632
Long-Term Liabilities	24,454,382	20,331,300	44,785,682	5,110,638	1,450,032	6,560,670	29,565,020	21,781,332	51,346,352
Total Liabilities	38,953,784	20,331,300	59,285,084	5,227,868	1,450,032	6,677,900	44,181,652	21,781,332	65,962,984
Deferred Inflows of Resources	-	11,130	11,130	-	746	746	-	11,876	11,876
Total Liabilities and Deferred Inflows of Resources	38,953,784	20,342,430	59,296,214	5,227,868	1,450,778	6,678,646	44,181,652	21,793,208	65,974,860
Total Net Position	\$ 309,312,896	\$ (16,198,149)	\$ 293,114,747	\$ (1,121,645)	\$ (1,165,939)	\$ (2,287,584)	\$ 308,191,251	\$ (17,364,088)	\$ 290,827,163
Statements of Activities									
Program Revenues	\$ 19,560,432	\$ -	\$ 19,560,432	\$ 8,618,086	\$ -	\$ 8,618,086	\$ 28,178,518	\$ -	\$ 28,178,518
General Revenues	46,259,936	-	46,259,936	3,957	-	3,957	46,263,893	-	46,263,893
Total Revenues	65,820,368	-	65,820,368	8,622,043	-	8,622,043	74,442,411	-	74,442,411
Expenses	51,007,620	837,916	51,845,536	8,651,622	42,830	8,694,452	59,659,242	880,746	60,539,988
Change in Net Position	14,812,748	(837,916)	13,974,832	(29,579)	(42,830)	(72,409)	14,783,169	(880,746)	13,902,423
Net Position - Beginning Year (As Restated)	294,500,148	(15,360,233)	279,139,915	(1,092,066)	(1,123,109)	(2,215,175)	293,408,082	(16,483,342)	276,924,740
Net Position -Ending Year	\$ 309,312,896	\$ (16,198,149)	\$ 293,114,747	\$ (1,121,645)	\$ (1,165,939)	\$ (2,287,584)	\$ 308,191,251	\$ (17,364,088)	\$ 290,827,163

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017
Unaudited
(Continued)**

Reconciliation of Management's Discussion and Analysis to Audit Financial Statements for the Year Ended June 30, 2017

	Governmental Activities			Business Activities			Total		
	Management's Statements	GASB 68 & 71 Adjustments	Audited Statements	Management's Statements	GASB 68 & 71 Adjustments	Audited Statements	Management's Statements	GASB 68 & 71 Adjustments	Audited Statements
Statements of Net Position									
Current Assets	\$ 67,601,024	\$ -	\$ 67,601,024	\$ 1,191,492	\$ -	\$ 1,191,492	\$ 68,792,516	\$ -	\$ 68,792,516
Non-Current Assets	289,484,036	-	289,484,036	3,114,940	-	3,114,940	292,598,976	-	292,598,976
Total Assets	357,085,060	-	357,085,060	4,306,432	-	4,306,432	361,391,492	-	361,391,492
Deferred Outflows of Resources	254,060	5,979,156	6,233,216	-	406,538	406,538	254,060	6,385,694	6,639,754
Total Assets and Deferred Outflows of Resources	357,339,120	5,979,156	363,318,276	4,306,432	406,538	4,712,970	361,645,552	6,385,694	368,031,246
Current Liabilities	12,925,126	-	12,925,126	145,873	-	145,873	13,070,999	-	13,070,999
Long-Term Liabilities	17,545,656	23,976,658	41,522,314	5,099,790	1,691,812	6,791,602	22,645,446	25,668,470	48,313,916
Total Liabilities	30,470,782	23,976,658	54,447,440	5,245,663	1,691,812	6,937,475	35,716,445	25,668,470	61,384,915
Deferred Inflows of Resources	-	6,692	6,692	-	452	452	-	7,144	7,144
Total Liabilities and Deferred Inflows of Resources	30,470,782	23,983,350	54,454,132	5,245,663	1,692,264	6,937,927	35,716,445	25,675,614	61,392,059
Total Net Position	\$ 326,868,338	\$ (18,004,194)	\$ 308,864,144	\$ (939,231)	\$ (1,285,726)	\$ (2,224,957)	\$ 325,929,107	\$ (19,289,920)	\$ 306,639,187
Statements of Activities									
Program Revenues	\$ 20,923,252	\$ -	\$ 20,923,252	\$ 9,260,205	\$ -	\$ 9,260,205	\$ 30,183,457	\$ -	\$ 30,183,457
General Revenues	49,824,563	-	49,824,563	330,395	-	330,395	50,154,958	-	50,154,958
Total Revenues	70,747,815	-	70,747,815	9,590,600	-	9,590,600	80,338,415	-	80,338,415
Expenses	53,192,373	1,806,045	54,998,418	9,408,186	119,787	9,527,973	62,600,559	1,925,832	64,526,391
Change in Net Position	17,555,442	(1,806,045)	15,749,397	182,414	(119,787)	62,627	17,737,856	(1,925,832)	15,812,024
Net Position - Beginning Year (As Restated)	309,312,896	(16,198,149)	293,114,747	(1,121,645)	(1,165,939)	(2,287,584)	308,191,251	(17,364,088)	290,827,163
Net Position -Ending Year	\$ 326,868,338	\$ (18,004,194)	\$ 308,864,144	\$ (939,231)	\$ (1,285,726)	\$ (2,224,957)	\$ 325,929,107	\$ (19,289,920)	\$ 306,639,187

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, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets			
Cash and Cash Equivalents	\$ 54,679,774	\$ 1,078,769	\$ 55,758,543
Investments	1,063,478	-	1,063,478
Inventory	-	68,001	68,001
Accounts Receivable	11,606,521	44,722	11,651,243
Notes Receivable, Due Within One Year	251,251	-	251,251
Total Current Assets	<u>67,601,024</u>	<u>1,191,492</u>	<u>68,792,516</u>
Noncurrent Assets			
Capital Assets, Net of Accumulated Depreciation			
Land	12,055,580	2,396,478	14,452,058
Land Improvements	5,547,371	63,675	5,611,046
Buildings and Building Improvements	44,277,666	455,054	44,732,720
Furniture and Office Equipment	338,848	36,010	374,858
Vehicles and Equipment	7,554,503	145,973	7,700,476
Construction in Progress	3,441,561	17,750	3,459,311
Infrastructure Assets, Net of Accumulated Depreciation	199,970,984	-	199,970,984
Restricted Cash	7,916,022	-	7,916,022
Due from Boone County Golf Course	4,965,118	-	4,965,118
Notes Receivable, Due in More than One Year	3,416,383	-	3,416,383
Total Noncurrent Assets	<u>289,484,036</u>	<u>3,114,940</u>	<u>292,598,976</u>
Total Assets	<u>357,085,060</u>	<u>4,306,432</u>	<u>361,391,492</u>
Deferred Outflows of Resources			
Deferred Loss on Refundings, Net	254,060	-	254,060
Deferred Outflows Related to Pension	5,979,156	406,538	6,385,694
Total Deferred Outflows of Resources	<u>6,233,216</u>	<u>406,538</u>	<u>6,639,754</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 363,318,276</u>	<u>\$ 4,712,970</u>	<u>\$ 368,031,246</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current Liabilities			
Compensated Absences Payable, Due Within One Year	\$ 40,433	\$ 3,606	\$ 44,039
Bonds Payable, Due Within One Year	2,688,678	-	2,688,678
Accounts Payable	2,080,980	74,687	2,155,667
Accrued Payroll	325,558	32,905	358,463
Accrued Interest	124,542	-	124,542
Estimated Liability for Claims - HRA Accounts, Due Within One Year	125,733	-	125,733
Accrued Other	7,539,202	34,675	7,573,877
Total Current Liabilities	<u>12,925,126</u>	<u>145,873</u>	<u>13,070,999</u>
Noncurrent Liabilities			
Compensated Absences Payable, Due in More Than One Year	572,649	69,657	642,306
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	15,183,340	-	15,183,340
Estimated Liability for Claims-HRA Accounts, Due in More Than One Year	1,789,667	-	1,789,667
Accrued Other, Due in More Than One Year	-	65,015	65,015
Net Pension Liability	23,976,658	1,691,812	25,668,470
Total Noncurrent Liabilities	<u>41,522,314</u>	<u>6,791,602</u>	<u>48,313,916</u>
Total Liabilities	<u>54,447,440</u>	<u>6,937,475</u>	<u>61,384,915</u>
Deferred Inflows of Resources			
Deferred Inflows Related to Pension	6,692	452	7,144
Total Liabilities and Deferred Inflows of Resources	<u>\$ 54,454,132</u>	<u>\$ 6,937,927</u>	<u>\$ 61,392,059</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF NET POSITION
June 30, 2017
(Continued)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Net Position			
Net Investment in Capital Assets	\$ 255,444,013	\$ 3,114,940	\$ 258,558,953
Restricted for			
Multi-Government Self Insurance	1,437,302	-	1,437,302
Protection of Persons and Property	8,579,104	-	8,579,104
Other Purposes	381,613	254,642	636,255
Other Capital Projects	20,489,219	-	20,489,219
Health and Welfare	3,281,166	-	3,281,166
Road Resurfacing and Maintenance	3,519,989	-	3,519,989
Unrestricted	<u>15,731,738</u>	<u>(5,594,539)</u>	<u>10,137,199</u>
Total Net Position	<u>\$ 308,864,144</u>	<u>\$ (2,224,957)</u>	<u>\$ 306,639,187</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2017**

Functions	Expenses	Program Revenues Received			Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Governmental Activities							
General Government	\$ 17,772,174	\$ 765,356	\$ 1,228,593	\$ -	\$ (15,778,225)	\$ -	\$ (15,778,225)
Protection to Persons and Property	22,261,552	7,489,412	2,161,384	20,000	(12,590,756)	-	(12,590,756)
General Health and Sanitation	1,947,605	98,193	2,809,641	-	960,229	-	960,229
Social Services	1,126,541	14,045	211,544	-	(900,952)	-	(900,952)
Recreation and Culture	2,317,555	492,070	266,559	-	(1,558,926)	-	(1,558,926)
Roads	6,911,997	469,415	3,131,614	-	(3,310,968)	-	(3,310,968)
Capital Improvements	264,019	-	410,967	1,354,459	1,501,407	-	1,501,407
Pension Expense	1,806,045	-	-	-	(1,806,045)	-	(1,806,045)
Interest on Long-Term Debt	590,930	-	-	-	(590,930)	-	(590,930)
Total Governmental Activities	54,998,418	9,328,491	10,220,302	1,374,459	(34,075,166)	-	(34,075,166)
Business-Type Activities							
Jail Canteen Fund	803,999	721,675	-	-	-	(82,324)	(82,324)
Golf Course Fund	2,399,818	2,210,704	-	-	-	(189,114)	(189,114)
Assisted Housing	6,204,369	-	6,327,826	-	-	123,457	123,457
Pension Expense	119,787	-	-	-	-	(119,787)	(119,787)
Total Business-Type Activities	9,527,973	2,932,379	6,327,826	-	-	(267,768)	(267,768)
Total Primary Government	\$ 64,526,391	\$ 12,260,870	\$ 16,548,128	\$ 1,374,459	(34,075,166)	(267,768)	(34,342,934)
		General Revenues					
		Taxes					
					16,064,245	-	16,064,245
					Occupational Taxes	-	27,867,538
					Franchise Fees	-	935,345
					License Fees and Permits	-	338,757
					Excess Fees	-	1,505,278
					Rental Income	-	178,137
					Unrestricted Investment Earnings	5,395	436,541
					Donated Assets	-	2,680,627
					Gain on Sale of Capital Assets	-	51,932
					Miscellaneous Revenues	-	96,558
					Transfers	325,000	-
					Total General Revenues	49,824,563	330,395
					Change in Net Position	15,749,397	62,627
					Net Position July 1, 2016 (As Restated)	293,114,747	(2,287,584)
					Net Position June 30, 2017	\$ 308,864,144	\$ (2,224,957)
							\$ 306,639,187

See accompanying notes.

**BOONE COUNTY FISCAL COURT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017**

	Major Funds					
	General Fund	Road and Bridge Fund	Jail Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	\$ 15,940,183	\$ 3,676,010	\$ 1,125,220	\$ 18,189,470	\$ 12,081,438	\$ 51,012,321
Investments	1,063,478	-	-	-	-	1,063,478
Notes Receivable	2,889,860	-	-	777,774	-	3,667,634
Accounts Receivable	9,232,294	603,439	486,544	315,793	968,451	11,606,521
Due from Boone County Golf Course	4,815,118	-	-	150,000	-	4,965,118
Restricted Cash	7,916,022	-	-	-	-	7,916,022
Total Assets	\$ 41,856,955	\$ 4,279,449	\$ 1,611,764	\$ 19,433,037	\$ 13,049,889	\$ 80,231,094
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ 585,210	\$ 593,901	\$ 63,936	\$ 206,849	\$ 316,333	\$ 1,766,229
Accrued Payroll	155,222	50,814	69,991	-	49,531	325,558
Compensated Absences Payable	304,843	114,745	96,252	-	97,242	613,082
Net Profit Tax Extension Payable	7,539,202	-	-	-	-	7,539,202
Total Liabilities	8,584,477	759,460	230,179	206,849	463,106	10,244,071
Fund Balances						
Non Spendable						
Notes Receivable Long-Term	7,541,227	-	-	840,274	-	8,381,501
Restricted						
Net Profit Extensions	-	-	-	-	-	-
Other Capital Projects	-	-	-	-	2,103,305	2,103,305
Other Purposes	376,820	-	-	-	4,793	381,613
Protection of Persons and Property Committed	-	-	-	-	7,197,519	7,197,519
Health and Welfare Assigned	-	-	-	-	3,281,166	3,281,166
Other Capital Projects	-	-	-	18,385,914	-	18,385,914
Protection of Persons and Property	-	-	1,381,585	-	-	1,381,585
Road Resurfacing and Maintenance	-	3,519,989	-	-	-	3,519,989
Unassigned	25,354,431	-	-	-	-	25,354,431
Total Fund Balances	33,272,478	3,519,989	1,381,585	19,226,188	12,586,783	69,987,023
Total Liabilities and Fund Balances	\$ 41,856,955	\$ 4,279,449	\$ 1,611,764	\$ 19,433,037	\$ 13,049,889	\$ 80,231,094

See accompanying notes.

**BOONE COUNTY FISCAL COURT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2017**

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

Total Fund Balance - Governmental Funds		\$ 69,987,023
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	\$ 317,779,891	
Accumulated Depreciation	<u>44,593,378</u>	273,186,513
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.		
		1,437,302
Deferred loss on refunding, net is not a financial resource and therefore are not reported as assets in governmental funds.		
		254,060
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Deferred Outflows of Resources Related to Pension		5,979,156
Deferred Inflows of Resources Related to Pension		(6,692)
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	124,542	
Discounts on Bonds, Net	(32,044)	
Premiums on Bonds, Net	429,062	
Bonds Principal Payments, Due within One Year	2,615,000	
Bonds Principal Payments, Due in More than One Year	14,860,000	
Net Pension Liability	<u>23,976,658</u>	<u>(41,973,218)</u>
Total Net Position - Governmental Activities		\$ <u>308,864,144</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Fiscal Year Ended June 30, 2017

	Major Funds					Total Governmental Funds
	General Fund	Road and Bridge Fund	Jail Fund	Capital Improvements Fund	Nonmajor Governmental Funds	
Revenues						
Taxes	\$ 43,849,750	\$ -	\$ -	\$ -	\$ 4,458,514	\$ 48,308,264
In Lieu Tax Payments	101,134	-	-	-	-	101,134
Excess Fees	1,505,278	-	-	-	-	1,505,278
Licenses and Permits	1,882,748	61,163	-	-	-	1,943,911
Intergovernmental	2,150,271	2,902,123	6,123,788	93,946	1,843,489	13,113,617
Charges for Services	1,495,369	239,944	204,315	-	-	1,939,628
Miscellaneous	713,852	362,590	212,088	25,572	27,233	1,341,335
Interest	289,869	7,026	2,858	110,220	21,173	431,146
Total Revenues	51,988,271	3,572,846	6,543,049	229,738	6,350,409	68,684,313
Expenditures						
General Government	4,532,971	-	-	244,434	-	4,777,405
Protection to Persons and Property	12,163,327	-	5,057,791	-	5,043,481	22,264,599
General Health and Sanitation	743,391	15,671	-	-	1,243,786	2,002,848
Social Services	117,457	-	-	-	743,671	861,128
Recreation and Culture	2,444,404	-	-	-	-	2,444,404
Roads	-	6,338,530	-	-	42,784	6,381,314
Capital Projects	-	-	-	1,975,007	-	1,975,007
Administration	10,444,488	1,113,688	1,460,479	-	1,283,624	14,302,279
Debt Service	1,931,450	3,672,466	-	962,924	1,160,668	7,727,508
Total Expenditures	32,377,488	11,140,355	6,518,270	3,182,365	9,518,014	62,736,492
Excess (Deficiency) of Revenues Over Expenditures Before and Financing (Uses) Sources	19,610,783	(7,567,509)	24,779	(2,952,627)	(3,167,605)	5,947,821
Other Financing (Uses) Sources						
Transfers to Other Funds	(21,879,352)	-	-	-	-	(21,879,352)
Transfers from Other Funds	25,000	8,265,000	360,000	4,044,352	8,860,000	21,554,352
Total Other Financing (Uses) Sources	(21,854,352)	8,265,000	360,000	4,044,352	8,860,000	(325,000)
Net Change in Fund Balances	(2,243,569)	697,491	384,779	1,091,725	5,692,395	5,622,821
Fund Balances July 1, 2016 (As Restated)	35,516,047	2,822,498	996,806	18,134,463	6,894,388	64,364,202
Fund Balances June 30, 2017	\$ 33,272,478	\$ 3,519,989	\$ 1,381,585	\$ 19,226,188	\$ 12,586,783	\$ 69,987,023

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, 2017**

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

Total Net Change in Fund Balances - Governmental Funds	\$	5,622,821
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceed depreciation expense in the period.</p>		
Depreciation Expense	\$ (4,018,422)	
Capital Outlays	<u>5,716,045</u>	1,697,623
<p>The difference between the proceeds related to the sale of capital assets and the net book value of those assets disposed of during the year is shown as a gain on the disposal of capital assets on the statement of activities and is not reported in the governmental funds as the costs of these capital assets were reported as expenditures at the time of acquisition.</p>		
		(730,774)
<p>Repayment of bond and capital lease principal is an expenditure in the governmental funds but it reduces long-term liabilities in the statement of net assets, and does not affect the statement of activities.</p>		
		7,030,000
<p>Donated capital assets are not reported on the governmental fund statements. However, for governmental activities, these assets are reported on the statement of net assets.</p>		
		2,680,627
<p>Governmental funds report County pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
County Pension Contributions - June 30, 2016	(1,557,371)	
County Pension Contributions - June 30, 2017	1,751,521	
Cost of Benefits Earned Net of Employee Contributions	<u>(2,000,195)</u>	(1,806,045)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities; however, interest expense is recognized as the interest accrues, regardless of when it is due. The difference in interest expense reported in the statement of activities is a result of (1) the change in accrued interest on bonds, (2) amortization of refunding gains and losses, and (3) amortization on bond discounts and premiums.</p>		
		106,578
<p>Internal Service Funds are used by management to charge the cost of health insurance to individual funds. The net revenues (expenses) of this fund are reported with governmental activities.</p>		
		<u>1,148,567</u>
<p>Proceeds from the disposal of capital assets are recorded at the gross amount received. On the statement of activities, the proceeds from the sale are netted against the net book value of the asset.</p>		
		<u>-</u>
Total Change in Net Position - Governmental Activities	\$	<u>15,749,397</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2017

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Assisted Housing Fund	Golf Course Fund	Total	Self Insurance Fund
Assets and Deferred Outflows of Resources					
Current Assets					
Cash and Cash Equivalents	\$ 254,642	\$ 687,656	\$ 136,471	\$ 1,078,769	\$ 3,667,453
Inventory	-	-	68,001	68,001	-
Accounts Receivable	-	44,722	-	44,722	-
Total Current Assets	<u>254,642</u>	<u>732,378</u>	<u>204,472</u>	<u>1,191,492</u>	<u>3,667,453</u>
Noncurrent Assets					
Land	-	-	2,396,478	2,396,478	-
Land Improvements	-	-	5,639,310	5,639,310	-
Buildings and Building Improvements	-	137,417	2,328,501	2,465,918	-
Vehicles, Machinery and Equipment	-	121,792	1,108,636	1,230,428	-
Furniture and Office Equipment	-	77,294	-	77,294	-
Construction in Progress	-	-	17,750	17,750	-
Less Accumulated Depreciation	-	336,503	11,490,675	11,827,178	-
	<u>-</u>	<u>197,999</u>	<u>8,514,239</u>	<u>8,712,238</u>	<u>-</u>
Total Noncurrent Assets	<u>-</u>	<u>138,504</u>	<u>2,976,436</u>	<u>3,114,940</u>	<u>-</u>
Total Assets	<u>254,642</u>	<u>870,882</u>	<u>3,180,908</u>	<u>4,306,432</u>	<u>3,667,453</u>
Deferred Outflows of Resources					
Deferred Outflows Related to Pension	-	144,834	261,704	406,538	-
Total Assets and Deferred Outflows of Resources	<u>\$ 254,642</u>	<u>\$ 1,015,716</u>	<u>\$ 3,442,612</u>	<u>\$ 4,712,970</u>	<u>\$ 3,667,453</u>
Liabilities and Deferred Inflows of Resources					
Current Liabilities					
Compensated Absences Payable, Due Within One Year	\$ -	\$ 756	\$ 2,850	\$ 3,606	\$ -
Accounts Payable	-	116	74,571	74,687	314,751
Accrued Payroll	-	6,138	26,767	32,905	-
Estimated Liability for Claims - HRA Accounts, Due Within One Year	-	-	-	-	125,733
Accrued Other - Noncurrent, Due in More than One Year	-	34,675	-	34,675	-
Total Current Liabilities	<u>-</u>	<u>41,685</u>	<u>104,188</u>	<u>145,873</u>	<u>440,484</u>
Noncurrent Liabilities					
Compensated Absences Payable, Due in More than One Year	-	14,358	55,299	69,657	-
Due to General Fund	-	-	4,815,118	4,815,118	-
Due to Capital Improvements	-	-	150,000	150,000	-
Estimated Liability for Claims - HRA Accounts, Due in More than One Year	-	-	-	-	1,789,667
Accrued Other - Noncurrent, Due in More than One Year	-	65,015	-	65,015	-
Net Pension Liability	-	641,001	1,050,811	1,691,812	-
Total Noncurrent Liabilities	<u>-</u>	<u>720,374</u>	<u>6,071,228</u>	<u>6,791,602</u>	<u>1,789,667</u>
Total Liabilities	<u>-</u>	<u>762,059</u>	<u>6,175,416</u>	<u>6,937,475</u>	<u>2,230,151</u>
Deferred Inflows of Resources					
Deferred Inflows Related to Pension	-	161	291	452	-
Total Liabilities and Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 762,220</u>	<u>\$ 6,175,707</u>	<u>\$ 6,937,927</u>	<u>\$ 2,230,151</u>
Net Position					
Invested in Capital Assets, Net of Related Debt Restricted for Social Services	-	-	-	-	-
Other Purposes	254,642	-	-	254,642	-
Other Capital Projects	-	-	-	-	-
Protection of Persons and Property	-	-	-	-	-
Multi-Governmental Self Insurance	-	-	-	-	1,437,302
Unrestricted	<u>-</u>	<u>114,992</u>	<u>(5,709,531)</u>	<u>(5,594,539)</u>	<u>-</u>
Total Net Position	<u>\$ 254,642</u>	<u>\$ 253,496</u>	<u>\$ (2,733,095)</u>	<u>\$ (2,224,957)</u>	<u>\$ 1,437,302</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Assisted Housing Fund	Golf Course Fund	Total	Self Insurance Fund
Operating Revenues					
Governmental Grants	\$ -	\$ 6,284,932	\$ -	\$ 6,284,932	\$ -
Canteen Receipts	721,675	-	-	721,675	-
Green Fees	-	-	1,163,566	1,163,566	-
Power Cart Rentals	-	-	442,558	442,558	-
Memberships	-	-	86,210	86,210	-
Commission	-	-	51,401	51,401	-
Pro Shop Sales and Pull Cart Rentals	-	-	130,464	130,464	-
Food and Beverage	-	-	315,746	315,746	-
Employer / Employee Contributions	-	-	-	-	5,608,581
Miscellaneous	-	42,894	20,759	63,653	-
Total Operating Revenues	721,675	6,327,826	2,210,704	9,260,205	5,608,581
Operating Expenses					
Cost of Merchandise Sold	803,999	-	110,611	914,610	-
Housing Assistance Payment	-	5,645,268	-	5,645,268	-
Salaries and Wages	-	321,757	918,980	1,240,737	-
Employee Benefits	-	142,073	305,573	447,646	-
Contract Services	-	19,841	54,893	74,734	-
Materials and Supplies	-	4,801	4,105	8,906	-
Golf Cart Lease	-	29,370	206,187	235,557	-
Utilities	-	1,198	124,987	126,185	-
Maintenance and Repairs	-	-	80,719	80,719	-
Fertilizer and Chemicals	-	-	237,540	237,540	-
Petroleum Products	-	-	44,249	44,249	-
Uniforms	-	-	3,434	3,434	-
Food and Beverage	-	-	146,513	146,513	-
Depreciation	-	10,512	114,557	125,069	-
Pension Expense	-	40,057	79,730	119,787	-
Other Operating Expenses	-	29,549	47,470	77,019	-
Insurance Claims	-	-	-	-	4,483,855
Total Operating Expenses	803,999	6,244,426	2,479,548	9,527,973	4,483,855
Operating (Loss) Income	(82,324)	83,400	(268,844)	(267,768)	1,124,726
Non-Operating Revenues					
Interest Income	2,112	2,473	810	5,395	23,841
Transfers					
Transfers In	-	-	350,000	350,000	-
Transfers Out	-	-	(25,000)	(25,000)	-
Total Transfers	-	-	325,000	325,000	-
Change in Net Position	(80,212)	85,873	56,966	62,627	1,148,567
Net Position July 1, 2016	334,854	167,623	(2,790,061)	(2,287,584)	288,735
Net Position June 30, 2017	\$ 254,642	\$ 253,496	\$ (2,733,095)	\$ (2,224,957)	\$ 1,437,302

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Fiscal Year Ended June 30, 2017

	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	\$ 721,675	\$ -	\$ 2,159,303	\$ 2,880,978	\$ -
Receipts from Commissions	-	-	51,401	51,401	-
Receipts from Governmental Grants	-	6,286,350	-	6,286,350	-
Receipts from Employees/Intergovernmental	-	-	-	-	5,608,581
Payments to Suppliers	(803,999)	(5,700,362)	(974,880)	(7,479,241)	-
Payments to Employees	-	(469,089)	(1,298,064)	(1,767,153)	-
Payments for Claims	-	-	-	-	(4,759,197)
Receipts from Miscellaneous Income	-	34,448	-	34,448	-
Net Cash (Used) Provided by Operating Activities	(82,324)	151,347	(62,240)	6,783	849,384
Cash Flows from Non-Capital Financing Activities					
Transfer In	-	-	325,000	325,000	-
Cash Flows from Capital and Related Financing Activities					
Acquisition of Capital Assets	-	(30,892)	(180,242)	(211,134)	-
Cash Flows from Investing Activities					
Interest Income	2,112	2,473	810	5,395	23,841
Net Change in Cash	(80,212)	122,928	83,328	126,044	873,225
Cash and Cash Equivalents July 1, 2016	334,854	564,728	53,143	952,725	2,794,228
Cash and Cash Equivalents June 30, 2017	<u>\$ 254,642</u>	<u>\$ 687,656</u>	<u>\$ 136,471</u>	<u>\$ 1,078,769</u>	<u>\$ 3,667,453</u>
Reconciliation of Operating Income					
Net Cash (Used) Provided by Operating Activities					
Operating (Loss) Income	\$ (82,324)	\$ 83,400	\$ (268,844)	\$ (267,768)	\$ 1,124,726
Adjustments to Reconcile Operating (Loss) Income to Net Cash (Used) Provided by Operating Activities					
Depreciation	-	10,512	114,557	125,069	-
Change in Assets and Liabilities					
Accounts Receivable	-	1,418	-	1,418	-
Inventory	-	-	10,482	10,482	-
Deferred Outflows of Resources	-	(40,697)	(81,002)	-	-
Accounts Payable	-	116	(4,384)	(4,268)	2,186
Estimated Liability for Claims - HRA	-	-	-	-	(277,528)
Accrued Payroll	-	881	5,111	5,992	-
Accrued Other	-	21,103	-	21,103	-
Compensated Absences Payable	-	(6,140)	1,108	(5,032)	-
Net Pension Liability	-	80,852	160,928	241,780	-
Deferred Inflows of Resources	-	(98)	(196)	(294)	-
Net Cash (Used) Provided by Operating Activities	<u>\$ (82,324)</u>	<u>\$ 151,347</u>	<u>\$ (62,240)</u>	<u>\$ 6,783</u>	<u>\$ 849,384</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
June 30, 2017

	<u>Agency Funds</u>				
	<u>School Board Tax Fund</u>	<u>Jail Prisoners Funds</u>	<u>Motor Vehicle Rental Tax Fund</u>	<u>Flexible Spending Account</u>	<u>Bullittsville Cemetery Funds</u>
Assets					
Cash and Cash Equivalents	\$ 1,315,437	\$ 288,468	\$ 58	\$ 59,545	\$ 26,427
Accounts Receivable	<u>4,044,511</u>	<u>-</u>	<u>525,187</u>	<u>-</u>	<u>-</u>
Total Assets	5,359,948	288,468	525,245	59,545	26,427
Liabilities					
Accounts Payable and Accrued Liabilities	<u>5,359,948</u>	<u>288,468</u>	<u>525,245</u>	<u>59,545</u>	<u>26,427</u>
Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Additional – Boone County Constitutional Elected Officials:

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

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

Blended Component Unit

The following organization is shown as blended component unit:

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

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

Basis of Accounting, Measurement Focus, and Presentation

Government Wide Statements

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of the related cash flows. For example, property tax revenue is recognized in the year of levy, and all other revenue is recognized when services have been rendered. The types of transactions reported as program revenues for the County are reported in three categories: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include taxes and unrestricted state funds.

Fund Financial Statements

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

All governmental funds are accounted for on the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current net position.

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

Jail Fund

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

Capital Improvements Fund

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

Nonmajor Funds

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

Special Revenue Funds

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

Debt Service Fund

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

The government reports the following major proprietary funds:

Jail Canteen Fund

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Golf Course Fund

The Golf Course Fund accounts for the activities of the Public Properties Golf Course. The Public Properties Golf Course owns and operates two golf courses.

Assisted Housing Fund

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

Self Insurance Fund

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

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

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

The government reports the following fiduciary funds:

School Board Tax Fund

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

Jail Prisoners Fund

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

Motor Vehicle Rental Tax Fund

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

Flexible Spending Account

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

Bullittsville Cemetery Trust Fund

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied and are due and payable on November 1st of each year, and may be paid upon receipt of the notice at declining discounts through the month of February. All unpaid taxes on real and personal property become delinquent on April 1st of the year following the year in which the taxes were levied.

Delinquent real property taxes bear interest at the rate of 1.5% per month, and interest continues to accrue until a certificate is sold at auction, from which time the interest rate shall be as bid by the buyer of the certificate. Personal property taxes bear interest at 1.5% per month from April 1st until paid. After May 1st of each year and following proper procedures, a court order may be issued to seize and sell the property.

Legal Compliance - Budget

The County budget is adopted on a cash basis of accounting, and according to the laws of Kentucky, as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the County by May 1st of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the County by July 1st.

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

The schedules of revenues, expenditures and changes in fund balances budget and actual present a comparison of budgetary data in actual results. These funds utilize the same basis of accounting for both budgetary purposes and actual results. See pages 54 and 55 for the reconciliation of the actual results to the fund statements.

Cash and Investments

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

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

Inventory

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

Capital Assets

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Compensated Absences

These amounts represent the unpaid vacation costs as of the end of the period. All compensated amounts for governmental and proprietary fund types are accrued as liabilities. The compensated absence liability has been computed based on rates of pay in effect at June 30, 2017.

Pensions

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

Net Position

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

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

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

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

Related Organizations

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

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposits at all times. In order to be valid against the FDIC, in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2017, the County's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County's agent in the County's name, or provided surety bond which named the County as beneficiary/obligee on the bond.

Investments

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

Interest Rate Risk

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

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

The policy limits investments to the following:

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

Concentration of Credit Risk

The policy limits the concentration of credit risk as follows:

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy on custodial credit risk. As of June 30, 2017, 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, 2017, 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	\$ 507,111	Less than 1 Year	N/A
Money Market Funds	<u>556,367</u>	N/A	N/A
Total	<u>\$ 1,063,478</u>		

NOTE 3 - NOTES RECEIVABLE

The Walton Fire Protection District has a lease/purchase agreement with the 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, 2017 is \$36,849 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 receivable balance on the lease agreement at June 30, 2017 is \$1,925,970 and the Boone County Water District is in substantial compliance with the terms of the agreement.

The County has agreed to use a portion of the \$2,200,000 General Obligation Multi-Purpose Public Project Bond, Series 2006 to complete improvements to the Petersburg Fire Protection Firehouse and apparatus bays (the Project). The Petersburg Fire Protection District has determined to operate and maintain the Project and to make certain annual payments to the County. These annual payments equal Petersburg Fire Protection District's portion of principal and interest due on these bonds. The receivable balance on the lease agreement at June 30, 2017 totaled \$927,041.

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, 2017, the note receivable balance was \$777,774. The note is expected to be paid off by June, 2027.

The remaining maturities on the notes are as follows:

Years Ending June 30,	
2018	\$ 251,251
2019	247,187
2020	242,069
2021	249,457
2022	260,005
Thereafter	<u>2,417,665</u>
	<u>\$ 3,667,634</u>

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2017:

	Governmental Activities	Business-Type Activities	Total
Taxes – Current	\$ 8,831,266	\$ -	\$ 8,831,266
Excess Fees	434,995	-	434,995
Charges for Service	162,584	-	162,584
Intergovernmental	2,095,889	11,159	2,107,048
License Fees	38,278	-	38,278
Miscellaneous	43,509	33,563	77,072
	<u>\$ 11,606,521</u>	<u>\$ 44,722</u>	<u>\$ 11,651,243</u>

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2017 was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
Capital Assets Not Being Depreciated				
Land	\$ 11,825,020	\$ 230,560	\$ -	\$ 12,055,580
Roads	197,281,864	2,680,627	-	199,962,491
Construction in Progress	1,412,071	2,754,264	724,774	3,441,561
Total Capital Assets Not Being Depreciated	<u>210,518,955</u>	<u>5,665,451</u>	<u>724,774</u>	<u>215,459,632</u>
Depreciable Capital Assets				
Land Improvements	11,184,100	-	-	11,184,100
Buildings and Building Improvements	65,321,869	148,281	-	65,470,150
Equipment	13,354,646	1,780,576	1,077,499	14,057,723
Furniture and Office Equipment	1,905,023	19,384	348,947	1,575,460
Vehicles	9,299,600	782,980	134,657	9,947,923
Roads	84,903	-	-	84,903
Total Depreciable Capital Assets	<u>101,150,141</u>	<u>2,731,221</u>	<u>1,561,103</u>	<u>102,320,259</u>
Total Capital Assets at Historical Cost	<u>311,669,096</u>	<u>8,396,672</u>	<u>2,285,877</u>	<u>317,779,891</u>
Less Accumulated Depreciation				
Land Improvements	5,209,654	427,075	-	5,636,729
Buildings and Building Improvements	19,708,715	1,483,769	-	21,192,484
Equipment	8,743,063	1,292,379	1,077,499	8,957,943
Furniture and Office Equipment	1,469,958	115,601	348,947	1,236,612
Vehicles	6,923,877	697,980	128,657	7,493,200
Roads	74,792	1,618	-	76,410
Total Accumulated Depreciation	<u>42,130,059</u>	<u>4,018,422</u>	<u>1,555,103</u>	<u>44,593,378</u>
Depreciable Capital Assets, Net	<u>59,020,082</u>	<u>(1,287,201)</u>	<u>6,000</u>	<u>57,726,881</u>
Governmental Activities Capital Assets - Net	<u>\$ 269,539,037</u>	<u>\$ 4,378,250</u>	<u>\$ 730,774</u>	<u>\$ 273,186,513</u>

NOTE 5 - CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>
Capital Assets Not Being Depreciated				
Land	\$ 2,396,478	\$ -	\$ -	\$ 2,396,478
Construction in Progress	2,000	15,750	-	17,750
Total Capital Assets Not Being Depreciated	<u>2,398,478</u>	<u>15,750</u>	<u>-</u>	<u>2,414,228</u>
Depreciable Capital Assets				
Land Improvements	5,639,310	-	-	5,639,310
Buildings and Building Improvements	2,436,793	29,125	-	2,465,918
Furniture and Office Equipment	194,713	30,892	148,311	77,294
Vehicles, Machinery and Equipment	1,095,061	135,367	-	1,230,428
Totals at Historical Cost	<u>9,365,877</u>	<u>195,384</u>	<u>148,311</u>	<u>9,412,950</u>
Total Capital Assets at Historical Cost	<u>11,764,355</u>	<u>211,134</u>	<u>148,311</u>	<u>11,827,178</u>
Less Accumulated Depreciation				
Land Improvements	5,557,518	18,117	-	5,575,635
Buildings and Building Improvements	1,941,110	69,754	-	2,010,864
Furniture and Office Equipment	182,518	7,077	148,311	41,284
Vehicles, Machinery and Equipment	1,054,334	30,121	-	1,084,455
Total Accumulated Depreciation	<u>8,735,480</u>	<u>125,069</u>	<u>148,311</u>	<u>8,712,238</u>
Depreciable Capital Assets, Net	<u>630,397</u>	<u>70,315</u>	<u>-</u>	<u>700,712</u>
Business - Type Activities				
Capital Assets - Net	<u>\$ 3,028,875</u>	<u>\$ 86,065</u>	<u>\$ -</u>	<u>\$ 3,114,940</u>

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

	<u>Year Ended June 30, 2017</u>
Governmental Activities	
General Government	\$ 915,187
Protection to Persons and Property	2,037,002
General Health and Sanitation	34,386
Social Services	2,625
Recreation and Culture	244,670
Roads, Including Depreciation of General Infrastructure Assets	<u>784,552</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 4,018,422</u>
Business-Type Activities	
Golf Course	\$ 114,557
Assisted Housing	<u>10,512</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 125,069</u>

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable consists of the following at June 30, 2017:

	Governmental Activities	Business-Type Activities	Total
General Government	\$ 61,021	\$ -	\$ 61,021
Protection to Persons and Property	210,250	-	210,250
General Health and Sanitation	49,503	-	49,503
Social Services	71,565	116	71,681
Recreation and Culture	56,159	74,571	130,730
Roads	581,469	-	581,469
Other Transportation Facilities and Services	7,799	-	7,799
Capital Projects	206,849	-	206,849
Administration	521,614	-	521,614
Insurance Claims	314,751	-	314,751
	<u>\$ 2,080,980</u>	<u>\$ 74,687</u>	<u>\$ 2,155,667</u>

NOTE 7 - LONG-TERM DEBT

The following is a summary of the County's long-term debt transactions for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 17,000,000	\$ -	\$ 6,010,000	\$ 10,990,000	\$ 1,580,000
Special Revenue Bonds	7,505,000	-	1,020,000	6,485,000	1,035,000
Unamortized Premium	508,973	-	79,911	429,062	79,881
Unamortized Discount	(38,247)	-	(6,203)	(32,044)	(6,203)
Compensated Absences	524,748	88,334	-	613,082	40,433
	<u>\$ 25,500,474</u>	<u>\$ 88,334</u>	<u>\$ 7,103,708</u>	<u>\$ 18,485,100</u>	<u>\$ 2,729,111</u>
Business-Type Activities					
Compensated Absences	\$ 78,295	\$ -	\$ 5,032	\$ 73,263	\$ 3,606
	<u>\$ 78,295</u>	<u>\$ -</u>	<u>\$ 5,032</u>	<u>\$ 73,263</u>	<u>\$ 3,606</u>

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. The series was paid off in the current fiscal year in February, 2017.

NOTE 7 - LONG-TERM DEBT (Continued)

Series 2010C - General Obligation Refunding Bonds

The County issued General Obligation Bonds for the purpose of refunding the outstanding amount of the General Obligation Public Project Bonds, Series 2002. The Series 2010C, dated November 16, 2010, were issued at various interest rates ranging from 2.0% to 4.0% and will be retired on April 1, 2022. Interest payments are due by October 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:

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2018	\$ 257,400	\$ 1,190,000
2019	209,800	1,235,000
2020	160,400	1,285,000
2021	109,000	1,335,000
2022	55,600	1,390,000
Total	\$ 792,200	\$ 6,435,000

Series 2015 – General Obligation Refunding Bonds

The County issued General Obligation Bonds for the purpose of refunding the outstanding amount of both the 2003C and 2006 General Obligation Bonds. The Series 2015, dated September 24, 2015, were issued at various interest rates ranging from 2.0% to 2.375% and will be retired on November 1, 2027. Interest payments are due by May 1st and November 1st with principal payments due November 1st each year. Principal payments are required and scheduled interests for the retirement of the bonds are as follows:

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2018	\$ 91,650	\$ 390,000
2019	83,700	405,000
2020	75,550	410,000
2021	67,300	415,000
2022	67,300	435,000
2023-2027	115,250	2,160,000
2028	4,037	340,000
Total	\$ 504,787	\$ 4,555,000

Special Revenue Bonds - Public Properties

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

Defeased Bond

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

NOTE 7 - LONG-TERM DEBT (Continued)

Revenue bonds outstanding at June 30, 2017, are as follows:

Purpose	Interest Rate	Amount
2011 Justice Center Bonds	1.00% - 2.50%	\$ <u>6,485,000</u>

The minimum obligations at June 30, 2017 for debt service of these bonds are as follows:

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2018	\$ 125,040	\$ 1,035,000
2019	107,873	1,045,000
2020	87,768	1,070,000
2021	65,486	1,090,000
2022	41,140	1,110,000
2023	<u>14,188</u>	<u>1,135,000</u>
Total	<u>\$ 441,495</u>	<u>\$ 6,485,000</u>

Conduit Debt Obligations

The County has outstanding numerous bonds to provide financial assistance to both private and public sector entities for varying purposes, such as the purchase property or refinancing. The bonds are secured by the property financed and are payable solely from the private or public sector entity. Neither the County nor any political subdivision thereof, is obligated in any manner for repayment of these bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. As of June 30, 2017, the outstanding principal on these bonds were \$522,252,508.

NOTE 8 - PENSION PLAN

General Information about the Pension Plan

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

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

Non-hazardous Plan:

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

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

NOTE 8 - PENSION PLAN (Continued)

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

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

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

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

Benefit Formula for Tiers 1 & 2

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

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

Benefit Formula for Tier 3

(A-B) = C X 75% = D then B+D = Interest					
A	B	C	D	Interest Rate Earned	Total Interest Credited to Members' Accounts
5 Year Geometric Average Return	2016 Rate	Upside Sharing Interest	Interest Rate Earned	(4% + Upside)	
5.16%	4.00%	1.16%	0.87%	4.87%	\$ 672,783

NOTE 8 - PENSION PLAN (Continued)

Hazardous Plan:

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

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

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

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

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

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

Benefit Formula for Tiers 1 & 2

Final Compensation	X	Benefit Factor	X	Years of Service
Average of the three highest if participation began before 09/01/2008.		2.50% if:	Member begins participating before 09/01/2008.	Includes earned service, purchased service, prior service, and sick leave service
Average of the three highest complete years if participation began on or after 09/01/2008.		Increasing percent based on service at retirement* if:	Member begins participating on or after 09/01/2008 but before 01/01/2014.	(if the member's employer participates in an approved sick

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

Benefit Formula for Tier 3

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

A	B	C	D	Interest Rate Earned	Total Interest Credited to Members' Accounts
5 Year Geometric Average Return	2016 Rate	Upside Sharing Interest	Interest Rate Earned	(4% + Upside)	
5.34%	4.00%	1.34%	1.00%	5.01%	\$ 147,772

NOTE 8 - PENSION PLAN (Continued)

Non-hazardous and Hazardous Plans:

Tier 3 member begins participating on or after January 1, 2014. Each year that a member is an active contributing member to the System, the member and the member's employer will contribute 8.00% and 7.50% of creditable compensation respectively into a current account. This current account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4.00%. If the System's geometric average net investment return for the previous five years exceeds 4.00%, then the hypothetical account will be credited with an additional amount of interest equal to 75.00% of the amount of the return which exceeds 4.00%. All interest credits will be applied to the current account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

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

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

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

Monthly retirement allowances are increased July 1 each year by 1.00% to 1.50%. The Kentucky General Assembly has the authority to increase, suspend, or reduce Cost of Living Adjustments. HB 265 of 2012 eliminated the July 1, 2012 and July 1, 2013 COLAs for all retirees. Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100.00% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

Contributions: For the fiscal years ended June 30, 2017 and 2016, plan members who began participating prior to September 1, 2008, were required to contribute 5% non-hazardous and 8% hazardous of their annual creditable compensation. These members were classified in the Tier 1 structure of benefits.

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

NOTE 8 - PENSION PLAN (Continued)

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These members were classified in the tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary month to their own account. Members contribute 5.00% non-hazardous and 8.00% hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit deposited to the member's account. A member's account is credited with a 4.00% non-hazardous and 7.50% hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

Participating employers were required to contribute at an actuarially determined rate for CERS pensions. Per Kentucky Revised Statute Section CERS 78.545, normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal year ended June 30, 2017, participating employers contributed 18.68% (13.95% pension fund and 4.73% insurance fund) for the non-hazardous system and 31.06% (21.71% pension fund and 9.35% insurance fund) for the hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the pension plan (excluding the insurance portion) from the County were \$1,751,521 (not including the insurance portion) for the year ended June 30, 2017.

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

At June 30, 2017, the County reported a liability of \$25,668,470 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2017, the County's proportion for the non-hazardous system was 0.382260% and for the hazardous system was 0.399048%. This was an increase of 0.004426% and 0.038404%, respectively.

Change of Benefit Terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016 are listed below:

2009: A new benefit tier for members who first participate on or after September 1, 2008 was introduced which included the following changes:

- 1) Tiered structure for benefit accrual rates
- 2) New retirement eligibility requirements
- 3) Different rules for the computation of final average compensation

2014: A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

NOTE 8 - PENSION PLAN (Continued)

For the year ended June 30, 2017, the County recognized pension expense of \$1,925,837. At June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ 2,347,012	\$ -
Difference Between Expected and Actual Experience	180,926	-
Changes of Assumptions	1,389,972	-
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	716,263	7,144
Contributions After Measurement Date	<u>1,751,521</u>	<u>-</u>
Total	<u>\$ 6,385,694</u>	<u>\$ 7,144</u>

\$1,751,521 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ended June 30,</u>	
2018	\$ 1,569,303
2019	1,569,303
2020	901,671
2021	<u>586,752</u>
Total	<u>\$ 4,627,029</u>

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

Valuation Date	June 30, 2016
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	5-year Smoothed market
Inflation	3.25%
Salary Increase	4.00%, average, including inflation
Investment Rate of Return	7.50% Net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For health retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (setback 1 year for females). For disabled members, the RP-2000 combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

NOTE 8 - PENSION PLAN (Continued)

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated December 3, 2015. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, at a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

Asset Class	Target Allocation	Long Term Expected Nominal Return
Combined Equity	44.00 %	5.40 %
Combined Fixed Income	19.00	1.50
Real Return (Diversified Inflation Strategies)	10.00	3.50
Real Estate	5.00	4.50
Absolute Return (Diversified Hedge Funds)	10.00	4.25
Private Equity	10.00	8.50
Cash Equivalent	2.00	(0.25)
Total	100.00 %	

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate. The periods of projected benefit payments for all current plan members were projected through 2117.

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate: The following present's the County's proportionate share of the net pension liability using the discount rate of 7.50%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or

1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Nonhazardous	\$ 23,454,042	\$ 18,821,045	\$ 14,849,603
Hazardous	\$ 8,602,369	\$ 6,847,425	\$ 5,399,909

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

NOTE 9 - OPERATING LEASES

The County owns various buildings throughout Boone County that are leased to organizations, accounted for under an operating lease. Three leases renew annually. The others expire on various dates from March, 2019 through October, 2025. Rental income for the fiscal year ended June 30, 2017 was \$178,137. The future minimum lease payments to be received are as follows:

Years Ending June 30,		
2018	\$	175,256
2019		136,387
2020		128,485
2021		90,337
2022		90,594
Thereafter		135,954
Total Minimum Lease Payments	\$	757,013

The County leases various equipment and office space accounted for under operating leases. Majority of the leases are month-to-month and annual renewals with four long term leases expiring at various dates through August, 2030. The County may also rent equipment on an as-needed basis. Rental expense for the fiscal year ended June 30, 2017 was \$369,236. The future minimum lease payments are as follows:

Years Ending June 30,		
2018	\$	104,037
2019		100,544
2020		92,264
2021		83,984
2022		85,184
Thereafter		573,172
Total Minimum Lease Payments	\$	1,039,185

NOTE 10 - INSURANCE

For the fiscal year ended June 30, 2017, 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 11 - 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, 2017 was \$1,915,400, 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 \$3,667,453 in the account, but with the liability of the HRA account, the net position on June 30, 2017 is a positive \$1,437,302.

In 2017, the County paid out 7.17% of total HRA liability, including the rolled over amounts from 2016, and 7.17% of that year's liability, with no rollover. Another 0.96% 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 17.47% with rollover amounts, and 47.49% without the rollover.

Cash Balance, Beginning of Year	\$	2,794,228
Premiums Collected		5,608,581
Interest Earned		23,841
Claims Paid		<u>4,759,197</u>
Cash Balance, End of Year	\$	<u><u>3,667,453</u></u>

NOTE 12 - INTER-FUND TRANSACTIONS

The following is a list of inter-fund transactions as of June 30, 2017:

	Total	General Fund	Road Fund	Jail Fund	Capital Improvements Fund	PSCC Fund	Golf Course Fund
	\$ -	\$ (8,265,000) ¹	\$ 8,265,000 ¹	\$ -	\$ -	\$ -	\$ -
	-	(360,000) ¹	-	360,000 ¹	-	-	-
	-	(8,860,000) ¹	-	-	-	8,860,000 ¹	-
	-	(4,044,352) ¹	-	-	4,044,352 ¹	-	-
	-	(325,000) ¹	-	-	-	-	325,000 ¹
	<u>-</u>	<u>(21,854,352) ¹</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>325,000 ¹</u>
Total Transfer to Other Funds	\$ <u>(21,854,352)</u>	\$ <u>(21,854,352)</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Total Transfer from Other Funds	\$ <u>21,854,352</u>	\$ <u>-</u>	\$ <u>8,265,000</u>	\$ <u>360,000</u>	\$ <u>4,044,352</u>	\$ <u>8,860,000</u>	\$ <u>325,000</u>

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

NOTE 13 - 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 14 - TAX ABATEMENTS

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

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

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

The amount of taxes abated for the year ending June 30, 2017 were as follows:

Program	Taxes Abated
Kentucky Business Investment	\$ 20,048
Boone County Occupational License Fee Credit	64,950
Total	\$ 84,998

NOTE 15 - CONTINGENT LIABILITIES

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

NOTE 16 - RESTATEMENT OF ERROR

The County recorded an additional receivable associated with the Longbranch Road Widening project that should have been recorded in the prior year. As a result the Capital Improvements Fund Balance and Net Position were understated by \$24,770.

The above item had the following effects:

Capital Improvements Fund Balance, June 30, 2016	\$	18,109,693
Recording of Additional Receivable		24,770
Restated Capital Improvements Fund Balance, June 30, 2016	\$	18,134,463
Governmental Activities Net Position, June 30, 2016	\$	293,089,977
Recording of Additional Receivable		24,770
Restated Governmental Activities Net Position, June 30, 2016	\$	293,114,747

NOTE 17 - SUBSEQUENT EVENTS

The County has evaluated subsequent events through April 12, 2019, which is the date the financial statements were available to be issued.

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

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

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	\$ 40,945,000	\$ 40,945,000	\$ 43,010,341	\$ 2,065,341
In Lieu Tax Payments	100,000	100,000	101,134	1,134
Excess Fees	1,500,000	1,500,000	1,456,022	(43,978)
Licenses and Permits	1,596,885	1,596,885	1,875,234	278,349
Intergovernmental	2,179,189	2,179,189	2,294,978	115,789
Charges for Services	1,442,390	1,442,390	1,499,065	56,675
Miscellaneous	760,666	760,666	919,291	158,625
Interest	120,000	120,000	286,247	166,247
Total Revenues	<u>48,644,130</u>	<u>48,644,130</u>	<u>51,442,312</u>	<u>2,798,182</u>
Expenditures				
General Government	4,961,710	4,993,276	4,524,201	469,075
Protection to Persons and Property	12,727,622	12,727,622	12,516,795	210,827
General Health and Sanitation	753,025	783,536	740,547	42,989
Social Services	137,825	137,825	115,478	22,347
Recreation and Culture	2,630,030	2,630,030	2,431,557	198,473
Debt Service	1,931,450	1,931,450	1,931,450	-
Administration	9,967,716	10,803,966	10,414,091	389,875
Reserve Balance	17,464,437	16,566,110	8,397	16,557,713
Total Expenditures	<u>50,573,815</u>	<u>50,573,815</u>	<u>32,682,516</u>	<u>17,891,299</u>
(Deficit) Excess of Revenues Over Expenditures	<u>(1,929,685)</u>	<u>(1,929,685)</u>	<u>18,759,796</u>	<u>20,689,481</u>
Other Financing (Uses) Sources				
Operating Transfers In	-	-	25,000	25,000
Operating Transfers Out	(16,330,815)	(16,330,815)	(21,879,352)	(5,548,537)
Total Other Financing (Uses) Sources	<u>(16,330,815)</u>	<u>(16,330,815)</u>	<u>(21,854,352)</u>	<u>(5,523,537)</u>
(Deficit) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(18,260,500)</u>	<u>(18,260,500)</u>	<u>(3,094,556)</u>	<u>15,165,944</u>
Fund Balance July 1, 2016	<u>18,260,500</u>	<u>18,260,500</u>	<u>20,098,216</u>	<u>1,837,716</u>
Fund Balance June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,003,660</u>	<u>\$ 17,003,660</u>

BOONE COUNTY FISCAL COURT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
CASH BASIS
Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and Permits	\$ 65,000	\$ 65,000	\$ 71,309	\$ 6,309
Intergovernmental	2,609,474	2,609,474	2,662,974	53,500
Charges for Services	165,000	165,000	235,739	70,739
Miscellaneous	231,000	231,000	391,025	160,025
Interest	5,500	5,500	7,029	1,529
Total Revenues	<u>3,075,974</u>	<u>3,075,974</u>	<u>3,368,076</u>	<u>292,102</u>
Expenditures				
Roads	7,705,760	7,872,707	5,857,514	2,015,193
Debt Service	407,992	3,672,466	3,672,466	-
Administration	1,226,370	1,226,370	1,099,065	127,305
Reserve Balance	4,931,681	1,500,260	5,916	1,494,344
Total Expenditures	<u>14,271,803</u>	<u>14,271,803</u>	<u>10,634,961</u>	<u>3,636,842</u>
(Deficit) Excess of Revenues Over Expenditures	(11,195,829)	(11,195,829)	(7,266,885)	3,928,944
Other Financing Sources (Uses)				
Operating Transfers In	<u>9,014,829</u>	<u>9,014,829</u>	<u>8,265,000</u>	<u>(749,829)</u>
(Deficit) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(2,181,000)	(2,181,000)	998,115	3,179,115
Fund Balance July 1, 2016	<u>2,181,000</u>	<u>\$ 2,181,000</u>	<u>\$ 2,677,896</u>	<u>\$ 2,085,687</u>
Fund Balance June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,676,011</u>	<u>\$ 5,264,802</u>

BOONE COUNTY FISCAL COURT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - JAIL FUND
CASH BASIS
Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 4,311,000	\$ 4,311,000	\$ 6,088,323	\$ 1,777,323
Charges for Services	185,000	185,000	203,296	18,296
Miscellaneous	187,000	187,000	221,226	34,226
Interest	2,000	2,000	2,853	853
	<u>4,685,000</u>	<u>4,685,000</u>	<u>6,515,698</u>	<u>1,830,698</u>
Expenditures				
Protection to Persons and Property	5,061,840	5,061,840	5,045,234	16,606
Administration	1,364,620	1,364,620	1,450,130	(85,510)
Reserve Balance	125,000	125,000	2,260	122,740
	<u>6,551,460</u>	<u>6,551,460</u>	<u>6,497,624</u>	<u>53,836</u>
(Deficit) Excess of Revenues Over Expenditures	(1,866,460)	(1,866,460)	18,074	1,884,534
Other Financing Sources (Uses)				
Operating Transfers In	<u>1,120,460</u>	<u>1,120,460</u>	<u>360,000</u>	<u>(760,460)</u>
Deficit of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(746,000)	(746,000)	378,074	1,124,074
Fund Balance July 1, 2016	<u>746,000</u>	<u>746,000</u>	<u>747,145</u>	<u>1,145</u>
Fund Balance June 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,125,219</u>	<u>\$ 1,125,219</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, 2017

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>
Revenues			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 51,442,312	\$ 3,368,076	\$ 6,515,698
Accounts Receivable June 30, 2016	(8,526,425)	(398,666)	(459,196)
Accounts Receivable June 30, 2017	9,232,294	603,439	486,544
Change in Note Receivable Balance	(159,925)	-	-
Reclass of Reimbursements	<u>15</u>	<u>(3)</u>	<u>3</u>
Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	<u>\$ 51,988,271</u>	<u>\$ 3,572,846</u>	<u>\$ 6,543,049</u>
Expenses			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 32,682,516	\$ 10,634,961	\$ 6,497,624
Accounts Payable June 30, 2016	(610,451)	(107,351)	(79,797)
Accounts Payable June 30, 2017	208,390	593,901	63,936
Accrued Payroll June 30, 2016	(112,925)	(40,047)	(50,107)
Accrued Payroll June 30, 2017	155,222	50,814	69,991
Compensated Absences Payable June 30, 2016	(250,120)	(106,666)	(79,631)
Compensated Absences Payable June 30, 2017	304,843	114,745	96,252
Reclass of Reimbursements	<u>13</u>	<u>(2)</u>	<u>2</u>
Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	<u>\$ 32,377,488</u>	<u>\$ 11,140,355</u>	<u>\$ 6,518,270</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, 2017
(Continued)

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>
Other Financing (Uses) Sources			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ <u>(21,854,352)</u>	\$ <u>8,265,000</u>	\$ <u>360,000</u>
Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	\$ <u>(21,854,352)</u>	\$ <u>8,265,000</u>	\$ <u>360,000</u>
Ending Balance			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 17,003,660	\$ 3,676,011	\$ 1,125,219
Notes Receivable	2,889,860	-	-
Accounts Receivable	9,232,294	603,439	486,544
Due from Boone County Golf Course	7,916,022	-	-
Restricted Cash	4,815,118	-	-
Accounts Payable	(585,210)	(593,901)	(63,936)
Accrued Payroll	(155,222)	(50,814)	(69,991)
Compensated Balances Payable	(304,843)	(114,745)	(96,252)
Net Profit Tax Extension Payable	(7,539,202)	-	-
Rounding Adjustment	<u>1</u>	<u>(1)</u>	<u>1</u>
Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	\$ <u>33,272,478</u>	\$ <u>3,519,989</u>	\$ <u>1,381,585</u>

BOONE COUNTY FISCAL COURT
CONDITION RATING OF THE COUNTY'S STREET SYSTEM
Fiscal Year Ended June 30, 2017

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

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

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

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

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

**BOONE COUNTY FISCAL COURT
CONDITION RATING OF THE COUNTY'S STREET SYSTEM
Fiscal Year Ended June 30, 2017**

Percentage of Lane-Miles in Good or Better Condition	
2014	2013
93%	92%

Percentage of Lane-Miles in Substandard Condition	
2014	2013
7%	8%

Comparison of Needed-to-Actual Maintenance/Preservation				
		2014	2013	
Bridge				
Needed	\$	270,000	\$	-
Actual	\$	162,435	\$	-
Roads				
Needed	\$	467,685	\$	736,920
Actual	\$	424,713	\$	553,570
Subdivision				
Needed	\$	1,870,712	\$	2,947,690
Actual	\$	1,698,853	\$	2,214,280

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

BOONE COUNTY FISCAL COURT
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2017

County Employees Retirement System
Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's Proportion of the Net Pension Liability (Asset) - Non-Hazardous	0.38%	0.38%	0.38%
County's Proportion of the Net Pension Liability (Asset) - Hazardous	0.40%	0.36%	0.33%
County's Proportionate Share of the Net Pension Liability (Asset)			
Non-Hazardous	\$ 18,821,045	\$ 16,245,063	\$ 12,273,284
Hazardous	<u>6,847,425</u>	<u>5,536,269</u>	<u>3,968,390</u>
Total County's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 25,668,470</u>	<u>\$ 21,781,332</u>	<u>\$ 16,241,674</u>
County's Covered - Employee Payroll	\$ 11,629,174	\$ 11,001,641	\$ 10,935,677
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	220.72%	197.98%	148.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non-Hazardous	55.50%	59.97%	66.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Hazardous	53.95%	57.52%	63.46%

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

**BOONE COUNTY FISCAL COURT
SCHEDULE OF COUNTY CONTRIBUTIONS
June 30, 2017**

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

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

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

SUPPLEMENTARY INFORMATION

BOONE COUNTY FISCAL COURT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	<u>Public Safety Communi- cations Center</u>	<u>Local Government Economic Assistance Fund</u>	<u>Federal Grants Fund</u>	<u>Tax Improvement Fund</u>	<u>Mental Health Fund</u>	<u>Earl Parker Robinson Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets							
Cash and Cash Equivalents	\$ 7,365,675	\$ 3,860	\$ -	\$ 1,673,749	\$ 2,693,377	\$ 344,777	\$ 12,081,438
Accounts Receivable	<u>108,055</u>	<u>7,607</u>	<u>34,988</u>	<u>84,779</u>	<u>733,022</u>	<u>-</u>	<u>968,451</u>
Total Assets	<u>\$ 7,473,730</u>	<u>\$ 11,467</u>	<u>\$ 34,988</u>	<u>\$ 1,758,528</u>	<u>\$ 3,426,399</u>	<u>\$ 344,777</u>	<u>\$ 13,049,889</u>
Liabilities and Fund Balances							
Balances Liabilities							
Accounts Payable	\$ 129,438	\$ 6,674	\$ 34,988	\$ -	\$ 145,233	\$ -	\$ 316,333
Accrued Payroll	49,531	-	-	-	-	-	49,531
Compensated Absences Payable	<u>97,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,242</u>
Total Liabilities	<u>276,211</u>	<u>6,674</u>	<u>34,988</u>	<u>-</u>	<u>145,233</u>	<u>-</u>	<u>463,106</u>
Fund Balances							
Restricted							
Other Capital Projects	-	-	-	1,758,528	-	344,777	2,103,305
Other Purposes	-	4,793	-	-	-	-	4,793
Protection to Persons and Property	7,197,519	-	-	-	-	-	7,197,519
Committed							
Health and Welfare	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,281,166</u>	<u>-</u>	<u>3,281,166</u>
Total Fund Balances	<u>7,197,519</u>	<u>4,793</u>	<u>-</u>	<u>1,758,528</u>	<u>3,281,166</u>	<u>344,777</u>	<u>12,586,783</u>
Total Liabilities and Fund Balances	<u>\$ 7,473,730</u>	<u>\$ 11,467</u>	<u>\$ 34,988</u>	<u>\$ 1,758,528</u>	<u>\$ 3,426,399</u>	<u>\$ 344,777</u>	<u>\$ 13,049,889</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Boone County Fiscal Court (the County) as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 12, 2019. Our report includes a reference to other auditors who audited the financial statements of the Boone County Assisted Housing Department, as described in our report of the Boone County Fiscal Court's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

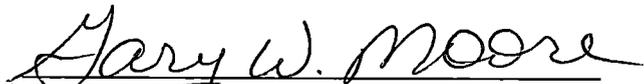
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in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

VonLehman & Company Inc.

Fort Wright, Kentucky
April 12, 2019

**BOONE COUNTY FISCAL COURT
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
FOR THE YEAR ENDED JUNE 30, 2017**

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