

**BOONE COUNTY FISCAL COURT**

**Fiscal Year Ended June 30, 2008**

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'  
REPORT*



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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Boone County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Boone County, Kentucky, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2010, on our consideration of Boone County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison schedules and the condition rating of the County's street system on pages 2 through 13, 47 through 51 and 52 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
September 21, 2010

**BOONE COUNTY OFFICIALS**  
**Year Ended June 30, 2008**

**Fiscal Court Members:**

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

**Other Elected Officials:**

Robert D. Neace	County Attorney
Edward Prindle	Jailer
Rena Ping	County Clerk
Dianne Murray	Circuit Court Clerk
Michael A. Helmig	Sheriff
Cindy Rich	Property Valuation Administrator
Douglas M. Stith	Coroner

**Appointed Personnel:**

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

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008  
Unaudited**

Our management's discussion and analysis (MD&A) of Boone County's financial performance provides this narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the County's financial statements that begin on page 14.

**Financial Highlights**

- As of June 30, 2008, Boone County's net assets were \$212,300,757, which is a 5.4% increase from prior year. Total current assets of \$24,757,265 decreased by \$4,132,577 or 14.3%, and the fixed assets increased by 4.9% or \$8,412,580.
  - \$3,992,570 of the current asset decrease is partially related to two investment accounts: a General Fund escrow account for the Sewer Surcharge Bond early redemption which was called in June 2008 for \$1,416,466 and \$2,577,214 in the Capital Improvements Fund for construction dollars related to the Public Works Renovations and the certain Fire Departments. The General Fund's cash balance decreased over \$800,000. The remaining increase is related to the monies due the General Fund by the Golf Course and small increases in notes receivable and accounts receivable.
  - The non-current asset increase is a result of infrastructure increase in donated subdivision streets of more than \$6.6 million, \$4.186 million construction in progress increase for various projects explained later and notes receivable increasing by nearly \$3 million due to the construction of the Fire Training Center to be paid by the Fire Chief's Association. The restricted cash increase is a direct result of net profit extension payments made to the county by the April 15<sup>th</sup> due date but held as a liability until the company files the complete return by October 15<sup>th</sup>.
- Program revenues offset 35% of Boone County's governmental activity expenses, totaling \$51,686,182. Program revenues consist of grants, contributions and charges for services that the County is collecting in order to compliment using tax revenue. This percentage has decreased by 5% from the previous year due to the fact that the County received nearly \$500,000 less in capital grants including Homeland Security Grant dollars and over \$1.1 million in Transportation, Sidewalk and Water Grants.
- Boone County's total indebtedness at the close of the fiscal year was \$56,943,125, of which \$4,459,641 is short term (to be paid within one year).
- The County through budgeted expenditures or grants received, spent over \$6 million on capital projects; including the following.
  - Completion of renovations of the Administration Building totaling \$1,563,573 with expenditures of \$274,978 in FY2008.
  - Land acquisition payment for eighty five acres purchased in FY04 for Valley Orchards Park in the amount of \$180,093. This land payment is in year 5 of 7 and will be paid completely in May 2010.
  - Burlington Sidewalks Phase II funded 80% by a federal grant was completed totaling \$375,490.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008  
Unaudited  
(Continued)**

- Our first Safe Routes to School federal grant sidewalk project was completed in FY2008; Rogers Lane sidewalks from Hanover Park to Camp Ernst Middle School totaling \$134,903.
- Engineering design and construction continues for Industrial Road Improvements (Phase I and Phase II) at the cost of \$515,024 for FY2008 and design and more revenue secured for South Airport Connector Road (design complete in 2010 and projected bid solicitations in late 2010). Engineering cost for FY08 totaled \$229,239.
- Phase II water line expansion throughout rural Boone County was completed at a total cost of \$3,588,493 in FY08. This project was secured by a \$1 million CDBG and a 30 year KIA Revolving Loan, to be paid by a water surcharge placed on customers' bills.
- A \$7 million bond was secured with a Moody's rating of AA2 for Public Works Renovations and the construction of a Fire Training Center. Both projects are under construction with expenditures in FY2008 of \$2,463,412 and \$344,195 respectively. Due to our high bond rating we secured a bond for 20 years at fixed rate of 3.75%.
- Operating capital purchased included \$802,495 in vehicles, \$84,734 in emergency management warning sirens and \$218,943 in Public Works' and Parks' equipment.

**Overview of the Financial Statements**

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

**Government Wide Financial Statements**

The government wide financial statements consist of a statement of net assets and a statement of activities. The financial statements include all activities for which the Boone County Fiscal Court is fiscally responsible. These activities, defined as the County's reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a component unit.

The primary government includes the following legal entities:

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

The component unit presentation includes the following legal entity:

- Boone County Public Safety Communication Center

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008  
Unaudited  
(Continued)**

The financial information of the County "as a whole" is reported in the two government wide financial statements (pages 14 through 15). One of the most important questions to ask is whether the County is in better financial shape as a result of the year's activities. The two government wide financial statements will help answer this question. These two statements report the County's net assets and changes in them. You can think of the County's net assets – the difference between assets and liabilities – as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. 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 year ending June 30, 2004, the County converted the government wide financial statements from the modified cash basis of accounting to the modified accrual basis of accounting. With this conversion the County is in compliance with generally accepted accounting principles.

In the Statement of Net Assets and the Statement of Activities, we divide the County into three types of activities: governmental, business and component unit.

- **Governmental Activities** - Most of the County's basic services are reported in this section, including police protection, roads and public works, parks, jail, emergency management, water rescue, building inspection, animal care and control, and social services. The proprietary fund of Self Insurance is also included in the governmental activities totals. Governmental activities also include the general administration of the County, all capital projects and mental health, mental retardation and aging programs. These programs and services are funded 35% by program revenues which include charges for services and federal, state and local operating and capital grants. These activities show a positive change in net assets of \$11,008,477, mainly due to donated subdivision roads and capital grants.
- **Business-Type Activities** – The County has three business-type funds; the jail canteen, assisted housing, and golf course fund. Each of these funds charges a fee to customers to help cover the cost of these services. In FY08, the program revenues covered 97%, which proves they are fairly self sufficient.
- **Component Unit Activities** – Although the Public Safety Communications Center (PSCC) is a separate legal entity, the financial statements include its activities as a separate component unit since the County is financially accountable. PSCC is governed by a separate Board appointed by County and City officials. Boone County and the City of Florence fund any operating deficits of this entity at a 75% - 25% ratio, respectively. The capital is funded at 100% by a 911 surcharge levied by the County.

**Fund Financial Statements**

The fund financial statements (pages 16 through 19) focus on the individual funds of the County's government. These fund financial statements report the County's operations in more detail than the government wide statements by providing information on the County's most significant funds. The four funds deemed "major" are general, road and bridge, jail, and capital improvements funds.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008  
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- 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 eleven governmental funds and adopts a budget for each except Public Properties, self insurance and HRA accounts. These funds provide the reader with information to help determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the difference between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation on pages 17 and 19.
- Proprietary funds are used to report operations the County treats as business type activities. The focus is to earn a profit or at least break even. The County charges either outside customers or other units of government for services reported in these funds. The County currently has three proprietary funds; Jail Canteen Fund, Assisted Housing Fund, and Golf Course Fund. Self Insurance Fund is considered a Governmental Activity – Internal Service Fund and therefore combined in the governmental activities portion of the statement.
- Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for another group or individual. Activities from these types of funds are not included in the government wide financial statements because the County cannot use the assets from the funds in daily operations. The County currently has five fiduciary funds; School Board Tax Fund, Jail Prisoners Cash Fund, Waterline Fund, Motor Vehicle Rental Tax Fund, and Flexible Spending Account.

**Notes to the Financial Statements**

The notes to the financial statements (pages 24 through 47) 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.

**Required Supplementary Information**

The budgetary comparison schedules (pages 48 through 52) for the general fund and three major special revenue funds provide information that supplements the government wide and fund financial statements.

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

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008  
Unaudited  
(Continued)**

**Supplementary Information**

The Combining Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds (pages 54 and 55) present the activities of the non-major governmental funds.

The Schedule of Expenditures of Federal Awards (page 56) provides information required pursuant to the Office of Management and Budget (OMB) Circular A-133 of all federal grant money received by the County.

**Basis of Accounting**

The County has converted all financial information to the modified accrual basis of accounting as required by generally accepted accounting principles (GAAP). Under this basis of accounting, revenues are recorded when the resources are measurable and available and expenditures are recorded in the accounting period in which the related fund liability is incurred. In previous years, certain assets such as accounts receivable and certain liabilities such as accounts payable were not recorded in the financial statements, therefore limiting the reader of the full effect of the financial statements. The Boone County budget is adopted on a cash basis of accounting, which is required by the Kentucky Constitution. The schedule on page 51 reconciles the actual results of the cash basis budget and the accrual basis fund statements.

**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.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008  
Unaudited  
(Continued)**

**Statement of Net Assets**

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY07</u>	<u>FY08</u>	<u>FY07</u>	<u>FY08</u>	<u>FY07</u>	<u>FY08</u>
Current Assets	\$ 27,444,227	\$ 23,449,852	\$ 1,445,615	\$ 1,307,413	\$ 28,889,842	\$ 24,757,265
Non-Current Assets	237,333,458	249,388,623	5,510,751	5,434,374	242,844,209	254,822,997
Total Assets	264,777,685	272,838,475	6,956,366	6,741,787	271,734,051	279,580,262
Current Liabilities	9,902,069	10,742,888	1,021,331	1,221,194	10,923,400	11,964,082
Long-Term Liabilities	53,999,848	50,211,342	5,333,665	5,104,081	59,333,513	55,315,423
Total Liabilities	63,901,917	60,954,230	6,354,996	6,325,275	70,256,913	67,279,505
Net Assets:						
Invested in capital assets net of related debt	174,662,697	188,396,672	1,084,663	1,315,068	175,747,360	189,711,740
Restricted			89,585	456,431	89,585	456,431
Unrestricted	26,213,071	23,487,573	(572,878)	(1,354,987)	25,640,193	22,132,586
Total Net Assets	\$ 200,875,768	\$ 211,884,245	\$ 601,370	\$ 416,512	\$ 201,477,138	\$ 212,300,757

At June 30, 2008, the County's assets exceeded its liabilities by \$212,300,757, an increase of 5.4% from the prior year. The majority of the County's total assets (88%) 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 asset amount of \$22,132,586 (a decrease of 13.7% from the prior year) represents the amount the County can use to operate on a day-to-day basis to provide basic services and construction. The restricted amount under business activities of \$456,431 is Assisted Housing Reserve which represents over 400% increase from FY2007, which is set aside for this specific project per the Department of Housing and Urban Development (HUD).

In comparing the Statement of Net Assets to the prior year, there are three areas with major variances.

- The 8.5% variance between the current liabilities under governmental activities occurred due to a larger liability for Boone County's HRA account and the Net Profit Extension account which holds all net profit extension dollars until the tax form is filed. These two liabilities resulted in an increase of more than \$1.2 million. Accounts Payable dollars increased by \$741,626 while the bonds and notes payables decreased by over \$1.2 million dollars due to payoff of certain debt.
- In governmental activity, an increase in capital assets of 5.1% more than \$8.9 million is due to approximately \$6.7 million in donated subdivision streets during FY08 and other capital projects completed as explained in the financial highlights section.
- In the business activity, a decrease in net assets of 30.7% or approximately \$185,000 is mainly due to a larger deficit in the Golf Course Fund.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008  
Unaudited  
(Continued)**

Statement of Activities

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY07</u>	<u>FY08</u>	<u>FY07</u>	<u>FY08</u>	<u>FY07</u>	<u>FY08</u>
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$ 5,059,195	\$ 4,685,493	\$ 2,794,778	\$ 2,993,252	\$ 7,853,973	\$ 7,678,745
Operating Grants and Contributions	10,540,593	10,001,410	5,061,684	5,485,611	15,602,277	15,487,021
Capital Grants and Contributions	4,542,873	3,275,994	-	-	4,542,873	3,275,994
Program revenues funded	20,142,661	17,962,897	7,856,462	8,478,863	27,999,123	26,441,760
<u>General Revenue:</u>						
Taxes	31,381,433	33,549,866	-	-	31,381,433	33,549,866
License Fees and Permits	236,270	217,456	-	-	236,270	217,456
Excess Fees	517,041	711,795	-	-	517,041	711,795
Rental Income	46,739	168,368	-	-	46,739	168,368
Investment Earnings	845,415	785,738	75,303	49,927	920,718	835,665
Gain on Donated Roads	2,354,509	5,663,725	-	-	2,354,509	5,663,725
Gain on Sale of Fixed Assets	256,147	29,273	-	-	256,147	29,273
Reimbursements	674,245	3,575,090	-	-	674,245	3,575,090
Other	(3,718)	30,451	-	-	(3,718)	30,451
<b>Total Revenues</b>	<b>56,450,742</b>	<b>62,694,659</b>	<b>7,931,765</b>	<b>8,528,790</b>	<b>64,382,507</b>	<b>71,223,449</b>
<b>Expenses</b>						
General Government/Administration	4,589,872	5,205,793	-	-	4,589,872	5,205,793
Protection to Persons and Property	13,797,586	18,411,508	-	-	13,797,586	18,411,508
General Health and Sanitation	1,725,672	1,969,719	-	-	1,725,672	1,969,719
Social Services	1,094,597	1,211,651	-	-	1,094,597	1,211,651
Recreation and Culture	1,897,505	1,751,079	-	-	1,897,505	1,751,079
Roads	7,299,302	6,678,158	-	-	7,299,302	6,678,158
Capital Improvements	8,635,232	1,597,233	-	-	8,635,232	1,597,233
Administration	7,424,721	12,858,933	-	-	7,424,721	12,858,933
Interest on Long-Term Debt	3,620,827	2,002,108	-	-	3,620,827	2,002,108
Jail Canteen Fund	-	-	341,931	439,293	341,931	439,293
Golf Course Fund	-	-	2,703,255	2,814,376	2,703,255	2,814,376
Assisted Housing Fund	-	-	5,160,051	5,459,979	5,160,051	5,459,979
<b>Total Expenses</b>	<b>50,085,314</b>	<b>51,686,182</b>	<b>8,205,237</b>	<b>8,713,648</b>	<b>58,290,551</b>	<b>60,399,830</b>
Change in Net Assets	6,365,428	11,008,477	(273,472)	(184,858)	6,091,956	10,823,619
Net Assets - Beginning Year	194,510,340	200,875,768	874,842	601,370	195,385,182	201,477,138
Net Assets -Ending Year	\$ 200,875,768	\$ 211,884,245	\$ 601,370	\$ 416,512	\$ 201,477,138	\$ 212,300,757

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008  
Unaudited  
(Continued)**

During FY 2008, the net assets increased by almost \$11 million or 5.5% for governmental activities and net asset decrease of \$184,858 (31%) for the business-type.

The total revenues for both activities increased by 10.6% or \$6,840,942 while expenses were only 3.6% greater which resulted in a positive change in net asset of nearly \$4.8 million. Significant changes are listed below:

- Donated roads to the County increased by 141%, or \$3.3 million.
- Total taxes, including real estate, personal property, payroll and net profit, for FY08 increased by \$2,168,433 or 6.9%.
- Increase of a smaller amounts included rental income and reimbursements in the amounts of \$121,629 and \$2,900,845, respectively.
- The business-type activity charges for services increased for all three funds from 96% to 97% totaling \$8,478,863.
- The Jail Canteen Fund and the Golf Course Fund ended in net losses of \$8,381 and \$237,940 respectively, while the Assisted Housing Fund has net income of \$61,463.

Program revenues for the governmental activities were 35% of total revenue received. This explains that 35% of the revenues collected went directly to funding specific programs and offset the amount of general revenue needed for these programs. General revenues consist of all taxes, excess fees, borrowed money, donated roads and investment earnings, which cannot be directly traced to a function. The program revenues for governmental activity decreased 5% for the fiscal year mainly due to a decrease of 27.9% in Capital Grants; Homeland Security Grant and Transportation and Water Project Grants

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

One function looks to be substantially self-supporting; general health and sanitation. The general health and sanitation is due to the collection of the sewer surcharge, which the expense is solely used for debt service payments on the sewer system. The debt service is to be paid in full and the surcharge was eliminated in December, 2008.

The expenditures had minimal increases of 3.6% for the year, which was basically in the protection to persons and property and administration.

**Financial Analysis of the County's Funds**

Fund financial statements generally distinguish between major and non-major funds with major funds presented individually. The County has four major funds; general, road and bridge, jail, and capital improvements. The County's governmental funds reflect a combined fund balance of \$25,166,788, of which \$19,392,914 is unreserved to be used for day-to-day operations. The fund financial statements for the governmental funds can be found on pages 16 through 19. The decrease in fund balance of more than \$2.24 million from the previous year is mainly due to the Capital Improvements Fund construction dollars being spent and converted to fixed assets.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008  
Unaudited  
(Continued)**

The County's proprietary funds' statements are shown on pages 20 through 22 with a total net asset decrease of \$184,858 from FY07 primarily due to accumulated depreciation.

- The current year's Golf Course net operating loss of \$13,327 was nearly the same as last year; both revenues and expenditures increased due to the golf course taking on the responsibility of the concession area which has proved favorable. The total net assets of the golf course show a large deficit of \$736,077 due to the non-current liabilities of Bonds Payable and money due to the General Fund. The \$2,210,118 due to the General Fund is documented and tracked each year. Upon retirement of the bonds in fiscal year 2013, the Golf Course will begin making payments to the fiscal court.
- The jail canteen fund's net assets ended with a net operating loss of \$11,010 and Assisted Housing's fund with a net operating gain of \$25,632 due to federal dollars being more in line with vouchers.

The County has three fiduciary funds, jail prisoners' fund, waterline fund, and school board tax fund, for which the statements are shown on page 23. These monies are restricted and we exclude them from the other statements because the County cannot use these assets to finance operations.

**General Budgetary Highlights**

There were no amendments to Boone County's budget in Fiscal Year 2008 although the County made various line item transfers within the budget to increase/decrease certain line items. Some transfers were inter-fund transfer but have no effect on the budget's bottom line. Throughout the year, general fund revenues collected were over budget by 1.27% and operating expenses were below budget over \$2.5 million or 7%.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of Fiscal Year 2008, the government activities of the County had \$242,033,723 invested in a broad range of capital assets, including land, roads, water lines, buildings, equipment and vehicles. As shown on the chart to follow, the amount represents a net increase (including additions and deductions) of approximately \$8.8 million, or 4%, on the governmental activities and a decrease of \$374,351, or a negative 7%, on the business activities from the previous year. The governmental activities' increase is largely the product of more than \$5.24 million in donated roads to the County and land improvements increased by 46% or \$3.6 million, net of depreciation. Land improvements include new construction of waterlines, Rogers Lane and Historic Burlington Sidewalks Phase II. The business activities are showing a decrease due to the Golf Course and Assisted Housing having a very limited capital budgets.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008  
Unaudited  
(Continued)**

**Capital Assets, net of Accumulated Depreciation**

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY07</u>	<u>FY08</u>	<u>FY07</u>	<u>FY08</u>	<u>FY07</u>	<u>FY08</u>
Land	\$ 11,525,900	\$ 11,822,219	\$2,396,478	\$2,396,478	\$ 13,922,378	\$ 14,218,697
Roads; modified approach	154,002,225	159,244,200	-	-	154,002,225	159,244,200
Roads (depreciated)	26,328	24,706	-	-	26,328	24,706
Land Improvements	7,829,093	11,409,987	1,454,191	1,173,489	9,283,284	12,583,476
Building and Improvements	45,589,066	46,246,472	1,054,867	975,376	46,643,933	47,221,848
Construction In Progress	7,196,466	6,095,991	-	-	7,196,466	6,095,991
Vehicles, Machinery and Equip	6,475,311	6,604,385	2,676	-	6,477,987	6,604,385
Furniture and Office Equipment	602,403	585,763	87,281	75,799	689,684	661,562
	<u>\$233,246,792</u>	<u>\$242,033,723</u>	<u>\$4,995,493</u>	<u>\$4,621,142</u>	<u>\$238,242,285</u>	<u>\$246,654,865</u>

A more detailed breakdown of the capital assets and depreciation can be found in Note 7 of the Notes to the Financial Statements, pages 35 through 37.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008  
Unaudited  
(Continued)**

**Debt**

At June 30, 2008, the County had \$56,943,125 in bonds, leases and notes payable outstanding versus \$62,494,925 last year, a decrease of 8.8% - as shown on the chart below. This increase is due to a \$7 million bond issued in 2008 for the construction of the Fire Training Center and the renovations to the Public Works Complex. The Fire Training Center portion of the bond will be paid in full by certain Fire Districts through the Boone County Fire Chief's Association.

**Outstanding Debt at Year-End**

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY07</u>	<u>FY08</u>	<u>FY07</u>	<u>FY08</u>	<u>FY07</u>	<u>FY08</u>
General Obligation Bonds (Backed by the County)	\$ 35,953,693	\$ 33,497,386	\$ -	\$ -	\$ 35,953,693	\$ 33,497,386
General Obligation Bonds (Backed by Specific Tax or Fee)	5,926,307	4,367,614	-	-	5,926,307	4,367,614
Revenue Bonds and Notes (Backed by Specific Tax or Fee)	12,820,000	12,270,000	3,865,000	3,280,000	16,685,000	15,550,000
Notes Payable (Backed by the County)	1,377,977	951,594	-	-	1,377,977	951,594
Capital Lease Payable	-	99,465	45,830	26,074	45,830	125,539
KIA Loan	2,506,118	2,450,992	-	-	2,506,118	2,450,992
	<u>\$ 58,584,095</u>	<u>\$ 53,637,051</u>	<u>\$ 3,910,830</u>	<u>\$ 3,306,074</u>	<u>\$ 62,494,925</u>	<u>\$ 56,943,125</u>

The County's general obligation bond rating is Aa2, a rating that has been assigned by national rating agency, Moody's Rating Service. The Kentucky Revised Statutes provide that a county will not incur net indebtedness for all purposes that exceed an amount equal to two percent (2%) of the value of the taxable property within the County's limits. According to Boone County's 2009 assessment this 2% total direct debt limitation is more than \$259 million dollars, which far exceeds the County's outstanding debt.

**BOONE COUNTY FISCAL COURT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Year Ended June 30, 2008  
Unaudited  
(Continued)**

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

Overall budget activity for Fiscal Year 2008 has been reduced somewhat when compared with the more robust growth rate and overall activity in previous fiscal periods. While the General Fund has posted an increase in total revenue, some significant sources of income are beginning to show signs of slowing down. Overall development activity and private investment within the county has experienced a reduction compared with prior years. In addition, flight and passenger activity at Greater Cincinnati International Airport (CVG), a major economic engine for the county and region, has experienced a decline. The stability and challenges associated with the aviation industry will be closely observed by the county for future periods. Further, new business startups and announcements regarding expansion/relocation within the county have experienced a decline from prior years.

The administration has begun to exercise more constraint and discipline in spending practices until the scope, extent and length of the economic downturn can be realized. The administration has held the line on spending, workforce size and avoided any commitment to fund new projects and the issuance of additional general obligation debt as a precautionary measure. Our focus next year will be directed to funding core, mission-critical services expected by the public such as public safety, transportation, health, and related fundamental services.

**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, P.O. Box 960 (2950 Washington), Burlington, KY 41005.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF NET ASSETS**  
Year Ended June 30, 2008

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 5,727,633	\$ 902,982	\$ 6,630,615	\$ 3,797,827
Investments	6,497,080	-	6,497,080	-
Inventory	-	56,688	56,688	-
Accounts Receivable	8,446,635	274,460	8,721,095	211,006
Deferred Charges	14,781	73,283	88,064	-
Due from Boone County Golf Course	2,360,118	-	2,360,118	-
Notes Receivable, Due Within One Year	403,605	-	403,605	-
Total Current Assets	<u>23,449,852</u>	<u>1,307,413</u>	<u>24,757,265</u>	<u>4,008,833</u>
<b>Non-current Assets</b>				
Capital Assets, Net of Accumulated Depreciation				
Land	11,822,219	2,396,478	14,218,697	-
Land Improvements	11,409,987	1,173,489	12,583,476	-
Buildings and Building Improvements	46,246,472	975,376	47,221,848	59,224
Furniture and Office Equipment	585,763	75,799	661,562	986,445
Vehicles and Equipment	6,604,385	-	6,604,385	-
Construction in Progress	6,095,991	-	6,095,991	143,490
Infrastructure Assets, Net of Accumulated Depreciation				
Depreciation	159,268,906	-	159,268,906	-
Restricted Cash	2,724,997	526,205	3,251,202	-
Deferred Charges	109,448	287,027	396,475	-
Notes Receivable, Due in More than One Year	4,520,455	-	4,520,455	-
Total Non-current Assets	<u>249,388,623</u>	<u>5,434,374</u>	<u>254,822,997</u>	<u>1,189,159</u>
Total Assets	<u>272,838,475</u>	<u>6,741,787</u>	<u>279,580,262</u>	<u>5,197,992</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Compensated Absences Payable, Due Within One Year	26,694	11,690	38,384	344
Capital Lease, Due Within One Year	12,220	10,000	22,220	568,798
Bonds Payable, Due Within One Year	3,300,000	610,000	3,910,000	-
Note Payable, Due Within One Year	527,421	-	527,421	-
Accounts Payable	2,312,305	226,601	2,538,906	241,717
Accrued Payroll	307,659	44,049	351,708	44,284
Accrued Interest	638,967	19,166	658,133	39,823
Estimated Liability for Claims - HRA Accounts	1,105,327	-	1,105,327	-
Accrued Other	2,512,295	299,688	2,811,983	-
Total Current Liabilities	<u>10,742,888</u>	<u>1,221,194</u>	<u>11,964,082</u>	<u>894,966</u>
<b>Non-current Liabilities</b>				
Compensated Absences Payable, Due in More Than One Year	413,932	57,889	471,821	59,892
Due to General Fund	-	2,210,118	2,210,118	-
Due to Capital Improvements	-	150,000	150,000	-
Capital Lease, Due in More than One Year	87,245	16,074	103,319	2,154,138
Bonds Payable, Due in More than One Year	46,835,000	2,670,000	49,505,000	-
Note Payable, Due in More than One Year	2,875,165	-	2,875,165	-
Total Non-current Liabilities	<u>50,211,342</u>	<u>5,104,081</u>	<u>55,315,423</u>	<u>2,214,030</u>
Total Liabilities	<u>60,954,230</u>	<u>6,325,275</u>	<u>67,279,505</u>	<u>3,108,996</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	188,396,672	1,315,068	189,711,740	(1,533,777)
Restricted	-	456,431	456,431	-
Unrestricted	23,487,573	(1,354,987)	22,132,586	3,622,773
<b>Total Net Assets</b>	<u>\$ 211,884,245</u>	<u>\$ 416,512</u>	<u>\$ 212,300,757</u>	<u>\$ 2,088,996</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2008**

Functions	Expenses	Program Revenues Received			Net (Disbursements) Receipts and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business Type Activities	Total	
<b>Governmental Activities</b>								
General Government	\$ 5,205,793	\$ 584,713	\$ 582,564	\$ -	\$ (4,038,516)	\$ -	\$ (4,038,516)	
Protection to Persons and Property	18,411,508	3,211,232	3,645,876	68,020	(11,486,380)	-	(11,486,380)	
General Health and Sanitation	1,969,719	124,915	1,616,345	-	(228,459)	-	(228,459)	
Social Services	1,211,651	42,860	961,322	443,013	235,544	-	235,544	
Recreation and Culture	1,751,079	300,315	143,092	24,029	(1,283,643)	-	(1,283,643)	
Roads	6,678,158	388,776	1,333,848	2,379,393	(2,576,141)	-	(2,576,141)	
Capital Improvements	1,597,233	-	-	361,539	(1,235,694)	-	(1,235,694)	
Administration	12,858,933	32,682	430,520	-	(12,395,731)	-	(12,395,731)	
Interest on Long-Term Debt	2,002,108	-	1,287,843	-	(714,265)	-	(714,265)	
Total Governmental Activities	51,686,182	4,685,493	10,001,410	3,275,994	(33,723,285)	-	(33,723,285)	
<b>Business-Type Activities</b>								
Jail Canteen Fund	439,293	428,283	-	-	-	(11,010)	(11,010)	
Golf Course Fund	2,814,376	2,564,969	-	-	-	(249,407)	(249,407)	
Assisted Housing	5,459,979	-	5,485,611	-	-	25,632	25,632	
Total Business-Type Activities	8,713,648	2,993,252	5,485,611	-	-	(234,785)	(234,785)	
<b>Total Primary Government</b>	<b>\$ 60,399,830</b>	<b>\$ 7,678,745</b>	<b>\$ 15,487,021</b>	<b>\$ 3,275,994</b>	<b>(33,723,285)</b>	<b>(234,785)</b>	<b>(33,958,070)</b>	
<b>Component Unit</b>								
Public Safety Communication Center	\$ 3,369,079	\$ 1,876,157	\$ 2,218,145	\$ -				\$ 725,223
			<b>General Revenues</b>					
			Taxes					
			Property Taxes		13,617,722	-	13,617,722	-
			Occupational Taxes		18,412,849	-	18,412,849	-
			Franchise Fees		1,519,295	-	1,519,295	-
			Reimbursements		3,575,090	-	3,575,090	-
			License Fees and Permits		217,456	-	217,456	-
			Excess Fees		711,795	-	711,795	-
			Rental/Income		168,368	-	168,368	-
			Unrestricted Investment Earnings		785,738	49,927	835,665	67,184
			Donated Assets		5,663,725	-	5,663,725	-
			Gain (Loss) on Sale of Fixed Assets		29,273	-	29,273	(121,299)
			Miscellaneous Revenues		30,451	-	30,451	65
			Total General Revenues		44,731,762	49,927	44,781,689	(54,050)
			Change in Net Assets		11,008,477	(184,858)	10,823,619	671,173
			<b>Net Assets July 1, 2007</b>		<b>200,875,768</b>	<b>601,370</b>	<b>201,477,138</b>	<b>1,417,823</b>
			<b>Net Assets June 30, 2008</b>		<b>\$ 211,884,245</b>	<b>\$ 416,512</b>	<b>\$ 212,300,757</b>	<b>\$ 2,088,996</b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2008

	<b>Major Funds</b>					<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Road and Bridge Fund</b>	<b>Jail Fund</b>	<b>Capital Improvements Fund</b>	<b>Nonmajor Governmental Funds</b>	
<b>Assets</b>						
Cash and Cash Equivalents	\$ 3,565,307	\$ 193,980	\$ 479,695	\$ 162,043	\$ 1,081,082	\$ 5,482,107
Investments	47	-	-	6,494,672	2,361	6,497,080
Notes Receivable	1,957,614	-	-	2,966,446	-	4,924,060
Accounts Receivable	6,408,265	447,148	513,047	270,132	680,720	8,319,312
Due from Boone County Golf Course	2,210,118	-	-	150,000	-	2,360,118
Restricted Cash	2,724,997	-	-	-	-	2,724,997
<b>Total Assets</b>	<b>\$ 16,866,348</b>	<b>\$ 641,128</b>	<b>\$ 992,742</b>	<b>\$ 10,043,293</b>	<b>\$ 1,764,163</b>	<b>\$ 30,307,674</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 513,737	\$ 62,796	\$ 82,545	\$ 901,882	\$ 319,346	\$ 1,880,306
Accrued Payroll	182,188	54,532	70,939	-	-	307,659
Compensated Absences Payable	257,354	125,731	57,541	-	-	440,626
Net Profit Tax Extension Payable	2,512,295	-	-	-	-	2,512,295
<b>Total Liabilities</b>	<b>3,465,574</b>	<b>243,059</b>	<b>211,025</b>	<b>901,882</b>	<b>319,346</b>	<b>5,140,886</b>
<b>Fund Balances</b>						
Reserved for:						
Debt Service	47	-	-	53,581	-	53,628
Other Accounts	-	-	-	5,720,246	-	5,720,246
Unreserved						
General Fund	13,400,727	-	-	-	-	13,400,727
Special Revenue Funds	-	398,069	781,717	-	1,442,456	2,622,242
Capital Projects Fund	-	-	-	3,367,584	-	3,367,584
Debt Service	-	-	-	-	2,361	2,361
Other	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>13,400,774</b>	<b>398,069</b>	<b>781,717</b>	<b>9,141,411</b>	<b>1,444,817</b>	<b>25,166,788</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 16,866,348</b>	<b>\$ 641,128</b>	<b>\$ 992,742</b>	<b>\$ 10,043,293</b>	<b>\$ 1,764,163</b>	<b>\$ 30,307,674</b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT  
RECONCILIATION OF THE BALANCE SHEET  
June 30, 2008**

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

Total Fund Balance - Governmental Funds		\$ 25,166,788
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>		
Cost of Capital Assets	\$ 261,249,347	
Accumulated Depreciation	<u>19,215,624</u>	
		242,033,723
<p>Cost associated with the issuance of bonds are shown as expenditures in the fund statements. For the governmental statements these costs are capitalized and amortized over the life of the bond.</p>		
		124,229
<p>Internal service fund is used by management to change to cost of health insurance to individual funds. The assets and liabilities are included in governmental activities on the statement of net assets.</p>		
		(1,164,477)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:</p>		
Accrued Interest on Bonds	638,967	
Bonds, Notes and Lease Principal Payments, Due within One Year	3,839,641	
Bonds, Notes and Lease Principal Payments, Due in More than One Year	<u>49,797,410</u>	
		<u>(54,276,018)</u>
<b>Total Net Assets - Governmental Activities</b>		<b>\$ <u>211,884,245</u></b>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
Year Ended June 30, 2008

	Major Funds					Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Road and Bridge Fund	Jail Fund	Capital Improvements Fund			
<b>Revenues</b>							
Taxes	\$ 32,504,166	\$ -	\$ -	\$ -	\$ 2,097,738	\$ 34,601,904	
In Lieu Tax Payments	203,103	-	-	-	-	203,103	
Excess Fees	1,476,414	-	-	-	-	1,476,414	
Licenses and Permits	1,384,935	52,904	-	-	-	1,437,839	
Intergovernmental	2,214,367	2,480,849	4,356,744	1,794,271	1,842,016	12,688,247	
Charges for Services	900,620	149,882	267,338	-	-	1,317,840	
Miscellaneous	901,757	312,482	207,407	48,893	13,490	1,484,029	
Interest	449,579	18,458	14,890	311,720	50,458	845,105	
<b>Total Revenues</b>	<b>40,034,941</b>	<b>3,014,575</b>	<b>4,846,379</b>	<b>2,154,884</b>	<b>4,003,702</b>	<b>54,054,481</b>	
<b>Expenditures</b>							
General Government	4,455,262	-	-	-	-	4,455,262	
Protection to Persons and Property	13,754,139	-	3,811,910	-	31,234	17,597,283	
General Health and Sanitation	542,629	-	-	-	1,426,406	1,969,035	
Social Services	471,512	-	-	-	738,771	1,210,283	
Recreation and Culture	2,071,979	-	-	-	-	2,071,979	
Roads	-	6,527,380	-	-	195,587	6,722,967	
Capital Projects	-	-	-	5,427,044	443,013	5,870,057	
Administration	11,294,289	-	1,010,011	-	126,418	12,430,718	
Debt Service	5,604,913	-	-	211,000	1,155,444	6,971,357	
<b>Total Expenditures</b>	<b>38,194,723</b>	<b>6,527,380</b>	<b>4,821,921</b>	<b>5,638,044</b>	<b>4,116,873</b>	<b>59,298,941</b>	
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	1,840,218	(3,512,805)	24,458	(3,483,160)	(113,171)	(5,244,460)	
<b>Other Financing Sources (Uses)</b>							
Transfers to Other Funds	(3,500,000)	-	-	-	-	(3,500,000)	
Transfers from Other Funds	-	3,500,000	-	-	-	3,500,000	
Proceeds from Note Receivable	-	-	-	3,000,000	-	3,000,000	
<b>Total Other Financing (Uses) Sources</b>	<b>(3,500,000)</b>	<b>3,500,000</b>	<b>-</b>	<b>3,000,000</b>	<b>-</b>	<b>3,000,000</b>	
<b>Net Change in Fund Balances</b>	<b>(1,659,782)</b>	<b>(12,805)</b>	<b>24,458</b>	<b>(483,160)</b>	<b>(113,171)</b>	<b>(2,244,460)</b>	
<b>Fund Balances July 1, 2007</b>	<b>15,060,556</b>	<b>410,874</b>	<b>757,259</b>	<b>9,624,571</b>	<b>1,557,988</b>	<b>27,411,248</b>	
<b>Fund Balances June 30, 2008</b>	<b>\$ 13,400,774</b>	<b>\$ 398,069</b>	<b>\$ 781,717</b>	<b>\$ 9,141,411</b>	<b>\$ 1,444,817</b>	<b>\$ 25,166,788</b>	

See accompanying notes.

**BOONE COUNTY FISCAL COURT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
Year Ended June 30, 2008  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

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

Total net change in fund balances - governmental funds	\$		(2,244,460)
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period.</p>			
Depreciation Expense	\$	(2,659,424)	
Capital Outlays		5,731,148	
			3,071,724
<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>			
			5,046,508
<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>			
			5,663,725
<p>The cost from the issuance of bonds are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over the life of the bond as annual amortization in the statement of activities.</p>			
			(6,497)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is a result of the change in accrued interest on bonds.</p>			
			(70,762)
<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>			
			(403,776)
<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>			
			(47,985)
<b>Total Change in Net Assets - Governmental Activities</b>	<b>\$</b>		<b>11,008,477</b>

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF NET ASSETS**  
June 30, 2008

	<b>Business-Type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Fund</b>
	<b>Jail Canteen Fund</b>	<b>Assisted Housing Fund</b>	<b>Golf Course Fund</b>	<b>Totals</b>	<b>Self Insurance Fund</b>
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 60,813	\$ 402,425	\$ 439,744	\$ 902,982	\$ 245,526
Inventory	-	-	56,688	56,688	-
Accounts Receivable	-	274,460	-	274,460	127,323
Deferred Charges	-	-	73,283	73,283	-
Total Current Assets	<u>60,813</u>	<u>676,885</u>	<u>569,715</u>	<u>1,307,413</u>	<u>372,849</u>
<b>Non-current Assets</b>					
Land	-	-	2,396,478	2,396,478	-
Land Improvements	-	-	5,523,656	5,523,656	-
Buildings and Building Improvements	-	137,417	2,249,488	2,386,905	-
Vehicles, Machinery and Equipment	-	-	1,160,471	1,160,471	-
Furniture and Office Equipment	-	149,988	-	149,988	-
	-	287,405	11,330,093	11,617,498	-
Less Accumulated Depreciation	-	66,230	6,930,126	6,996,356	-
Net Capital Assets	-	221,175	4,399,967	4,621,142	-
Restricted Cash	-	525,209	996	526,205	-
Deferred Charges	-	-	287,027	287,027	-
Total Non-current Assets	<u>-</u>	<u>746,384</u>	<u>4,687,990</u>	<u>5,434,374</u>	<u>-</u>
Total Assets	<u>60,813</u>	<u>1,423,269</u>	<u>5,257,705</u>	<u>6,741,787</u>	<u>372,849</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Bonds Payable, Due Within One Year	-	-	610,000	610,000	-
Capital Lease Payable, Due Within One Year	-	-	10,000	10,000	-
Accounts Payable	-	584	226,017	226,601	431,999
Accrued Payroll	-	10,942	33,107	44,049	-
Compensated Absences Payable, Due Within One Year	-	10,139	1,551	11,690	-
Accrued Interest Payable	-	-	19,166	19,166	-
Estimated Liability for Claims - HRA Accounts	-	-	-	-	1,105,327
Accrued Other	-	299,688	-	299,688	-
Total Current Liabilities	<u>-</u>	<u>321,353</u>	<u>899,841</u>	<u>1,221,194</u>	<u>1,537,326</u>
<b>Non-current Liabilities</b>					
Compensated Absences Payable	-	10,140	47,749	57,889	-
Due to General Fund	-	-	2,210,118	2,210,118	-
Due to Capital Improvements	-	-	150,000	150,000	-
Capital Lease Payable, Due in More than One Year	-	-	16,074	16,074	-
Bonds Payable, Due in More than One Year	-	-	2,670,000	2,670,000	-
Total Non-current Liabilities	<u>-</u>	<u>10,140</u>	<u>5,093,941</u>	<u>5,104,081</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>331,493</u>	<u>5,993,782</u>	<u>6,325,275</u>	<u>1,537,326</u>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	-	221,175	1,093,893	1,315,068	-
Restricted	-	456,431	-	456,431	-
Unrestricted	60,813	414,170	(1,829,970)	(1,354,987)	(1,164,477)
<b>Total Net Assets</b>	<u>\$ 60,813</u>	<u>\$ 1,091,776</u>	<u>\$ (736,077)</u>	<u>\$ 416,512</u>	<u>\$ (1,164,477)</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
Year Ended June 30, 2008

	<u>Business-Type Activities - Enterprise Funds</u>				<b>Governmental Activities - Internal Service Fund</b>
	<u>Jail Canteen Fund</u>	<u>Assisted Housing Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>	<u>Self Insurance Fund</u>
<b>Operating Revenues</b>					
Governmental Grants	\$ -	\$ 5,439,826	\$ -	\$ 5,439,826	\$ -
Canteen Receipts	428,283	-	-	428,283	-
Green Fees	-	-	1,457,097	1,457,097	-
Power Cart Rentals	-	-	580,418	580,418	-
Memberships	-	-	71,717	71,717	-
Commission	-	-	8,139	8,139	-
Pro Shop Sales and Pull Cart Rentals	-	-	120,659	120,659	-
Food and Beverage	-	-	317,187	317,187	-
Employer / Employee Contributions	-	-	-	-	4,528,194
Miscellaneous	-	45,785	9,752	55,537	-
<b>Total Operating Revenues</b>	<u>428,283</u>	<u>5,485,611</u>	<u>2,564,969</u>	<u>8,478,863</u>	<u>4,528,194</u>
<b>Operating Expenses</b>					
Cost of Merchandise Sold	394,802	-	75,899	470,701	-
Educational and Recreational	44,491	-	-	44,491	-
Housing Assistance Payment	-	4,726,999	-	4,726,999	-
Salaries and Wages	-	373,789	819,535	1,193,324	-
Employee Benefits	-	121,847	224,125	345,972	-
Contract Services	-	20,833	31,149	51,982	-
Materials and Supplies	-	-	10,434	10,434	-
Golf Cart Lease	-	-	118,065	118,065	-
Utilities	-	-	293,246	293,246	-
Maintenance and Repairs	-	-	64,631	64,631	-
Fertilizer and Chemicals	-	-	332,189	332,189	-
Petroleum Products	-	-	64,359	64,359	-
Uniforms	-	-	4,250	4,250	-
Food and Beverage	-	-	140,777	140,777	-
Depreciation	-	26,837	355,751	382,588	-
Other Operating Expenses	-	189,674	43,886	233,560	-
Insurance Claims	-	-	-	-	4,956,409
<b>Total Operating Expenses</b>	<u>439,293</u>	<u>5,459,979</u>	<u>2,578,296</u>	<u>8,477,568</u>	<u>4,956,409</u>
<b>Operating (Loss) Income</b>	<u>(11,010)</u>	<u>25,632</u>	<u>(13,327)</u>	<u>1,295</u>	<u>(428,215)</u>
<b>Non-Operating Revenues (Expenses)</b>					
Interest Income	2,629	35,831	11,467	49,927	24,439
Interest Expense	-	-	(236,080)	(236,080)	-
<b>Total Non-Operating Revenues</b>	<u>2,629</u>	<u>35,831</u>	<u>(224,613)</u>	<u>(186,153)</u>	<u>24,439</u>
<b>Net (Loss) Income</b>	<u>(8,381)</u>	<u>61,463</u>	<u>(237,940)</u>	<u>(184,858)</u>	<u>(403,776)</u>
<b>Net Assets July 1, 2007</b>	<u>69,194</u>	<u>1,030,313</u>	<u>(498,137)</u>	<u>601,370</u>	<u>(760,701)</u>
<b>Net Assets June 30, 2008</b>	<u>\$ 60,813</u>	<u>\$ 1,091,776</u>	<u>\$ (736,077)</u>	<u>\$ 416,512</u>	<u>\$ (1,164,477)</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF CASH FLOWS**  
Year Ended June 30, 2008

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Fund</u>
	<u>Jail Canteen Fund</u>	<u>Assisted Housing Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>	<u>Self Insurance Fund</u>
<b>Cash Flows From Operating Activities</b>					
Receipts from Customers	\$ 428,283	\$ -	\$ 2,556,830	\$ 2,985,113	\$ -
Receipts from Commissions	-	-	8,139	8,139	-
Receipts from Governmental Grants	-	5,588,743	-	5,588,743	-
Receipts from Employees/Intergovernmental	-	-	-	-	4,400,871
Payments to Suppliers	(439,293)	(4,953,713)	(1,081,136)	(6,474,142)	-
Payments to Employees	-	(495,636)	(1,043,289)	(1,538,925)	-
Payments for Claims	-	-	-	-	(4,468,217)
Other Receipts (Expenses)	-	45,225	-	45,225	-
Net Cash (Used) Provided by Operating Activities	<u>(11,010)</u>	<u>184,619</u>	<u>440,544</u>	<u>614,153</u>	<u>(67,346)</u>
<b>Cash Flows from Non Capital Financing Activities</b>					
Proceeds from Other Funds	-	-	400,000	400,000	-
Payments to Other Funds	-	-	-	-	-
Net Cash Provided by Non Capital Financing Activities	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>400,000</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Purchase of Capital Assets	-	(8,237)	-	(8,237)	-
Increase of Restricted Cash	-	(50,902)	-	(50,902)	-
Payments on Bond Obligations	-	-	(585,000)	(585,000)	-
Payments on Capital Lease Obligations	-	-	(19,756)	(19,756)	-
Interest Paid on Bond Obligations	-	-	(164,523)	(164,523)	-
Interest Paid on Capital Lease Obligations	-	-	(1,491)	(1,491)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(59,139)</u>	<u>(770,770)</u>	<u>(829,909)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>					
Interest Income	2,629	35,831	11,467	49,927	24,439
Net Change in Cash	(8,381)	161,311	81,241	234,171	(42,907)
<b>Cash and Cash Equivalents July 1, 2007</b>	<u>69,194</u>	<u>241,114</u>	<u>358,503</u>	<u>668,811</u>	<u>288,433</u>
<b>Cash and Cash Equivalents June 30, 2008</b>	<u>\$ 60,813</u>	<u>\$ 402,425</u>	<u>\$ 439,744</u>	<u>\$ 902,982</u>	<u>\$ 245,526</u>
<b>Reconciliation of Operating Income</b>					
Net Cash Provided by Operating Activities					
Operating (Loss) Income	\$ (11,010)	\$ 25,632	\$ (13,327)	\$ 1,295	\$ (428,215)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>					
Depreciation	-	26,837	355,751	382,588	-
Change in Assets and Liabilities					
Accounts Receivable	-	148,357	-	148,357	(127,323)
Inventory	-	-	2,137	2,137	-
Accounts Payable	-	(12,568)	95,612	83,044	37,598
Estimated Liability for Claims - HRA	-	-	-	-	450,594
Accrued Payroll	-	667	6,250	6,917	-
Compensated Absences Payable	-	(4,306)	(5,879)	(10,185)	-
<b>Net Cash (Used) Provided by Operating Activities</b>	<u>\$ (11,010)</u>	<u>\$ 184,619</u>	<u>\$ 440,544</u>	<u>\$ 614,153</u>	<u>\$ (67,346)</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2008**

	<b>Agency Funds</b>				
	<b>School Board Tax Fund</b>	<b>Jail Prisoners Funds</b>	<b>Waterline Fund</b>	<b>Motor Vehicle Rental Tax Fund</b>	<b>Flexible Spending Account</b>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 1,311,899	\$ 299,754	\$ 29,372	\$ 1	\$ 5,371
Accounts Receivable	<u>1,696,871</u>	<u>-</u>	<u>-</u>	<u>420,273</u>	<u>-</u>
Total Assets	3,008,770	299,754	29,372	420,274	5,371
<b>Liabilities</b>					
Accounts Payable and Accrued Liabilities	<u>3,008,770</u>	<u>299,754</u>	<u>29,372</u>	<u>420,274</u>	<u>5,371</u>
<b>Net Assets</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</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 include the funds, agencies, boards, component units and entities for which the fiscal court is financially accountable. Blended component units, although legally separate entities are, in substance, part of the County's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

Additional – Boone County Constitutional Elected Officials

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

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

**Blended Component Units**

The following organizations are shown as blended component units:

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

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

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

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

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

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

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

**Basis of Presentation**Government-Wide Statements

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

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

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

Fund Financial Statements

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

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

The government reports the following major government funds:

General Fund

This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Development 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. Department for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund

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

Capital Improvements Fund

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

The 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.

Assisted Housing Fund

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

Golf Course Fund

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

Self Insurance Fund

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

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

The government reports the following fiduciary funds:

School Board Tax Fund

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

Jail Prisoners Fund

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

Waterline Fund

The Waterline Fund is an agency fund that accounts for deposits of Boone County residents involved in the Rural Water Project.

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 though enabling legislation passed in the 1994 General Assembly House Bill 662.

Flexible Spending Account

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating 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.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied and are due and payable on November 1 of each year, and may be paid upon receipt of the notice at declining discounts through the month of February. All unpaid taxes on real and personal property become delinquent on April 1 of the year following the year in which the taxes were levied. Delinquent real property taxes bear interest at the rate of one and one-half percent 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 one and one-half percent per month from April 1 until paid. After May 1 of each year and following proper procedures, a court order may be issued to seize and sell the property.

**Basis of Accounting**

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

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

**Legal Compliance—Budget**

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

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

The Schedules of Revenues, Expenditures and Changes in Fund Balances Budget and Actual present a comparison of budgetary data in actual results. These funds utilize the same basis of accounting for both budgetary purposes and actual results. See page 51 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 (Note 3), 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).

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

**Inventories**

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

**Amortization**

Bond Issuance cost and bond defeasance costs are recorded at cost and amortized over the life of the capital lease or bond, as applicable. These costs are listed under deferred charges on the statement of net assets.

**Capital Assets**

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

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

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

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

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

**Net Assets**

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

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

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

**NOTE 2 – EMPLOYEE RETIREMENT SYSTEM**

The County has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5 percent of their salary to the plan. The County's contribution rate for nonhazardous employees was 16.17 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The County's contribution rate for hazardous employees was 33.87 percent.

Benefits fully vest on reaching five years of service for hazardous and non-hazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

The County's required contributions (both withholding and match) for pension obligations to CERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$2,397,273 (composed of \$1,865,312 from the County and \$531,961 from the employees), \$2,026,363 and \$1,656,666, respectively; 100% has been contributed for fiscal years 2008, 2007, and 2006.

**NOTE 3 – DEPOSITS AND INVESTMENTS****Deposits**

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2008, the County's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County's agent in the County's name, or provided surety bond which named the County as beneficiary/obligee on the bond.

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

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

Interest Rate Risk

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

Credit Risk

The policy limits investments to the following:

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

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 twenty percent 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 ten percent of the county's total investment portfolio shall be invested in a single security type or with a single financial institution.

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

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy on custodial credit risk. As of June 30, 2008, 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, 2008, the County's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Corporate Bonds	\$ 3,115,387	Weighted Average Maturity of 6 months	AAA and Aaa
Money Market Funds	22,506	N/A	N/A
U.S. Treasuries	<u>3,359,187</u>	N/A	N/A
Total	\$ <u>6,497,080</u>		

**NOTE 4 – NOTES RECEIVABLE**

The Walton Fire Protection District has a lease/purchase agreement with Boone County Fiscal Court for the construction of a single-level firehouse. Principal payments are due yearly with interest due semi-annually. The note matures in October, 2018. The receivable balance on the lease/purchase agreement at June 30, 2008 is \$230,000 and the Walton Fire Protection District is in substantial compliance with the terms of the agreement.

The Boone County Health Taxing District has a lease agreement with Boone County Fiscal Court for the construction of a building. Principal payments are due yearly with interest due semi-annually. The note matures in December, 2012. The receivables balance on the lease agreement at June 30, 2008 is \$260,000 and the Boone County Health Taxing District is in substantial compliance with the terms of the agreement.

The County sold land in March, 2007 for \$360,000. At the time of closing, the County received \$120,000. A promissory note was signed for the remaining balance. The note is non-interest bearing and is due in December, 2008. The balance on the note at June 30, 2008 was \$120,000.

The Boone County Fiscal Court has agreed to use a portion of the \$2,200,000 General Obligation Multi-Purpose Public Project Bond, Series 2006 to complete improvements to the Petersburg Fire Protection Firehouse and apparatus bays (the "Project"). The Petersburg Fire Protection District has determined to operate and maintain the Project and to make certain annual payments to the County. These annual payments equal Petersburg Fire District's portion of principal and interest due on these bonds. The receivables balance on the lease agreement at June 30, 2008 totaled \$1,467,614.

The Boone County Fiscal Court has agreed to use a portion of the \$7,000,000 General Obligation Multi-Purpose Public Project Bond, Series 2007 to construct a fire training facility to be used by numerous fire districts in Boone County. An inter-local agreement was signed by the Boone County Fiscal Court and the various fire districts. The fire districts have agreed that 25% of one cent of their real property assessments will be sent to the fiscal court as payment on the note receivable. As of June 30, 2008, the balance on the note receivable was \$2,846,446. The note is expected to be paid off by June, 2028.

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

The remaining maturities on the notes are as follows:

Years Ending <u>June 30,</u>	
2009	\$ 403,605
2010	289,974
2011	297,808
2012	304,432
2013	309,432
Thereafter	<u>3,318,809</u>
	<u>\$ 4,924,060</u>

**NOTE 5 – ACCOUNTS RECEIVABLE**

Accounts Receivable consists of the following at June 30, 2008:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Taxes – Current	\$ 5,742,891	\$ -	\$ 5,742,891
Taxes – Delinquent	2,880	-	2,880
Excess Fees	256,486	-	256,486
Charges for Service	46,860	-	46,860
Intergovernmental	1,884,291	42,966	1,927,257
License Fees	177,234	-	177,234
Self Insurance Fund	127,323	-	127,323
Miscellaneous	208,670	-	208,670
Fraud Recovery	<u>-</u>	<u>231,494</u>	<u>231,494</u>
	<u>\$ 8,446,635</u>	<u>\$ 274,460</u>	<u>\$ 8,721,095</u>

**NOTE 6 – DEFERRED CHARGES**

Deferred charges consist of the following at June 30, 2008:

	<u>Governmental Activities</u>	<u>Business- Type Total</u>
Bond Issuance Cost	\$ 139,086	\$ 198,628
Accumulated Amortization	<u>14,857</u>	<u>133,522</u>
	<u>\$ 124,229</u>	<u>\$ 65,106</u>
Bond Defeasance Cost	\$ -	\$ 900,620
Accumulated Amortization	<u>-</u>	<u>605,416</u>
	<u>\$ -</u>	<u>\$ 295,204</u>

**NOTE 6 – DEFERRED CHARGES (Continued)**

Amortization of defeased charges for the five years subsequent thereafter is a follows:

<u>Years Ending June 30,</u>	<u>Governmental Activities</u>	<u>Business- Type Total</u>
2009	\$ 14,781	\$ 73,283
2010	20,000	73,283
2011	18,600	73,283
2012	14,901	73,283
2013	3,815	67,179
Thereafter	<u>52,132</u>	<u>-</u>
	<u>\$ 124,229</u>	<u>\$ 360,310</u>

**NOTE 7 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2008</u>
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 11,525,900	\$ 296,319	\$ -	\$ 11,822,219
Roads	154,002,225	5,241,975	-	159,244,200
Construction in Progress	<u>7,196,466</u>	<u>4,186,194</u>	<u>5,286,669</u>	<u>6,095,991</u>
<b>Total Capital Assets Not Being Depreciated</b>	<u>172,724,591</u>	<u>9,724,488</u>	<u>5,286,669</u>	<u>177,162,410</u>
<b>Depreciable Capital Assets</b>				
Land Improvements	9,437,347	4,098,586	-	13,535,933
Buildings and Building Improvements	53,918,254	1,563,573	16,000	55,465,827
Equipment	5,806,221	487,962	21,500	6,272,683
Furniture and Office Equipment	1,066,689	103,904	-	1,170,593
Vehicles	7,600,749	802,495	846,246	7,556,998
Roads	<u>84,903</u>	<u>-</u>	<u>-</u>	<u>84,903</u>
<b>Total Depreciable Capital Assets</b>	<u>77,914,163</u>	<u>7,056,520</u>	<u>883,746</u>	<u>84,086,937</u>
<b>Total Capital Assets at Historical Cost</b>	<u>250,638,754</u>	<u>16,781,008</u>	<u>6,170,415</u>	<u>261,249,347</u>
<b>Less Accumulated Depreciation</b>				
Land Improvements	1,608,254	517,692	-	2,125,946
Buildings and Building Improvements	8,329,188	896,482	6,315	9,219,355
Equipment	1,351,972	391,312	21,500	1,721,784
Furniture and Office Equipment	464,286	120,544	-	584,830
Vehicles	5,579,687	731,772	807,947	5,503,512
Roads	<u>58,575</u>	<u>1,622</u>	<u>-</u>	<u>60,197</u>
<b>Total Accumulated Depreciation</b>	<u>17,391,962</u>	<u>2,659,424</u>	<u>835,762</u>	<u>19,215,624</u>
<b>Depreciable Capital Assets, Net</b>	<u>60,522,201</u>	<u>4,397,096</u>	<u>47,984</u>	<u>64,871,313</u>
<b>Governmental Activities Capital Assets - Net</b>	<u>\$ 233,246,792</u>	<u>\$ 14,121,584</u>	<u>\$ 5,334,653</u>	<u>\$ 242,033,723</u>

**NOTE 7 – CAPITAL ASSETS (Continued)**

Capital asset activity for the fiscal year ended June 30, 2008 was as follows:

Business-Type Activities	Beginning Balance	Additions	Deductions	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 2,396,478	\$ -	\$ -	\$ 2,396,478
Depreciable Capital Assets				
Land Improvements	5,523,656	-	-	5,523,656
Buildings and Building Improvements	2,386,905	-	-	2,386,905
Furniture and Office Equipment	123,339	8,237	-	131,576
Vehicles, Machinery and Equipment	1,178,883	-	-	1,178,883
Totals at Historical Cost	<u>9,212,783</u>	<u>8,237</u>	<u>-</u>	<u>9,221,020</u>
Total Capital Assets at Historical Value	<u>11,609,261</u>	<u>8,237</u>	<u>-</u>	<u>11,617,498</u>
Less Accumulated Depreciation				
Land Improvements	4,069,465	280,702	-	4,350,167
Buildings and Building Improvements	1,332,038	79,491	-	1,411,529
Furniture and Office Equipment	36,058	19,719	-	55,777
Vehicles, Machinery and Equipment	1,176,207	2,676	-	1,178,883
Total Accumulated Depreciation	<u>6,613,768</u>	<u>382,588</u>	<u>-</u>	<u>6,996,356</u>
Depreciable Capital Assets, Net	<u>2,599,015</u>	<u>(374,351)</u>	<u>-</u>	<u>2,224,664</u>
Business - Type Activities Capital Assets - Net	<u>\$ 4,995,493</u>	<u>\$ (374,351)</u>	<u>\$ -</u>	<u>\$ 4,621,142</u>

  

Component Unit	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Capital Assets Not Being Depreciated				
Construction in Progress	\$ -	\$ 143,490	\$ -	\$ 143,490
Depreciable Capital Assets				
Computer Equipment and Software	5,959,761	908,791	2,187,617	4,680,935
Office Furniture and Equipment	153,483	-	-	153,483
Vehicles	9,910	-	-	9,910
Buildings/Infrastructure	-	59,298	-	59,298
Totals at Historical Cost	<u>6,123,154</u>	<u>968,089</u>	<u>2,187,617</u>	<u>4,903,626</u>
Total Capital Assets at Historical Value	<u>6,123,154</u>	<u>1,111,579</u>	<u>2,187,617</u>	<u>5,047,116</u>
Less Accumulated Depreciation				
Computer Equipment and Software	5,506,102	266,867	2,066,318	3,706,651
Office Furniture and Equipment	136,446	4,876	-	141,322
Vehicles	9,910	-	-	9,910
Buildings/Infrastructure	-	74	-	74
Total Accumulated Depreciation	<u>5,652,458</u>	<u>271,817</u>	<u>2,066,318</u>	<u>3,857,957</u>
Depreciable Capital Assets, Net	<u>470,696</u>	<u>696,272</u>	<u>121,299</u>	<u>1,045,669</u>
Capital Assets - Net	<u>\$ 470,696</u>	<u>\$ 839,762</u>	<u>\$ 121,299</u>	<u>\$ 1,189,159</u>

**NOTE 7 – CAPITAL ASSETS (Continued)**

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

	<u>June 30, 2008</u>
Governmental Activities	
General Government	\$ 884,163
Protection to Persons and Property	1,190,859
General Health and Sanitation	27,444
Social Services	1,368
Recreation and Culture	216,953
Roads, Including Depreciation of General Infrastructure Assets	<u>338,637</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 2,659,424</u>
Business-Type Activities	
Golf Course	\$ 355,751
Assisted Housing	<u>26,837</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 382,588</u>

The County has active construction projects as of June 30, 2008. Total accumulated commitments for ongoing capital projects are \$6,095,991.

**NOTE 8 – ACCOUNTS PAYABLE**

Accounts Payable consists of the following at June 30, 2008:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
General Government	\$ 80,405	\$ -	\$ 80,405
Protection to Persons and Property	113,588	-	113,588
General Health and Sanitation	113,949	-	113,949
Social Services	120,706	584	121,290
Recreation and Culture	133,103	226,017	359,120
Roads	85,110	-	85,110
Capital Projects	973,900	-	973,900
Administration	259,545	-	259,545
Self Insurance Fund	<u>431,999</u>	<u>-</u>	<u>431,999</u>
	<u>\$ 2,312,305</u>	<u>\$ 226,601</u>	<u>\$ 2,538,906</u>

**NOTE 9 – LONG-TERM DEBT**

The following is a summary of the County's long term debt transactions for the year ended June 30, 2008:

	<u>Debt Outstanding July 1, 2007</u>	<u>Additions of New Debt</u>	<u>Repayments and Defeasance</u>	<u>Debt Outstanding June 30, 2008</u>	<u>Amount Expected to Be Paid Within One Year</u>
General Obligation Bonds	\$ <u>41,880,000</u>	\$ <u>-</u>	\$ <u>4,015,000</u>	\$ <u>37,865,000</u>	\$ <u>2,725,000</u>
Revenue Bonds	\$ <u>16,685,000</u>	\$ <u>-</u>	\$ <u>1,135,000</u>	\$ <u>15,550,000</u>	\$ <u>1,185,000</u>
Note Payable	\$ <u>3,884,095</u>	\$ <u>-</u>	\$ <u>481,509</u>	\$ <u>3,402,586</u>	\$ <u>527,421</u>

**Series 1999-General Fund**

The County issued General Obligation Public Project Bonds for the purpose of acquiring and financing certain improvements and to retire outstanding Bond Anticipation Notes. These bonds were dated April 1, 1999. These bonds were issued at interest rates ranging from 3.25% to 4.85%, and will be retired by November 1, 2019. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 23,696	\$ 680,000
2010	9,757	15,000
2011	8,970	20,000
2012	8,070	20,000
2013	7,170	20,000
2014-2018	20,699	115,000
2019	<u>606</u>	<u>25,000</u>
Totals	<u>\$ 78,968</u>	<u>\$ 895,000</u>

**NOTE 9 – LONG-TERM DEBT (Continued)****Series 2001-General Fund**

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

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 82,112	\$ 405,000
2010	65,612	420,000
2011	48,343	430,000
2012	30,019	445,000
2013	<u>10,281</u>	<u>470,000</u>
Totals	<u>\$ 236,367</u>	<u>\$ 2,170,000</u>

**Series 2002-General Fund**

The County issued General Obligation Bonds for the purpose of building a Public Safety Complex. The series 2002 dated April 18, 2002, were issued at various interest rates ranging from 3.00% to 5.00% and will be retired by April 1, 2022. Interest payments are due April 1 and October 1, with principal payments due April 1 of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 705,904	\$ 835,000
2010	672,504	865,000
2011	637,906	900,000
2012	600,780	940,000
2013	561,300	980,000
2014-2018	2,123,202	5,580,000
2019-2022	<u>695,576</u>	<u>5,460,000</u>
Totals	<u>\$ 5,997,172</u>	<u>\$15,560,000</u>

**NOTE 9 – LONG-TERM DEBT (Continued)**

**Series 2002-General Fund**

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

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	215,913	170,000
2010	209,875	175,000
2011	203,213	180,000
2012	195,813	190,000
2013	188,113	195,000
2014-2018	812,881	1,110,000
2019-2023	548,750	1,380,000
2024-2028	<u>200,813</u>	<u>1,725,000</u>
Totals	<u>\$ 2,575,369</u>	<u>\$ 5,125,000</u>

**Series 2003C – General Fund**

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

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 197,688	\$ 300,000
2010	189,369	305,000
2011	180,450	315,000
2012	170,363	325,000
2013	159,138	335,000
2014-2018	587,770	1,900,000
2019-2022	<u>159,056</u>	<u>1,825,000</u>
Totals	<u>\$ 1,643,834</u>	<u>\$ 5,305,000</u>

**NOTE 9 – LONG-TERM DEBT (Continued)****Series 2006 – General Fund**

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

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	75,850	85,000
2010	72,705	85,000
2011	69,560	85,000
2012	66,415	90,000
2013	63,086	90,000
2014-2018	261,771	520,000
2019-2023	157,248	640,000
2024-2026	<u>34,040</u>	<u>455,000</u>
Totals	<u>\$ 800,675</u>	<u>\$ 2,050,000</u>

**Series 2007 – General Fund**

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

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 250,120	\$ 250,000
2010	240,870	260,000
2011	231,250	270,000
2012	221,260	280,000
2013	210,900	290,000
2014-2018	885,040	1,625,000
2019-2023	561,475	1,950,000
2024-2027	<u>172,790</u>	<u>1,835,000</u>
Totals	<u>\$ 2,773,705</u>	<u>\$ 6,760,000</u>

**NOTE 9 – LONG-TERM DEBT (Continued)****Special Revenue Bonds – Public Properties**

The County has issued bonds where the County pledges income derived from the acquired or constructed assets to pay debt service. The bonds will be retired by September, 2022. Revenue bonds outstanding at June 30, 2008, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Justice Center	4.00 – 5.13%	\$ <u>12,270,000</u>

The minimum obligations at June 30, 2008 for debt service of these bonds are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 582,094	\$ 575,000
2010	557,119	600,000
2011	530,219	640,000
2012	501,369	660,000
2013	470,764	685,000
2014-2018	1,810,345	4,005,000
2019-2023	<u>677,821</u>	<u>5,105,000</u>
Totals	\$ <u>5,129,731</u>	\$ <u>12,270,000</u>

**Revenue Refunding Bonds – Golf Course**

In June, 1998, the Golf Course sold \$8,060,000 of its Revenue Refunding Bonds for the purpose of refunding, in advance of maturity, the Golf Course's outstanding Certificates of Participation dated April 1, 1992, in the principal amount of \$8,100,000. The Series 1998, dated June 1, 1998, were issued at various interest rates ranging from 3.80% to 4.80% and will be retired by November, 2012. The Series 1998 Bonds are scheduled to mature as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 139,600	\$ 610,000
2010	111,270	635,000
2011	81,038	665,000
2012	48,785	700,000
2013	<u>16,080</u>	<u>670,000</u>
Totals	\$ <u>396,773</u>	\$ <u>3,280,000</u>

**NOTE 9 – LONG-TERM DEBT (Continued)**

**Note Payable – Capital Improvements Fund**

The County has a note payable to an individual for the purchase of 67 acres of land. The note is due in annual installments of \$160,797 plus interest of 4%. The note payable balance is \$321,594 at June 30, 2008.

The remaining maturities on the note are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 12,864	\$ 160,797
2010	<u>6,432</u>	<u>160,797</u>
	<u>\$ 19,296</u>	<u>\$ 321,594</u>

**Note Payable – General Fund**

The County has a note payable for the purpose of water and sewer projects. The note bears interest at 3.25%. Principal and interest payments are due March 1 and September 1. Principal payment requirements and scheduled interest for the retirement of the note are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 17,956	\$ 310,000
2010	<u>7,800</u>	<u>320,000</u>
	<u>\$ 25,756</u>	<u>\$ 630,000</u>

**Note Payable – General Fund**

In May 2006, the county entered into an assistance agreement with the Kentucky Infrastructure Authority (KIA) for the acquisition and construction of certain water facilities and to improve the county's water service system, in the amount of \$2,506,118 and bears an interest rate of 2.71% commencing December 1, 2007. The loan term for this agreement is 30 years and principal and interest payments are due on June 1 and December 1. Principal payments are due following the last draw of funds. As of June 30, 2008 the county had borrowed \$2,506,118. Principal payment requirements and scheduled interest for the retirement of the note are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2009	\$ 70,671	\$ 56,624
2010	69,018	58,163
2011	67,320	59,744
2012	65,575	61,368
2013	63,784	63,036
2014-2018	290,292	341,834
2019-2023	237,604	390,888
2024-2028	177,355	446,982
2029-2033	108,460	511,126
2034-2037	<u>30,566</u>	<u>461,227</u>
	<u>\$ 1,180,644</u>	<u>\$ 2,450,992</u>

**NOTE 10 – CAPITAL LEASE PURCHASE AGREEMENTS**

**Road and Bridge Fund**

In December 2007, Boone County entered into a lease-purchase agreement for a rubber tire loader for the Public Works Department. The lease term for this agreement is 7 years. The total principal balance and cost of the equipment is \$99,465. The total balance of the agreement is \$99,465 as of June 30, 2008.

<u>Debt Outstanding July 1, 2007</u>	<u>Additions</u>	<u>Repayments</u>	<u>Debt Outstanding June 30, 2008</u>	<u>Amount Expected to Be Paid Within One Year</u>
\$ <u>          -</u>	\$ <u>  99,465</u>	\$ <u>          -</u>	\$ <u>  99,465</u>	\$ <u>  12,220</u>

The following is a schedule of future minimum lease payments as of June 30, 2008:

<u>Years Ending June 30,</u>	
2009	\$ 17,183
2010	17,183
2011	17,183
2012	17,183
2013	17,184
Thereafter	<u>34,367</u>
Total Minimum Lease Payment	120,283
Less Interest	<u>20,818</u>
Present Value of Minimum Lease Payments	\$ <u>  99,465</u>

**Golf Course**

During 2006, the Golf Course entered into a lease-purchase agreement for equipment. The lease term for this agreement is 5 years. The total balance of the agreement is \$26,074 as of June 30, 2008.

The following is a summary of the Golf Course's capital lease purchase agreement transactions for the year ended June 30, 2008:

<u>Debt Outstanding July 1, 2007</u>	<u>Additions</u>	<u>Repayments</u>	<u>Debt Outstanding June 30, 2008</u>	<u>Amount Expected to Be Paid Within One Year</u>
\$ <u>  45,830</u>	\$ <u>          -</u>	\$ <u>  19,756</u>	\$ <u>  26,074</u>	\$ <u>  10,000</u>

**NOTE 10 – CAPITAL LEASE PURCHASE AGREEMENTS (Continued)**

The following is a schedule of future minimum lease payments as of June 30, 2008:

Years Ending <u>June 30,</u>		
2009	\$	11,019
2010		10,541
2011		<u>6,116</u>
Total Minimum Lease Payment		27,676
Less Interest		<u>1,602</u>
Present Value of Minimum Lease Payments	\$	<u><u>26,074</u></u>

**NOTE 11 – COMPENSATED ABSENCES PAYABLE**

Changes in the County's compensated absences during fiscal year 2008 were as follows:

**Government Activities**

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2008</u>	<u>Amount Expected to Be Paid Within One Year</u>
	\$ <u>474,827</u>	\$ <u>-</u>	\$ <u>34,201</u>	\$ <u>440,626</u>	\$ <u>26,694</u>

**Business Type Activities**

Assisted Housing	\$ 24,586	\$ -	\$ 4,307	\$ 20,279	\$ 10,139
Golf Course	<u>55,179</u>	<u>-</u>	<u>5,879</u>	<u>49,300</u>	<u>1,551</u>
<b>Total</b>	\$ <u>79,765</u>	\$ <u>-</u>	\$ <u>10,186</u>	\$ <u>69,579</u>	\$ <u>11,690</u>

**NOTE 12 – OPERATING LEASES**

The County owns various buildings throughout Boone County that are leased to organizations accounted for under an operating lease. Six leases renew annually and the other one expiring in June, 2024. Rental income for the year ended June 30, 2008 was \$215,829. The future minimum lease payments to be received are as follows:

Years Ending <u>June 30,</u>		
2009	\$	44,407
2010		44,407
2011		44,408
2012		45,608
2013		45,608
Thereafter		<u>426,073</u>
Total Minimum Lease Payment	\$	<u>650,511</u>

The County leases various equipment and office space accounted for under operating leases. The leases are month to month, annual renewals, or long term leases. The long term leases expire on various dates through June, 2009. The County may also rent equipment on an as-needed basis. Rental expense for the year ended June 30, 2008 was \$76,458.

The future minimum lease payments are as follows:

Years Ending <u>June 30,</u>		
2009	\$	<u>9,949</u>

**NOTE 13 – INSURANCE**

For the fiscal year ended June 30, 2008, 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 14 – FLEXIBLE SPENDING ACCOUNT**

Boone County maintains a flexible spending account to provide tax-sheltered deductions for dependent childcare and medical expenses. The balance in the flexible benefits account as of June 30, 2008 was \$5,371.

**NOTE 15 – 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 FY07 in an effort to decrease insurance cost to the County's health insurance and increase reserves in the account, a Health Reimbursement Arrangement (HRA) was set up for each employee on the plan to coincide with a higher deductible plan. These dollars are to reimburse any covered persons' out of pocket deductible or co-insurance expenses. Each single plan was given \$1,000 and all other plans \$2,000 in January of 2008.

The total liability of these HRA dollars at the Fiscal Year Ending 2008 was \$1,105,327, which includes all departments on our plan (Fiscal Court, Sheriff, County Clerk, Public Safety Communications Center, and Planning Commission). In the statement of cash flows, the Self Insurance Fund shows cash balance of \$245,526 in the account but with the liability of the HRA account our net assets on June 30, 2008 is a negative \$1,164,477.

In 2008, the County paid out 14.67% of total HRA liability, including the rolled over amounts from 2007, and 25.82% of that year's liability, with no rollover. Another 5.58% 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 22.86%, with rollover amounts and 38.89% without the rollover. Our total cash including accounts receivable at the end of the year was enough to cover the current year's HRA dollars.

**NOTE 16 – SUBSEQUENT EVENT**

In December, 2008, the Golf Course entered into a capital lease for the purchase of golf carts. The capital lease is for \$598,229. The lease will be paid over thirty six months with a balloon payment in December, 2011.

**REQUIRED SUPPLEMENTAL INFORMATION**

**BOONE COUNTY FISCAL COURT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>with Final Budget Favorable (Unfavorable)</b>
<b>Revenues</b>				
Taxes	\$ 31,865,250	\$ 31,865,250	\$ 32,077,896	\$ 212,646
In Lieu Tax Payments	95,000	95,000	203,103	108,103
Excess Fees	1,140,600	1,140,600	1,500,199	359,599
Licenses and Permits	1,665,500	1,665,500	1,400,365	(265,135)
Intergovernmental	2,339,300	2,339,300	2,216,002	(123,298)
Charges for Services	881,341	881,341	902,410	21,069
Miscellaneous	734,111	734,311	917,708	183,397
Interest	450,100	450,100	452,310	2,210
	<u>39,171,202</u>	<u>39,171,402</u>	<u>39,669,993</u>	<u>498,591</u>
<b>Expenditures</b>				
General Government	4,919,282	4,973,207	4,424,436	548,771
Protection to Persons and Property	13,797,148	13,798,148	13,743,172	54,976
General Health and Sanitation	625,983	625,983	537,899	88,084
Social Services	521,790	521,790	468,944	52,846
Recreation and Culture	2,174,985	2,175,185	1,966,737	208,448
Debt Service	1,461,923	1,509,204	1,509,200	4
Administration	12,986,802	12,879,470	11,263,709	1,615,761
	<u>36,487,913</u>	<u>36,482,987</u>	<u>33,914,097</u>	<u>2,568,890</u>
<b>Excess of Revenues Over Expenditures</b>				
	<u>2,683,289</u>	<u>2,688,415</u>	<u>5,755,896</u>	<u>3,067,481</u>
<b>Other Financing Sources (Uses)</b>				
Miscellaneous	-	-	-	-
Bond Principal Payments	(3,825,001)	(3,830,127)	(3,830,127)	-
Capital Lease Principal Payments	(265,586)	(265,586)	(265,586)	-
Bond Proceeds	-	-	-	-
Operating Transfers In	-	-	-	-
Operating Transfers Out	(4,265,262)	(4,265,262)	(3,900,000)	365,262
	<u>(8,355,849)</u>	<u>(8,360,975)</u>	<u>(7,995,713)</u>	<u>365,262</u>
<b>Deficit of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>				
	(5,672,560)	(5,672,560)	(2,239,817)	3,432,743
<b>Fund Balance July 1, 2007</b>				
	<u>5,672,560</u>	<u>5,672,560</u>	<u>5,805,171</u>	<u>132,611</u>
<b>Fund Balance June 30, 2008</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,565,354</u>	<u>\$ 3,565,354</u>

**BOONE COUNTY FISCAL COURT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**ROAD AND BRIDGE FUND**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
In Lieu Tax Payments	-	-	-	-
Licenses and Permits	200,000	200,000	71,867	(128,133)
Intergovernmental	2,421,744	2,421,744	2,370,134	(51,610)
Charges for Services	190,000	190,000	153,383	(36,617)
Miscellaneous	386,000	386,000	295,947	(90,053)
Interest	20,000	20,000	18,457	(1,543)
<b>Total Revenues</b>	<u>3,217,744</u>	<u>3,217,744</u>	<u>2,909,788</u>	<u>(307,956)</u>
<b>Expenditures</b>				
General Government	-	-	-	-
Protection to Persons and Property	-	-	-	-
General Health and Sanitation	-	-	-	-
Social Services	-	-	-	-
Recreation and Culture	-	-	-	-
Roads	7,338,902	7,338,902	6,668,405	670,497
Administration	-	-	-	-
<b>Total Expenditures</b>	<u>7,338,902</u>	<u>7,338,902</u>	<u>6,668,405</u>	<u>670,497</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>(4,121,158)</u>	<u>(4,121,158)</u>	<u>(3,758,617)</u>	<u>362,541</u>
<b>Other Financing Sources (Uses)</b>				
Miscellaneous	-	-	-	-
Proceeds from Sale of Fixed Assets	-	-	-	-
Bond Fees Paid to Fiscal Agent	-	-	-	-
Bond Principal Payment	(140,000)	(140,000)	(140,000)	-
Operating Transfers In	3,823,160	3,823,160	3,500,000	(323,160)
Operating Transfers Out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>3,683,160</u>	<u>3,683,160</u>	<u>3,360,000</u>	<u>(323,160)</u>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>(437,998)</u>	<u>(437,998)</u>	<u>(398,617)</u>	<u>39,381</u>
<b>Fund Balance July 1, 2007</b>	<u>437,998</u>	<u>437,998</u>	<u>592,597</u>	<u>154,599</u>
<b>Fund Balance June 30, 2008</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 193,980</u>	<u>\$ 193,980</u>

**BOONE COUNTY FISCAL COURT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**JAIL FUND**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
In Lieu Tax Payments	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	4,131,000	4,131,000	4,646,207	515,207
Charges for Services	212,300	212,300	265,538	53,238
Miscellaneous	195,000	195,000	210,779	15,779
Interest	15,000	15,000	14,890	(110)
<b>Total Revenues</b>	<u>4,553,300</u>	<u>4,553,300</u>	<u>5,137,414</u>	<u>584,114</u>
<b>Expenditures</b>				
General Government	-	-	-	-
Protection to Persons and Property	4,139,904	4,139,904	3,785,466	354,438
General Health and Sanitation	-	-	-	-
Social Services	-	-	-	-
Recreation and Culture	-	-	-	-
Capital Projects	-	-	-	-
Administration	1,072,000	1,072,000	1,009,079	62,921
<b>Total Expenditures</b>	<u>5,211,904</u>	<u>5,211,904</u>	<u>4,794,545</u>	<u>417,359</u>
<b>Excess (Deficit) of Revenues Over Expenditures</b>	<u>(658,604)</u>	<u>(658,604)</u>	<u>342,869</u>	<u>1,001,473</u>
<b>Other Financing Sources (Uses)</b>				
Miscellaneous	-	-	-	-
Proceeds from Sale of Fixed Assets	-	-	-	-
Bond Fees Paid to Fiscal Agent	-	-	-	-
Bond Proceeds	-	-	-	-
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	<u>(658,604)</u>	<u>(658,604)</u>	<u>342,869</u>	<u>1,001,473</u>
<b>Fund Balance July 1, 2007</b>	<u>658,604</u>	<u>658,604</u>	<u>136,826</u>	<u>(521,778)</u>
<b>Fund Balance June 30, 2008</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 479,695</u>	<u>\$ 479,695</u>

**BOONE COUNTY FISCAL COURT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**CAPITAL IMPROVEMENT FUND**  
**Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>with Final Budget Favorable (Unfavorable)</b>
<b>Revenues</b>				
Intergovernmental	\$ 7,476,836	\$ 7,301,836	\$ 1,728,997	\$ (5,572,839)
Miscellaneous	-	-	168,893	168,893
Interest	127,000	127,000	311,720	184,720
	<u>7,603,836</u>	<u>7,428,836</u>	<u>2,209,610</u>	<u>(5,219,226)</u>
<b>Total Revenues</b>				
<b>Expenditures</b>				
Capital Projects	18,252,836	18,245,560	4,818,383	(13,427,177)
<b>(Deficit) Excess of Revenues Over Expenditures</b>	<u>(10,649,000)</u>	<u>(10,816,724)</u>	<u>(2,608,773)</u>	<u>8,207,951</u>
<b>Other Financing Sources (Uses)</b>				
Bond Principal Payments	(100,000)	(100,000)	(100,000)	-
Bond Interest Payments	(111,000)	(111,000)	(111,000)	-
Operating Transfers In	200,000	200,000	-	(200,000)
Operating Transfers Out	-	-	-	-
	<u>(11,000)</u>	<u>(11,000)</u>	<u>(211,000)</u>	<u>(200,000)</u>
<b>Total Other Financing Sources (Uses)</b>				
<b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	(10,660,000)	(10,827,724)	(2,819,773)	8,007,951
<b>Fund Balance July 1, 2007</b>	<u>10,835,000</u>	<u>10,835,000</u>	<u>9,476,488</u>	<u>(1,358,512)</u>
<b>Fund Balance June 30, 2008</b>	<u>\$ 175,000</u>	<u>\$ 7,276</u>	<u>\$ 6,656,715</u>	<u>\$ 6,649,439</u>

**BOONE COUNTY FISCAL COURT**  
**NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**Year Ended June 30, 2008**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>	<u>Capital Improvements</u>
<b>Revenues</b>				
Schedule of Revenues, Expenditures and Changes In Fund Balance				
Budget and Actual	\$ 39,669,993	\$ 2,909,788	\$ 5,137,414	\$ 2,209,610
Accounts Receivable 6/30/2007	(5,933,413)	(342,361)	(804,101)	(51,304)
Accounts Receivable 6/30/2008	6,408,265	447,148	513,047	270,132
Change in Note Receivable Balance	(108,693)	-	-	(273,554)
Reclass of Reimbursements	<u>(1,211)</u>	<u>-</u>	<u>19</u>	<u>-</u>
Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds				
	<u>\$ 40,034,941</u>	<u>\$ 3,014,575</u>	<u>\$ 4,846,379</u>	<u>\$ 2,154,884</u>
<b>Expenses</b>				
Schedule of Revenues, Expenditures and Changes In Fund Balance				
Budget and Actual	\$ 33,914,097	\$ 6,668,405	\$ 4,794,545	\$ 4,818,383
Bond and Capital Lease Principal Payments	4,095,713	140,000	-	211,000
Accounts Payable 6/30/2007	(122,684)	(346,725)	(62,504)	(293,221)
Accounts Payable 6/30/2008	301,035	62,796	82,545	901,882
Accrued Payroll 6/30/2007	(149,722)	(45,390)	(60,953)	-
Accrued Payroll 6/30/2008	182,188	54,532	70,939	-
Compensated Absences Payable 6/30/07	(282,647)	(131,969)	(60,211)	-
Compensated Absences Payable 6/30/08	257,354	125,731	57,541	-
Reclass of Reimbursements	<u>(611)</u>	<u>-</u>	<u>19</u>	<u>-</u>
Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds				
	<u>\$ 38,194,723</u>	<u>\$ 6,527,380</u>	<u>\$ 4,821,921</u>	<u>\$ 5,638,044</u>

**BOONE COUNTY FISCAL COURT  
CONDITION RATING OF THE COUNTY'S STREET SYSTEM  
Year Ended June 30, 2008**

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

2008	2007	2006
98%	99%	99%

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

2008	2007	2006
2%	1%	1%

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

	2008	2007	2006
Bridge			
Needed	\$ -	\$ -	\$ -
Actual	-	-	-
Roads			
Needed	542,260	726,372	668,369
Actual	479,277	664,667	425,968
Subdivision			
Needed	2,169,040	2,905,488	2,673,477
Actual	1,917,110	2,658,666	1,709,872

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

**SUPPLEMENTAL INFORMATION**

**BOONE COUNTY FISCAL COURT**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2008**

	<b>Local Government Economic Assistance Fund</b>	<b>Federal Grants Fund</b>	<b>Mental Health Fund</b>	<b>Earl Parker Robinson Fund</b>	<b>Public Properties Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>						
Cash and Cash Equivalents	\$ 19,919	\$ -	\$ 735,218	\$ 325,945	\$ -	\$ 1,081,082
Investments	-	-	-	-	2,361	2,361
Notes Receivable	-	-	-	-	-	-
Accounts Receivable	35,265	98,257	547,198	-	-	680,720
Restricted Cash	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 55,184</b>	<b>\$ 98,257</b>	<b>\$ 1,282,416</b>	<b>\$ 325,945</b>	<b>\$ 2,361</b>	<b>\$ 1,764,163</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 22,314	\$ 98,257	\$ 198,775	\$ -	\$ -	\$ 319,346
Accrued Payroll	-	-	-	-	-	-
Compensated Absences Payable	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>22,314</b>	<b>98,257</b>	<b>198,775</b>	<b>-</b>	<b>-</b>	<b>319,346</b>
<b>Fund Balances</b>						
Reserved for:						
Debt Service	-	-	-	-	-	-
Other Accounts	-	-	-	-	-	-
Unreserved						
General Fund	-	-	-	-	-	-
Special Revenue Funds	32,870	-	1,083,641	325,945	-	1,442,456
Capital Projects Fund	-	-	-	-	-	-
Debt Service	-	-	-	-	2,361	2,361
Other	-	-	-	-	-	-
<b>Total Fund Balances</b>	<b>32,870</b>	<b>-</b>	<b>1,083,641</b>	<b>325,945</b>	<b>2,361</b>	<b>1,444,817</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 55,184</b>	<b>\$ 98,257</b>	<b>\$ 1,282,416</b>	<b>\$ 325,945</b>	<b>\$ 2,361</b>	<b>\$ 1,764,163</b>

**BOONE COUNTY FISCAL COURT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2008**

	<b>Local Government Economic Assistance Fund</b>	<b>Federal Grants Fund</b>	<b>Mental Health Fund</b>	<b>Earl Parker Robinson Fund</b>	<b>Public Properties Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ 2,097,738	\$ -	\$ -	\$ 2,097,738
In Lieu Tax Payments	-	-	-	-	-	-
Excess Fees	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	157,240	528,082	-	-	1,156,694	1,842,016
Charges for Services	-	-	-	-	-	-
Miscellaneous	-	-	13,490	-	-	13,490
Interest	1,538	-	34,059	13,798	1,063	50,458
<b>Total Revenues</b>	<u>158,778</u>	<u>528,082</u>	<u>2,145,287</u>	<u>13,798</u>	<u>1,157,757</u>	<u>4,003,702</u>
<b>Expenditures</b>						
General Government	-	-	-	-	-	-
Protection to Persons and Property	-	31,234	-	-	-	31,234
General Health and Sanitation	-	-	1,426,406	-	-	1,426,406
Social Services	-	53,835	684,936	-	-	738,771
Recreation and Culture	-	-	-	-	-	-
Roads	195,587	-	-	-	-	195,587
Capital Projects	-	443,013	-	-	-	443,013
Administration	-	-	125,168	-	1,250	126,418
Debt Service	-	-	-	-	1,155,444	1,155,444
<b>Total Expenditures</b>	<u>195,587</u>	<u>528,082</u>	<u>2,236,510</u>	<u>-</u>	<u>1,156,694</u>	<u>4,116,873</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>(36,809)</u>	<u>-</u>	<u>(91,223)</u>	<u>13,798</u>	<u>1,063</u>	<u>(113,171)</u>
<b>Other Financing Sources (Uses)</b>						
Capital Lease Principal Payments	-	-	-	-	-	-
Transfers to Other Funds	-	-	-	-	-	-
Transfers from Other Funds	-	-	-	-	-	-
Bond Proceeds	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(36,809)</u>	<u>-</u>	<u>(91,223)</u>	<u>13,798</u>	<u>1,063</u>	<u>(113,171)</u>
<b>Fund Balances July 1, 2007</b>	<u>69,679</u>	<u>-</u>	<u>1,174,864</u>	<u>312,147</u>	<u>1,298</u>	<u>1,557,988</u>
<b>Fund Balances June 30, 2008</b>	<u>\$ 32,870</u>	<u>\$ -</u>	<u>\$ 1,083,641</u>	<u>\$ 325,945</u>	<u>\$ 2,361</u>	<u>\$ 1,444,817</u>

**BOONE COUNTY FISCAL COURT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2008**

Federal Grants/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
Direct Program:			
Section Eight Housing Rental Assistance Program	14.871	KY135-CE-0012	\$ 5,439,826
Passed-Through Department for Local Government Community Development Block Grant -RC Durr YMCA Senior Center	14.228	06-047	443,013
Passed-Through Department for Local Government Community Development Block Grant -Kentucky Recovery Grant - Year 1 -Brighton Center (operating)	14.228	05-020	53,835
Total U.S. Department of Housing and Urban Development			5,936,674
<b>U.S. Department of Justice</b>			
Passed-Through State Justice Cabinet:			
Bulletproof Vest Partnership Program	16.607	1121-0235	4,373
JAG Grant		OMB# 1121-0264	26,530
Total U.S. Department of Justice			30,903
<b>U.S. Department of Homeland Security</b>			
Passed-Through State Department of Military Affairs:			
Emergency Management Assistance Program -Support Emergency Preparedness	97.042	PON2 095 070000036181	39,839
		PON2 095 080000079301	21,574
Passed-Through Governor's Office of Homeland Security Homeland Security Grant Interoperable Communications System-II	97.042	M-05323451	31,234
Passed-Through City of Cincinnati/Hamilton Co EM State Domestic Preparedness Equipment Support Program	97.004	04SHSGP	53,578
Urban Areas Security Initiative Mass Casualty Unit and Equipment	97.008	03UAS1	52,700
	97.008	040AS1	43,929
	97.008	05UAS1	1,376
	97.008	060AS1	792
State Homeland Security	97.073	05SHSGP	675
Total U.S. Department of Homeland Security			245,697
<b>U.S. Department of Interior</b>			
Passed-Through Kentucky Heritage Council			
Historic Preservation Fund Grant	15.904	21-06-21520	8,355
<b>U.S. Department of Transportation</b>			
Passed-Through Kentucky Transportation Cabinet			
Transportation Enhancement Program Historic Burlington Sidewalk Improvements-II	20.205	PO2 628 06000003504	375,490
Safe Routes to School Rogers Lane - Camp Ernst Middle School	20.205	PO2 628 06000003122	100,000
Total U.S. Department of Transportation			475,490
<b>Total Cash Expenditures of Federal Awards</b>			<b>\$ 6,697,119</b>

**BOONE COUNTY FISCAL COURT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2008**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Boone County and is presented on the basis of accounting described in Note 1 of the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**NOTE 2 – SECTION EIGHT HOUSING RENTAL ASSISTANCE PROGRAM**

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Boone County, Kentucky as of and for the year ended June 30, 2008 which collectively comprise Boone County, Kentucky's basic financial statements, and have issued our report thereon dated September 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

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

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
September 21, 2010

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

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

Compliance

We have audited the compliance of Boone County, Kentucky with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB Circular A-133 Compliance Supplement*) that are applicable to each of its major federal programs for the year ended June 30, 2008. Boone County Kentucky's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Boone County Kentucky's management. Our responsibility is to express an opinion on Boone County's compliance based on our audit.

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

In our opinion, Boone County, Kentucky complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

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

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

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

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

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
September 21, 2010

**BOONE COUNTY FISCAL COURT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2008**

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

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

**SECTION II – FINANCIAL STATEMENT FINDINGS**

None

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

None

**BOONE COUNTY FISCAL COURT  
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2008**

**PRIOR YEAR – FINANCIAL STATEMENT FINDINGS**

None

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

None