



Boone County Fiscal Court

Fiscal Year Ended June 30, 2020

Financial Statements and Independent Auditors'
Report Including Supplementary Information

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boone County Fiscal Court, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Boone County Fiscal Court's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Boone County Assisted Housing Fund, which is both a major fund and 15.8% of the assets and deferred outflows, 1.2% of the net position, and 70.4% of the operating revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Boone County Assisted Housing Fund, is based on the reports of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Boone County Fiscal Court as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 2 – 13), budgetary comparison information (pages 57 – 60), condition rating of the County's street system (page 61), and pension and OPEB schedules (pages 62 – 65), be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

People of Kentucky
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022, on our consideration of the Boone County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions and laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Boone County Fiscal Courts' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Boone County Fiscal Court's internal control over financial reporting and compliance.

VonLehman & Company Inc.

Fort Wright, Kentucky
September 28, 2022

**BOONE COUNTY OFFICIALS
FISCAL YEAR ENDED JUNE 30, 2020**

Fiscal Court Members:

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

Other Elected Officials:

Robert D. Neace	County Attorney
Jason Maydak	Jailer
Justin Crigler	County Clerk
David Martin	Circuit Court Clerk
Michael A. Helmig	Sheriff
Cindy Arlinghaus Martin	Property Valuation Administrator
Elizabeth Rittinger	Coroner

Appointed Personnel:

Benjamin T. Reece, CPA	County Treasurer
Scott Pennington	County Engineer

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020
Unaudited**

Management's discussion and analysis (MD&A) of the Boone County Fiscal Court's (the County) financial performance provides a narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2020.

Financial Highlights

- As of June 30, 2020, Boone County's net position was \$334,681,313, which is an increase of \$7,064,774 or 2.2% over the prior year. Total current assets of \$91,928,904 increased by \$2,047,224 or 2.3% and the noncurrent and capital assets (including deferred outflows) increased by \$19,682,768 or 6.2%.
 - The \$2,047,224 net increase in current assets is attributable to an increase in cash across the majority of funds as a result of strong revenues and focused spending. This was expected based on management's strategic year-end planning and inter-fund transfers focused on improving and maintaining infrastructure, public safety, and citizen satisfaction.
 - Noncurrent and capital assets (including deferred outflows) increased again this year by \$19,682,768 due to the increase in restricted cash of \$12,778,000 in the Payroll Tax Clearing Fund mainly from the collection of one large net profit tax assessment. The remaining of the increase is due to construction in progress of \$3,496,000, the net activity associated with the acceptance of donated roads of \$1,801,000, and an increase in deferred outflows of \$1,159,000.
 - Total liabilities increased \$13,406,130 or 17.9% when compared to the previous year. The increase is mainly due to an increase of \$12,731,000 in the Net Profit Taxes Payable related to the same large net profit tax assessment.
- Program revenues offset 29.3% of Boone County's governmental activity expenses, totaling \$78,542,053. Program revenues consist of grants, contributions, and charges for services that are identifiable by function and the County collects to complement its use of general revenue.
- Boone County's total bond indebtedness decreased by \$2,835,000. As of June 30, 2020, the County has \$13,740,000 of outstanding bonds, of which \$2,915,000 is due within one year. These consisted of \$10,405,000 in General Obligation Bonds and \$3,335,000 in Special Revenue Bonds.
- Through budgeted expenditures, grants and in-kind donations, the County capitalized approximately \$12.1 million in long-lived assets during 2020. Significant additions include the following:
 - The County continues to make progress on several infrastructure improvements relating to local roads and sidewalks
 - Communication equipment upgrades for PSCC and other County departments of approximately \$2,327,000
 - HVAC system replacement at Sheriff's Department for approximately \$1,049,000
 - Longbranch Road widening project for approximately \$987,000
 - East Bend water expansion project for approximately \$381,000
 - Parks' shelters, repaving, and improvements of approximately \$534,000

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:

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020
Unaudited
(Continued)**

Government Wide Financial Statements

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

The primary government includes the following legal entity:

- Boone County Public Properties Corporation

The financial information of the County "as a whole" is reported in the two government wide financial statements (pages 14 – 16). One of the most important questions to ask is whether the County is in better financial shape as a result of the year's activities. The two government wide financial statements will help answer this question. These two statements report the County's net position and changes from the prior period. You can think of the County's net position – the difference between assets and liabilities – as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or declining. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the roads and other infrastructure, to assess the overall health of the County.

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

- **Governmental Activities** - Most of the County's basic services are reported in this section, including police protection, roads and public works, parks, jail, emergency management, water rescue, building inspection, animal care and control, and social services. The internal service fund for Self-Insurance is also included in the governmental activities totals. Governmental activities also include the general administration of the County, all capital projects and mental health, intellectual disabilities, and aging programs. These programs and services are funded 26.6% by program revenues which include charges for services and federal, state, and local operating and capital grants. The Statement of Activities shows a positive change in net position of \$8,156,100. Revenues increased \$4,393,402 or 5.3% when compared with the previous year and the expenses increased by \$12,546,423 or 19.0%.
- **Business-Type Activities** - The County has business-type funds; the Jail Canteen, Assisted Housing, and Golf Course fund. Generally, these funds charge a fee to customers to help cover the cost of these activities. Current year program revenues covered 87.2% of service costs. The Jail Canteen, Assisted Housing and the Golf Course experienced a decrease in their net position, mainly due to the effects of the global pandemic. The Golf Course received \$378,200 in budgeted support from the General Fund. The combined operations of all business-type activities resulted in a negative change in net position of \$1,091,326.

Fund Financial Statements

The fund financial statements (pages 17 – 24) 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, and capital improvements funds.

- Governmental funds are used to report most of the County's basic services. These funds provide a short-term view of the County's operations. The County currently has ten governmental funds and adopts a budget for each except Public Properties, Self-Insurance and HRA accounts. These funds provide the reader with information to help determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. Narrative describing the difference between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are included in the reconciliations on pages 18 and 20.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020
Unaudited
(Continued)**

- Proprietary funds consist of enterprise funds and internal services funds. The focus for the enterprise funds is to be self-sufficient are used to report operations the County treats as business-type activities. The County charges either outside customers or other units of government for services reported in these funds. The County currently has three enterprise funds; Jail Canteen Fund, Assisted Housing Fund, and Golf Course Fund. The Self-Insurance and HRA Funds are combined and considered an internal service fund and therefore combined in the governmental activities portion of the government wide statements.
- Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for another group or individual. Activities from these types of funds are not included in the government wide financial statements because the County cannot use the assets from the funds in daily operations. The County currently has six fiduciary funds; Jail Prisoners Fund, School Board Tax Fund, Motor Vehicle Rental Tax Fund, Bullittsville Cemetery Trust Fund, Flexible Spending Account, and Early Childhood Fund.

Notes to the Financial Statements

The notes to the financial statements (pages 25 – 56) 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 57 – 58) for two major operating governmental funds provide information that supplements the government wide and fund financial statements.

Other required information is the Condition Rating of the County's Street System. The Public Works Department is utilizing the modified approach method in valuing the County's maintained road system. The modified approach establishes a minimum condition level set for all Boone County maintained roads. The Public Works Department will maintain the necessary condition level through its Pavement Management Program which establishes a Pavement Condition Index (PCI) when the roads are analyzed (every 3 to 4 years) on a range from 0 to 100. The County has and will continue its commitment to preserve and maintain the road system at a level of at least 65 or higher. Using this approach, the roads will maintain the asset value of construction or historic cost, whichever is available, and will not depreciate each year. The recorded value of the road will not change unless a significant change in condition or use of the road occurs. Each year the Public Works Department is responsible for maintaining this condition level and the Fiscal Court is responsible for budgeting annually the estimated amount to expend for maintaining all roads at this level. When a road/street is scheduled to fall below the minimum PCI in a given fiscal year, the road/street will be listed to be rehabilitated in that year and placed on the yearly paving list submitted to the Court through the budget process. The PCI is upgraded upon rehabilitation and by doing this the County fulfills the requirements of the Modified Approach. For more information relating to Condition Rating of the County's Street System, please see its more detailed report on page 61.

Supplementary Information

The Combining Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds (pages 66 – 67) present the activities of the nonmajor governmental funds.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020
Unaudited
(Continued)**

Basis of Accounting

The County has converted all financial information to the modified accrual basis of accounting as required by generally accepted accounting principles (GAAP). Under this basis of accounting, revenues are recorded when the resources are measurable and available and expenditures are recorded in the accounting period in which the related fund liability is incurred. In previous years, certain assets such as accounts receivable and certain liabilities such as accounts payable were not recorded in the financial statements, therefore limiting the reader of the full effect of the financial statements. The Boone County budget is adopted on a cash basis of accounting, which is required by the Kentucky Constitution. The schedule on pages 59 through 60 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
For the Year Ended June 30, 2020
Unaudited
(Continued)**

STATEMENT OF NET POSITION

	Governmental Activities		Business Activities		Total	
	FY20	FY19	FY20	FY19	FY20	FY19
Current Assets	\$ 90,404,425	\$ 87,124,482	\$ 1,524,479	\$ 2,757,198	\$ 91,928,904	\$ 89,881,680
Noncurrent Assets	24,343,424	11,816,744	-	-	24,343,424	11,816,744
Capital Assets	291,470,623	285,804,212	7,302,889	6,971,815	298,773,512	292,776,027
Total Assets	406,218,472	384,745,438	8,827,368	9,729,013	415,045,840	394,474,451
Deferred Outflows of Resources	11,372,866	10,312,864	755,074	656,473	12,127,940	10,969,337
Total Assets and Deferred Outflows of Resources	417,591,338	395,058,302	9,582,442	10,385,486	427,173,780	405,443,788
Current Liabilities	27,005,431	15,125,799	233,715	414,334	27,239,146	15,540,133
Noncurrent Liabilities	57,998,452	56,675,318	3,211,366	2,827,383	61,209,818	59,502,701
Total Liabilities	85,003,883	71,801,117	3,445,081	3,241,717	88,448,964	75,042,834
Deferred Outflows of Resources	3,789,571	2,615,401	253,932	169,014	4,043,503	2,784,415
Total Assets and Deferred Outflows of Resources	88,793,454	74,416,518	3,699,013	3,410,731	92,492,467	77,827,249
Net Investment in Capital Assets	277,521,092	268,970,989	7,302,889	6,971,815	284,823,981	275,942,804
Restricted						
Other Capital Projects	3,084,617	2,664,684	-	-	3,084,617	2,664,684
Other Purposes	411,183	498,983	170,460	301,463	581,643	800,446
PPP	5,252,216	7,761,643	-	-	5,252,216	7,761,643
Unrestricted	42,528,776	40,745,485	(1,589,920)	(298,523)	40,938,856	40,446,962
Total Net Position	\$ 328,797,884	\$ 320,641,784	\$ 5,883,429	\$ 6,974,755	\$ 334,681,313	\$ 327,616,539

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020
Unaudited
(Continued)**

On June 30, 2020, the County's net position exceeded its liabilities by \$246,232,349, a decrease of \$6,341,356 or 2.5%, over the prior year. The majority of the County's total assets (85.1%) are invested in capital assets which include land, buildings, infrastructure, equipment, and vehicles. These assets are listed under the capital assets section. The unrestricted net position amount of \$40,938,856, an increase of \$491,894 or 1.2%, represents available funds the County may use to operate on a day-to-day basis to provide basic services, all operating expenses, and any capital construction.

In comparing the Statements of Net Position to the prior year, some other key points to consider are below:

- In governmental activity, current assets increased by \$3,279,943 (3.8%), which is attributable to an increase in the cash balance of the majority of major and minor funds. Noncurrent assets increased by \$12,526,680 (106.0%) due almost entirely to the aforementioned large net profit tax assessment.
- Total liabilities under governmental activities increased by \$13,202,766 (18.4%). The main reason is the large net profit tax assessment in net profit tax extension payables (\$12,730,527).
- Total assets in the business activities decreased by \$901,645 (9.3%) due mainly to net decrease in cash and cash equivalents.
- In the business activities, the decrease in net position of \$1,091,326 is attributable to the decrease in cash and cash equivalents.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020
Unaudited
(Continued)**

STATEMENT OF ACTIVITIES

	Governmental Activities		Business Activities		Total	
	FY20	FY19	FY20	FY19	FY20	FY19
Revenues						
<u>Program Revenues:</u>						
Charges for Services	\$ 9,597,133	\$ 9,715,614	\$ 2,702,407	\$ 2,702,939	\$ 12,299,540	\$ 12,418,553
Operating Grants and Contributions	9,962,506	13,363,221	6,434,381	6,191,818	16,396,887	19,555,039
Capital Grants and Contributions	3,477,602	2,896,371	-	-	3,477,602	2,896,371
Program Revenues Funded	<u>23,037,241</u>	<u>25,975,206</u>	<u>9,136,788</u>	<u>8,894,757</u>	<u>32,174,029</u>	<u>34,869,963</u>
<u>General Revenue:</u>						
Taxes	53,922,091	49,153,938	-	-	53,922,091	49,153,938
License Fees and Permits	316,496	384,673	-	-	316,496	384,673
Excess Fees	1,000,299	3,004,886	-	-	1,000,299	3,004,886
Rental Income	196,671	171,071	-	-	196,671	171,071
Unrestricted Investment Earnings	953,545	859,094	17,448	39,785	970,993	898,879
Donated Assets	1,800,744	2,474,497	-	-	1,800,744	2,474,497
(Loss) Gain on Sale of Capital Assets	(26,055)	61,144	-	-	(26,055)	61,144
Miscellaneous	5,735,230	458,351	-	-	5,735,230	458,351
Total General Revenue	<u>63,899,021</u>	<u>56,567,654</u>	<u>17,448</u>	<u>39,785</u>	<u>63,916,469</u>	<u>56,607,439</u>
Total Revenues	<u>86,936,262</u>	<u>82,542,860</u>	<u>9,154,236</u>	<u>8,934,542</u>	<u>96,090,498</u>	<u>91,477,402</u>
Expenses						
General Government	22,371,757	17,322,399	-	-	22,371,757	17,322,399
Protection to Persons and Property	29,111,998	26,197,689	-	-	29,111,998	26,197,689
General Health and Sanitation	3,511,342	3,104,588	-	-	3,511,342	3,104,588
Social Services	1,260,553	1,035,719	-	-	1,260,553	1,035,719
Recreation and Culture	2,916,572	2,867,914	-	-	2,916,572	2,867,914
Roads	8,154,197	8,226,719	-	-	8,154,197	8,226,719
Fleet Services	808,438	748,161	-	-	808,438	748,161
Capital Improvements	5,400,636	1,817,616	-	-	5,400,636	1,817,616
Interest on Long-Term Debt	431,401	523,893	-	-	431,401	523,893
Pension Expense	4,233,319	3,592,814	343,239	168,999	4,576,558	3,761,813
OPEB Expense	341,840	558,118	42,034	14,021	383,874	572,139
Jail Canteen Fund	-	-	783,260	634,827	783,260	634,827
Golf Course Fund	-	-	2,872,550	2,328,878	2,872,550	2,328,878
Assisted Housing Fund	-	-	6,442,588	6,134,417	6,442,588	6,134,417
Total Expenses	<u>78,542,053</u>	<u>65,995,630</u>	<u>10,483,671</u>	<u>9,281,142</u>	<u>89,025,724</u>	<u>75,276,772</u>
Change in Net Position, Before Transfers	8,394,209	16,547,230	(1,329,435)	(346,600)	7,064,774	16,200,630
Transfers	(238,109)	(4,311,886)	238,109	4,311,886	-	-
Change in Net Position	8,156,100	12,235,344	(1,091,326)	3,965,286	7,064,774	16,200,630
Net Position - Beginning Year	320,641,784	308,406,440	6,974,755	3,009,469	327,616,539	311,415,909
Net Position - Ending Year	\$ 328,797,884	\$ 320,641,784	\$ 5,883,429	\$ 6,974,755	\$ 334,681,313	\$ 327,616,539

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020
Unaudited
(Continued)**

For the year ended June 30, 2020, governmental activities net position totaled \$328,797,884, an increase of 2.5% over the previous fiscal year. Net position for business-type activities was \$5,883,429, a decrease of 15.6% due to the negative effects of the global pandemic.

Total program revenues decreased \$2,695,934 or 10.4% compared with the previous fiscal year. Revenue from all sources increased \$4,613,096 or 7.7%.

The County continues to maintain a very conservative approach to budgeting by limiting capital projects for which it cannot obtain grants or pre-fund to offset the expenditures, control of discretionary spending, and strategic hiring practices. These conservative spending efforts have provided the County with strong reserves and allowed for the investment in needed capital projects on roads, sidewalks, and other infrastructure. Most capital improvements, other than regular maintenance of roads, were funded partially by general obligation bonds or fully by grants. Total expenditures increased by \$13,748,952 or 18.3%. Overall total revenues exceeded total expenditures before transfer activity, resulting in a positive change in net position of \$7,064,774.

Significant changes compared to the prior year are listed below:

- The County continues to see positive housing growth as developers donated approximately \$1,801,000 in new subdivision streets and sidewalks.
- Tax collections maintain their year over year growth, \$4,768,153 (9.7%) when compared to the prior year. This growth is made up mainly of an increase in occupational taxes.
- The business-type activity program revenues as a percentage of total expenditures were approximately 87.1%.

Program revenues for the governmental activities were 26.5% of total revenues received. This means that 26.5% of the revenues collected went directly to funding specific programs and offset the amount of general revenue needed for these programs. General revenues consist of all taxes, excess fees, borrowed money, donated roads and investment earnings, which cannot be directly linked to a function.

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

Financial Analysis of the County's Funds

Fund financial statements generally distinguish between major and nonmajor funds with major funds presented individually. The County has three major funds: General, Road and Bridge, and Capital Improvements. The County's governmental funds reflect a combined fund balance of \$84,392,272 of which approximately 38.8% is described as, unassigned, which allows these dollars to be used for day-to-day operational expenses for the following year's budget. The fund financial statements for the governmental funds can be found on pages 17 through 20. The General Fund balance increase of \$5,426,973 from the previous year is related to the continuing net growth in tax collections (approximately \$1,554,000) The County remains focused on conservative budgeting and a policy to maintain a minimum 25.0% emergency reserve in the General Fund, along with additional reserves in all major funds.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020
Unaudited
(Continued)**

The County's proprietary funds' statements are shown on pages 21 through 23 with a total decrease in net position of \$1,091,326 for the enterprise funds from the prior fiscal year.

- The current year's Golf Course's operating activities reflect a decrease in the net position of \$817,209. During 2020, the General Fund Provided \$238,109 of budget support in operations. Operating expenses, without depreciation, increased by \$485,361 (20.9%) from the prior fiscal year.
- The Jail Canteen Fund's net position decreased by \$131,003. This amount fluctuates from year to year depending on the expenditures taken from this account; however, the fund is self-sufficient and does not require additional support.
- Assisted Housing Fund's net position decreased by \$143,114 during the year. Revenues increased by \$242,563 and expenses increased by \$394,422.

The County has six fiduciary funds; School Board Tax Fund, Jail Prisoners Fund, Motor Vehicle Rental Tax Fund, Flexible Spending Account, Bullittsville Cemetery Trust Fund and Early Childhood Fund, for which the statements are shown on page 24. These monies are restricted and excluded from the other statements because the County cannot use these assets to finance operations.

General Budgetary Highlights

There were no amendments to Boone County's budget in Fiscal Year 2020 although the County made various line-item transfers within the budget to increase/decrease certain line items. Some transfers were inter-fund transfers and have no effect on the budget's bottom line. Throughout the year, general fund operating revenues collected were over budget by 3.7%, while reoccurring line-item operating expenses were below budget by 4.1%.

Capital Assets and Debt Administration

Capital Assets

At the end of the year ended June 30, 2020, the government activities of the County had \$291,470,623 invested in a broad range of capital assets, including land, roads, buildings, equipment, and vehicles. As shown on the chart to follow, the amount represents a net increase (including additions, retirements, and accumulated depreciation) of \$5,666,411 or 2.0%, on the governmental activities from the previous year. The County added approximately \$11.5 million in governmental activities assets before depreciation. Approximately \$3.5 million was for multiyear projects, \$2.2 million for roads and sidewalks, \$1.3 million for vehicles, \$1.4 in buildings and building improvements, \$2.6 million and \$0.5 million for other projects. The County accepted \$1,800,744 of new streets and sidewalks from local developers. Approximately \$2.7 million was spent on equipment and vehicles used by law enforcement and other first responders. Parks and recreation spent approximately \$534,000 to improve public use spaces.

The business activities reflect a net increase of \$331,074, mainly for the continued improvement and renovation of the golf course facilities at Boone Links.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020
Unaudited
(Continued)**

STATEMENT OF CAPITAL ASSETS

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY20</u>	<u>FY19</u>	<u>FY20</u>	<u>FY19</u>	<u>FY20</u>	<u>FY19</u>
Land	\$ 12,384,926	\$ 12,055,580	\$ 2,396,478	\$ 2,396,478	\$ 14,781,404	\$ 14,452,058
Roads, Modified Approach (Not Depreciated)	209,773,070	204,894,274	-	-	209,773,070	204,894,274
Roads	8,491	8,491	-	-	8,491	8,491
Land Improvements	6,590,188	6,289,262	459,635	55,832	7,049,823	6,345,094
Building and Building Improvements	43,440,237	43,615,904	4,221,318	317,503	47,661,555	43,933,407
Furniture and Office Equipment	693,119	804,723	25,293	36,699	718,412	841,422
Vehicles and Equipment	13,823,844	7,829,115	200,165	249,170	14,024,009	8,078,285
Construction In Progress	4,756,748	10,306,863	-	3,916,133	4,756,748	14,222,996
	<u>\$ 291,470,623</u>	<u>\$ 285,804,212</u>	<u>\$ 7,302,889</u>	<u>\$ 6,971,815</u>	<u>\$ 298,773,512</u>	<u>\$ 292,776,027</u>

A more detailed breakdown of the capital assets and depreciation can be found in the Capital Assets note to the financial statements on pages 37 through 39.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020
Unaudited
(Continued)**

Noncurrent Liabilities

Noncurrent liabilities consist of outstanding bonds, accruals relating to earned and unused vacation of County employees, and escrowed dollars under the Family Self-Sufficiency program within the Assisted Housing Fund. As of June 30, 2020, the County had \$13,740,000 in outstanding bond obligations (not including premiums or discounts) versus \$16,575,000 last year, a decrease of 17.1%, as shown on the chart below.

	Governmental Activities		Business-Type Activities		Total	
	FY20	FY19	FY20	FY19	FY20	FY19
General Obligation Bonds	\$ 10,405,000	\$ 12,170,000	\$ -	\$ -	\$ 10,405,000	\$ 12,170,000
Special Revenue Bonds	3,335,000	4,405,000	-	-	3,335,000	4,405,000
Unamortized Premium	251,256	334,480	-	-	251,256	334,480
Unamortized Discount	(13,435)	(19,638)	-	-	(13,435)	(19,638)
Compensated Absences	648,180	716,246	79,599	86,593	727,779	802,839
Estimated Liability for Claims - HRA Accounts	1,470,616	1,568,679	-	-	1,470,616	1,568,679
Accrued Other	-	-	139,190	159,552	139,190	159,552
	<u>\$ 16,096,617</u>	<u>\$ 19,174,767</u>	<u>\$ 218,789</u>	<u>\$ 246,145</u>	<u>\$ 16,315,406</u>	<u>\$ 19,420,912</u>

The County's general obligation bond rating is Aaa, a rating that has been assigned by national rating agency, Moody's Rating Service. The Kentucky Revised Statutes provide that a county will not incur net indebtedness for all purposes that exceed an amount equal to two percent (2.0%) of the value of the taxable property within the County's limits. According to Boone County's 2020 assessment the maximum allowable indebtedness of the County is in excess of \$300 million, which far exceeds the County's outstanding debt.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020
Unaudited
(Continued)**

Economic Factors and Next Year's Budget

The County's local economy continues to reflect signs of growth. Tax assessments on occupational activities, net profits and property assessments increased approximately \$4.8 million dollars over the previous fiscal year or 9.7%, outpacing inflation of 0.6% for the same twelve-month period. Looking forward, property subject to real and personal property tax rates total valuation as certified by the State Local Finance Officer (SLFO) in July of each year continue to grow. Total property subject to the County's rates during the fiscal year was \$14.59 billion, as certified in July 2019. This represents an increase of \$631 million or 4.3%. The July 2020 SLFO certification of real and personal property stated a total value of \$15.98 billion, an increase of \$1.39 billion or 9.5%. The July 2020 certification sets the values at which taxes to be collected in fiscal year 2021 will be based. State government continues to experience a decline in revenue which translate, in part, to reductions in state aid for certain local government programs and services.

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

Requests for Information

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

**BOONE COUNTY FISCAL COURT
STATEMENT OF NET POSITION
JUNE 30, 2020**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash and Cash Equivalents	\$ 75,146,355	\$ 1,377,330	\$ 76,523,685
Investments	1,110,322	-	1,110,322
Inventory	-	102,136	102,136
Accounts Receivable	13,887,754	45,013	13,932,767
Notes Receivable, Due Within One Year	259,994	-	259,994
Total Current Assets	90,404,425	1,524,479	91,928,904
Noncurrent Assets			
Capital Assets, Net of Accumulated Depreciation			
Land	12,384,926	2,396,478	14,781,404
Land Improvements	6,590,188	459,635	7,049,823
Buildings and Building Improvements	43,440,237	4,221,318	47,661,555
Furniture and Office Equipment	693,119	25,293	718,412
Vehicles and Equipment	13,823,844	200,165	14,024,009
Construction in Progress	4,756,748	-	4,756,748
Infrastructure Assets, Net of Accumulated Depreciation	209,781,561	-	209,781,561
Restricted Cash	21,657,324	-	21,657,324
Notes Receivable, Due in More than One Year	2,686,100	-	2,686,100
Total Noncurrent Assets	315,814,047	7,302,889	323,116,936
Total Assets	406,218,472	8,827,368	415,045,840
Deferred Outflows of Resources			
Deferred Loss on Refundings, Net	104,456	-	104,456
Deferred Outflows Related to Pension	7,773,814	520,908	8,294,722
Deferred Outflows Related to OPEB	3,494,596	234,166	3,728,762
Total Deferred Outflows of Resources	11,372,866	755,074	12,127,940
Total Assets and Deferred Outflows of Resources	\$ 417,591,338	\$ 9,582,442	\$ 427,173,780

See accompanying notes.

**BOONE COUNTY FISCAL COURT
STATEMENT OF NET POSITION
JUNE 30, 2020
(Continued)**

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Current Liabilities			
Compensated Absences Payable	\$ 59,701	\$ 2,010	\$ 61,711
Bonds Payable	2,992,021	-	2,992,021
Accounts Payable	2,048,375	98,880	2,147,255
Accrued Payroll	493,374	49,788	543,162
Accrued Interest	76,166	-	76,166
Estimated Liability for Claims - HRA Accounts	89,653	-	89,653
Accrued Other	21,246,141	23,673	21,269,814
Deferred Credit	-	59,364	59,364
	<hr/>	<hr/>	<hr/>
Total Current Liabilities	27,005,431	233,715	27,239,146
Noncurrent Liabilities			
Compensated Absences Payable	588,479	77,589	666,068
Bonds Payable	10,985,800	-	10,985,800
Estimated Liability for Claims - HRA Accounts	1,380,963	-	1,380,963
Accrued Other	-	115,517	115,517
Net Pension Liability	36,098,782	2,418,911	38,517,693
Net OPEB Liability	8,944,428	599,349	9,543,777
	<hr/>	<hr/>	<hr/>
Total Noncurrent Liabilities	57,998,452	3,211,366	61,209,818
	<hr/>	<hr/>	<hr/>
Total Liabilities	85,003,883	3,445,081	88,448,964
Deferred Inflows of Resources			
Deferred Inflows Related to Pension	880,516	59,002	939,518
Deferred Inflows Related to OPEB	2,909,055	194,930	3,103,985
	<hr/>	<hr/>	<hr/>
Total Deferred Outflows of Resources	3,789,571	253,932	4,043,503
	<hr/>	<hr/>	<hr/>
Total Liabilities and Deferred Inflows of Resources	88,793,454	3,699,013	92,492,467
Net Position			
Net Investment in Capital Assets	277,521,092	7,302,889	284,823,981
Restricted for			
Other Capital Projects	3,084,617	-	3,084,617
Other Purposes	411,183	170,460	581,643
Protection of Persons and Property	5,252,216	-	5,252,216
Unrestricted	42,528,776	(1,589,920)	40,938,856
	<hr/>	<hr/>	<hr/>
Total Net Position	\$ 328,797,884	\$ 5,883,429	\$ 334,681,313

See accompanying notes.

**BOONE COUNTY FISCAL COURT
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2020**

Functions	Expenses	Program Revenues Received			Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Governmental Activities							
General Government	\$ 22,371,757	\$ 1,063,268	\$ 1,067,682	\$ -	\$ (20,240,807)	\$ -	\$ (20,240,807)
Protection to Persons and Property	29,111,998	7,360,239	4,911,358	115,375	(16,725,026)	-	(16,725,026)
General Health and Sanitation	3,511,342	56,071	108,773	-	(3,346,498)	-	(3,346,498)
Social Services	1,260,553	338,603	205,128	-	(716,822)	-	(716,822)
Recreation and Culture	2,916,572	175,314	240,842	-	(2,500,416)	-	(2,500,416)
Roads	8,154,197	603,638	3,000,668	52,723	(4,497,168)	-	(4,497,168)
Fleet Services	808,438	-	-	-	(808,438)	-	(808,438)
Capital Improvements	5,400,636	-	428,055	3,309,504	(1,663,077)	-	(1,663,077)
Pension Expense	4,233,319	-	-	-	(4,233,319)	-	(4,233,319)
OPEB Expense	341,840	-	-	-	(341,840)	-	(341,840)
Interest on Long-Term Debt	431,401	-	-	-	(431,401)	-	(431,401)
Total Governmental Activities	78,542,053	9,597,133	9,962,506	3,477,602	(55,504,812)	-	(55,504,812)
Business-Type Activities							
Jail Canteen Fund	783,260	649,636	-	-	-	(133,624)	(133,624)
Golf Course Fund	2,872,550	2,052,771	-	-	-	(819,779)	(819,779)
Assisted Housing	6,442,588	-	6,434,381	-	-	(8,207)	(8,207)
Pension Expense	343,239	-	-	-	-	(343,239)	(343,239)
OPEB Expense	42,034	-	-	-	-	(42,034)	(42,034)
Total Business-Type Activities	10,483,671	2,702,407	6,434,381	-	-	(1,346,883)	(1,346,883)
Total Primary Government	\$ 89,025,724	\$ 12,299,540	\$ 16,396,887	\$ 3,477,602	(55,504,812)	(1,346,883)	(56,851,695)
General Revenues							
Taxes							
					17,542,210	-	17,542,210
					35,332,430	-	35,332,430
					1,047,451	-	1,047,451
					316,496	-	316,496
					1,000,299	-	1,000,299
					196,671	-	196,671
					953,545	17,448	970,993
					1,800,744	-	1,800,744
					(26,055)	-	(26,055)
					5,735,230	-	5,735,230
					(238,109)	238,109	-
					63,660,912	255,557	63,916,469
					8,156,100	(1,091,326)	7,064,774
					320,641,784	6,974,755	327,616,539
					Net Position July 1, 2019		
					Net Position June 30, 2020	\$ 328,797,884	\$ 5,883,429
						\$ 334,681,313	

See accompanying notes.

**BOONE COUNTY FISCAL COURT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Major Funds				
	General Fund	Road and Bridge Fund	Capital Improvements Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 22,667,411	\$ 6,375,202	\$ 27,837,464	\$ 13,584,690	\$ 70,464,767
Investments	1,110,322	-	-	-	1,110,322
Notes Receivable	2,420,603	18,967	506,524	-	2,946,094
Accounts Receivable	10,735,277	879,768	686,187	1,260,171	13,561,403
Restricted Cash	21,657,324	-	-	-	21,657,324
Total Assets	\$ 58,590,937	\$ 7,273,937	\$ 29,030,175	\$ 14,844,861	\$ 109,739,910
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts Payable	\$ 643,695	\$ 257,333	\$ 587,512	\$ 181,713	\$ 1,670,253
Accrued Payroll	207,375	76,592	-	209,407	493,374
Compensated Absences Payable	332,336	111,733	-	204,111	648,180
Net Profit Tax Extension Payable	21,246,141	-	-	-	21,246,141
Total Liabilities	22,429,547	445,658	587,512	595,231	24,057,948
Deferred Inflows of Resources					
Unavailable Revenue - Intergovernmental	603,503	-	686,187	-	1,289,690
Fund Balances					
Non Spendable					
Notes Receivable Long-Term	2,268,646	8,430	409,024	-	2,686,100
Restricted					
Other Capital Projects	-	-	-	3,084,617	3,084,617
Other Purposes	411,183	-	-	-	411,183
Protection of Persons and Property	-	-	-	5,252,216	5,252,216
Committed					
Health and Welfare	-	-	-	4,425,930	4,425,930
Assigned					
Other Capital Projects	-	-	27,347,452	-	27,347,452
Protection of Persons and Property	-	-	-	1,486,867	1,486,867
Road Resurfacing and Maintenance	-	6,819,849	-	-	6,819,849
Unassigned	32,878,058	-	-	-	32,878,058
Total Fund Balances	35,557,887	6,828,279	27,756,476	14,249,630	84,392,272
Total Liabilities and Fund Balances	\$ 58,590,937	\$ 7,273,937	\$ 29,030,175	\$ 14,844,861	\$ 109,739,910

See accompanying notes.

**BOONE COUNTY FISCAL COURT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

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

Total Fund Balance - Governmental Funds	\$	84,392,272
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of Capital Assets	\$ 347,934,128		
Accumulated Depreciation	<u>56,463,505</u>		291,470,623

Other assets are not available to pay current period expenditures, and therefore, are deferred in the governmental funds.		1,289,690
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Internal service fund is used by management to charge the cost of health insurance to individual funds. The assets and liabilities are included in governmental activities on the statement of net assets.		3,159,201
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Deferred loss on refunding, net is not a financial resource and therefore is not reported as an asset in governmental funds.		104,456
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Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred Outflows of Resources Related to Pension	7,773,814		
Deferred Outflows of Resources Related to OPEB	3,494,596		
Deferred Inflows of Resources Related to Pension	(880,516)		
Deferred Inflows of Resources Related to OPEB	<u>(2,909,055)</u>		7,478,839

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

Accrued Interest on Bonds	76,166		
Discounts on Bonds, Net	(13,435)		
Premiums on Bonds, Net	251,256		
Bonds Principal Payments, Due within One Year	2,915,000		
Bonds Principal Payments, Due in More than One Year	10,825,000		
Net Pension Liability	36,098,782		
Net OEPB Liability	<u>8,944,428</u>		<u>(59,097,197)</u>

Total Net Position - Governmental Activities	\$	<u>328,797,884</u>
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See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2020

	Major Funds			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Road and Bridge Fund	Capital Improvements Fund		
Revenues					
Taxes	\$ 49,533,110	\$ -	\$ -	\$ 7,467,475	\$ 57,000,585
In Lieu Tax Payments	132,189	-	-	-	132,189
Excess Fees	1,000,299	-	-	-	1,000,299
Licenses and Permits	2,326,979	90,105	-	-	2,417,084
Intergovernmental	1,479,398	2,647,499	1,444,975	7,819,166	13,391,038
Charges for Services	1,755,195	306,694	-	142,084	2,203,973
Miscellaneous	515,408	493,535	71,997	211,826	1,292,766
Interest	447,018	40,071	257,957	161,486	906,532
Total Revenues	57,189,596	3,577,904	1,774,929	15,802,037	78,344,466
Expenditures					
General Government	6,023,221	-	339,603	-	6,362,824
Protection to Persons and Property	14,417,573	6,921	101,914	11,313,695	25,840,103
General Health and Sanitation	704,977	741,187	591,106	1,944,383	3,981,653
Social Services	109,264	-	-	770,074	879,338
Recreation and Culture	2,743,787	-	-	-	2,743,787
Roads	-	6,126,300	-	256,395	6,382,695
Fleet Services	-	808,438	-	-	808,438
Capital Projects	-	-	10,528,542	-	10,528,542
Administration	10,352,687	1,225,752	-	3,430,988	15,009,427
Debt Service	2,137,221	-	-	1,177,872	3,315,093
Total Expenditures	36,488,730	8,908,598	11,561,165	18,893,407	75,851,900
Excess (Deficiency) of Revenues Over Expenditures	20,700,866	(5,330,694)	(9,786,236)	(3,091,370)	2,492,566
Other Financing (Uses) Sources					
Transfers to Other Funds	(15,450,600)	-	-	(36,616)	(15,487,216)
Transfers from Other Funds	176,707	6,000,000	8,500,000	572,400	15,249,107
Total Other Financing (Uses) Sources	(15,273,893)	6,000,000	8,500,000	535,784	(238,109)
Net Change in Fund Balances	5,426,973	669,306	(1,286,236)	(2,555,586)	2,254,457
Fund Balances July 1, 2019	30,130,914	6,158,973	29,042,712	16,805,216	82,137,815
Fund Balances June 30, 2020	\$ 35,557,887	\$ 6,828,279	\$ 27,756,476	\$ 14,249,630	\$ 84,392,272

See accompanying notes.

**BOONE COUNTY FISCAL COURT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2020**

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

Total Net Change in Fund Balances - Governmental Funds	\$	2,254,457
<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 position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceed depreciation expense in the period.</p>		
Depreciation Expense	\$ (5,753,890)	
Capital Outlays	<u>9,656,557</u>	3,902,667
<p>The net effect of various transactions involving capital assets is to decrease net position as follows:</p>		
Proceeds from the Sale of Capital Assets	-	
Loss on Disposal of Capital Assets	<u>(37,000)</u>	(37,000)
<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 position, and does not affect the statement of activities.</p>		
		2,835,000
<p>Donated capital assets are not reported on the governmental fund statements. However, for governmental activities, these assets are reported on the statement of net position.</p>		
		1,800,744
<p>Governmental funds report County pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
County Pension Contributions - June 30, 2019	(2,177,484)	
County Pension Contributions - June 30, 2020	2,731,217	
Cost of Benefits Earned Net of Employee Contributions	<u>(4,787,052)</u>	(4,233,319)
<p>Governmental funds report County other postemployment benefit contributions as expenditures. However, other postemployment benefit expense is reported in the statement of activities. This is the amount by which other postemployment benefit expense exceeded contributions.</p>		
County Other Postemployment Benefit Contributions - June 30, 2019	(765,138)	
County Other Postemployment Benefit Contributions - June 30, 2020	725,279	
Change in Other Postemployment Benefit Liability	<u>(301,981)</u>	(341,840)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities; however, interest expense is recognized as the interest accrues, regardless of when it is due. The difference in interest expense reported in the statement of activities is a result of (1) the change in accrued interest on bonds, (2) amortization of refunding gains and losses, and (3) amortization on bond discounts and premiums.</p>		
		48,692
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.</p>		
		1,197,583
<p>Internal Service Funds are used by management to charge the cost of health insurance to individual funds. The net revenues (expenses) of this fund are reported with governmental activities.</p>		
		<u>729,116</u>
Total Change in Net Position - Governmental Activities	\$	<u>8,156,100</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2020

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Assisted Housing Fund	Golf Course Fund	Total	Self Insurance Fund
Assets and Deferred Outflows of Resources					
Current Assets					
Cash and Cash Equivalents	\$ 170,460	\$ 1,072,987	\$ 133,883	\$ 1,377,330	\$ 4,681,588
Inventory	-	-	102,136	102,136	-
Accounts Receivable	-	45,013	-	45,013	326,351
Total Current Assets	<u>170,460</u>	<u>1,118,000</u>	<u>236,019</u>	<u>1,524,479</u>	<u>5,007,939</u>
Noncurrent Assets					
Land	-	-	2,396,478	2,396,478	-
Land Improvements	-	-	6,100,594	6,100,594	-
Buildings and Building Improvements	-	115,793	6,466,020	6,581,813	-
Furniture and Office Equipment	-	177,128	-	177,128	-
Vehicles and Equipment	-	12,752	1,199,770	1,212,522	-
Construction in Progress	-	-	-	-	-
	-	305,673	16,162,862	16,468,535	-
Less Accumulated Depreciation	-	188,191	8,977,455	9,165,646	-
Total Noncurrent Assets	<u>-</u>	<u>117,482</u>	<u>7,185,407</u>	<u>7,302,889</u>	<u>-</u>
Total Assets	<u>170,460</u>	<u>1,235,482</u>	<u>7,421,426</u>	<u>8,827,368</u>	<u>5,007,939</u>
Deferred Outflows of Resources					
Deferred Outflows Related to Pension	-	194,096	326,812	520,908	-
Deferred Outflows Related to OPEB	-	87,253	146,913	234,166	-
Total Deferred Outflows of Resources	<u>-</u>	<u>281,349</u>	<u>473,725</u>	<u>755,074</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 170,460</u>	<u>\$ 1,516,831</u>	<u>\$ 7,895,151</u>	<u>\$ 9,582,442</u>	<u>\$ 5,007,939</u>
Liabilities and Deferred Inflows of Resources					
Current Liabilities					
Compensated Absences Payable	\$ -	\$ 2,010	\$ -	\$ 2,010	\$ -
Accounts Payable	-	1,784	97,096	98,880	378,122
Accrued Payroll	-	9,324	40,464	49,788	-
Estimated Liability for Claims - HRA Accounts	-	-	-	-	89,653
Accrued Other	-	23,673	-	23,673	-
Deferred Credit	-	59,364	-	59,364	-
Total Current Liabilities	<u>-</u>	<u>96,155</u>	<u>137,560</u>	<u>233,715</u>	<u>467,775</u>
Long-Term Liabilities (Net of Current Portion)					
Compensated Absences Payable	-	18,093	59,496	77,589	-
Estimated Liability for Claims - HRA Accounts	-	-	-	-	1,380,963
Accrued Other	-	115,517	-	115,517	-
Net Pension Liability	-	901,314	1,517,597	2,418,911	-
Net OPEB Liability	-	223,324	376,025	599,349	-
Total Noncurrent Liabilities	<u>-</u>	<u>1,258,248</u>	<u>1,953,118</u>	<u>3,211,366</u>	<u>1,380,963</u>
Total Liabilities	<u>-</u>	<u>1,354,403</u>	<u>2,090,678</u>	<u>3,445,081</u>	<u>1,848,738</u>
Deferred Inflows of Resources					
Deferred Inflows Related to Pension	-	21,985	37,017	59,002	-
Deferred Inflows Related to OPEB	-	72,633	122,297	194,930	-
Total Deferred Inflows of Resources	<u>-</u>	<u>94,618</u>	<u>159,314</u>	<u>253,932</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>1,449,021</u>	<u>2,249,992</u>	<u>3,699,013</u>	<u>1,848,738</u>
Net Position					
Net Investment in Capital Assets	-	117,482	7,185,407	7,302,889	-
Restricted for					
Other Purposes	170,460	-	-	170,460	-
Multi-Governmental Self Insurance	-	-	-	-	3,159,201
Unrestricted	-	(49,672)	(1,540,248)	(1,589,920)	-
Total Net Position	<u>\$ 170,460</u>	<u>\$ 67,810</u>	<u>\$ 5,645,159</u>	<u>\$ 5,883,429</u>	<u>\$ 3,159,201</u>

See accompanying notes.

BOONE COUNTY FISCAL COURT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Assisted Housing Fund	Golf Course Fund	Total	Self Insurance Fund
Operating Revenues					
Governmental Grants	\$ -	\$ 6,397,269	\$ -	\$ 6,397,269	\$ -
Canteen Receipts	649,636	-	-	649,636	-
Green Fees	-	-	1,048,404	1,048,404	-
Power Cart Rentals	-	-	371,227	371,227	-
Memberships	-	-	89,611	89,611	-
Pro Shop Sales and Pull Cart Rentals	-	-	135,566	135,566	-
Food and Beverage	-	-	287,419	287,419	-
Employer / Employee Contributions	-	-	-	-	5,620,766
Miscellaneous	-	37,112	120,544	157,656	-
Total Operating Revenues	649,636	6,434,381	2,052,771	9,136,788	5,620,766
Operating Expenses					
Cost of Merchandise Sold	783,260	-	104,884	888,144	-
Housing Assistance Payment	-	5,786,242	-	5,786,242	-
Salaries and Wages	-	349,581	887,539	1,237,120	-
Employee Benefits	-	180,450	375,832	556,282	-
Contract Services	-	-	74,332	74,332	-
Materials and Supplies	-	25,934	16,024	41,958	-
Golf Cart Lease	-	34,552	151,553	186,105	-
Utilities	-	1,099	178,735	179,834	-
Maintenance and Repairs	-	20	239,590	239,610	-
Fertilizer and Chemicals	-	-	273,031	273,031	-
Petroleum Products	-	-	45,830	45,830	-
Uniforms	-	-	4,695	4,695	-
Food and Beverage	-	-	167,374	167,374	-
Depreciation	-	14,842	306,490	321,332	-
Pension Expense	-	128,361	214,878	343,239	-
OPEB Expense	-	15,812	26,222	42,034	-
Other Operating Expenses	-	49,868	46,641	96,509	-
Insurance Claims	-	-	-	-	4,938,663
Total Operating Expenses	783,260	6,586,761	3,113,650	10,483,671	4,938,663
Operating (Loss) Income	(133,624)	(152,380)	(1,060,879)	(1,346,883)	682,103
Non-Operating Revenues					
Interest Income	2,621	9,266	5,561	17,448	47,013
Transfers					
Transfers to Other Funds	-	-	(140,091)	(140,091)	-
Transfers from Other Funds	-	-	378,200	378,200	-
Total Transfers	-	-	238,109	238,109	-
Change in Net Position	(131,003)	(143,114)	(817,209)	(1,091,326)	729,116
Net Position July 1, 2019	301,463	210,924	6,462,368	6,974,755	2,430,085
Net Position June 30, 2020	\$ 170,460	\$ 67,810	\$ 5,645,159	\$ 5,883,429	\$ 3,159,201

See accompanying notes.

**BOONE COUNTY FISCAL COURT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2020**

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Assisted Housing Fund	Golf Course Fund	Totals	Self Insurance Fund
Cash Flows From Operating Activities					
Receipts from Customers	\$ 649,636	\$ -	\$ 2,070,064	\$ 2,719,700	\$ -
Receipts from Governmental Grants	-	6,440,083	-	6,440,083	-
Receipts from Employees/Intergovernmental	-	-	-	-	5,596,885
Payments to Suppliers	(783,260)	(115,444)	(1,557,210)	(2,455,914)	-
Payments to Employees	-	(525,823)	(1,257,838)	(1,783,661)	-
Payments for Housing Assistance	-	(5,806,604)	-	(5,806,604)	-
Payments for Claims	-	-	-	-	(5,252,692)
Receipts from Miscellaneous Income	-	37,112	-	37,112	-
Net Cash (Used) Provided by Operating Activities	<u>(133,624)</u>	<u>29,324</u>	<u>(744,984)</u>	<u>(849,284)</u>	<u>344,193</u>
Cash Flows from Non-Capital Financing Activities					
Transfers to Other Funds	-	-	(140,091)	(140,091)	-
Transfers from Other Funds	-	-	378,200	378,200	-
Net Cash Provided by Non-Capital Financing Activities	<u>-</u>	<u>-</u>	<u>238,109</u>	<u>238,109</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of Capital Assets	-	-	(652,406)	(652,406)	-
Cash Flows from Investing Activities					
Interest Income	2,621	9,266	5,561	17,448	47,013
Net Change in Cash	<u>(131,003)</u>	<u>38,590</u>	<u>(1,153,720)</u>	<u>(1,246,133)</u>	<u>391,206</u>
Cash and Cash Equivalents July 1, 2019	<u>301,463</u>	<u>1,034,397</u>	<u>1,287,603</u>	<u>2,623,463</u>	<u>4,290,382</u>
Cash and Cash Equivalents June 30, 2020	<u>\$ 170,460</u>	<u>\$ 1,072,987</u>	<u>\$ 133,883</u>	<u>\$ 1,377,330</u>	<u>\$ 4,681,588</u>
Reconciliation of Operating Loss to Net Cash (Used) Provided by Operating Activities	\$ (133,624)	\$ (152,380)	\$ (1,060,879)	\$ (1,346,883)	\$ 682,103
Adjustments to Reconcile Operating Loss to Net Cash (Used) Provided by Operating Activities					
Depreciation	-	14,842	306,490	321,332	-
Change in Assets and Liabilities					
Accounts Receivable	-	(16,550)	17,293	743	(23,881)
Inventory	-	-	(14,157)	(14,157)	-
Deferred Outflows Related to Pension	-	(21,131)	(35,221)	(56,352)	-
Deferred Outflows Related to OPEB	-	(15,798)	(26,451)	(42,249)	-
Accounts Payable	-	(3,971)	(240,364)	(244,335)	(215,966)
Estimated Liability for Claims - HRA	-	-	-	-	(98,063)
Accrued Payroll	-	2,725	14,010	16,735	-
Accrued Other	-	(20,362)	-	(20,362)	-
Compensated Absences Payable	-	1,483	(8,477)	(6,994)	-
Deferred Credit	-	59,364	-	59,364	-
Net Pension Liability	-	146,818	245,637	392,455	-
Net OPEB Liability	-	2,594	3,907	6,501	-
Deferred Inflows Related to Pension	-	2,674	4,462	7,136	-
Deferred Inflows Related to OPEB	-	29,016	48,766	77,782	-
Net Cash (Used) Provided by Operating Activities	<u>\$ (133,624)</u>	<u>\$ 29,324</u>	<u>\$ (744,984)</u>	<u>\$ (849,284)</u>	<u>\$ 344,193</u>

See accompanying notes.

**BOONE COUNTY FISCAL COURT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020**

	<u>Agency Funds</u>					
	<u>School Board Tax Fund</u>	<u>Jail Prisoners Funds</u>	<u>Motor Vehicle Rental Tax Fund</u>	<u>Flexible Spending Account</u>	<u>Bullittsville Cemetery Fund</u>	<u>Early Childhood Fund</u>
Assets						
Cash and Cash Equivalents	\$ 341,744	\$ 308,652	\$ 57	\$ 85,146	\$ 23,823	\$ 330,921
Accounts Receivable	<u>5,108,488</u>	<u>-</u>	<u>125,001</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	5,450,232	308,652	125,058	85,146	23,823	330,921
Liabilities						
Accounts Payable and Accrued Liabilities	<u>5,450,232</u>	<u>308,652</u>	<u>125,058</u>	<u>85,146</u>	<u>23,823</u>	<u>330,921</u>
Net Position	<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 Fiscal Court (the County) include the funds, agencies, boards, component unit, and entities for which the fiscal court is financially accountable. The blended component unit, although a legally separate entity is, in substance, part of the County's operations.

Additional – Boone County Constitutional Elected Officials:

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

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

Blended Component Unit

The following organization is shown as blended component unit:

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

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

Basis of Accounting, Measurement Focus, and Presentation

Government Wide Statements

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund Financial Statements

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government reports the following major government funds:

General Fund

This is the primary operating fund of the County. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund, or where management requires that a separate fund be used for some function.

Road and Bridge Fund

This fund is a special revenue fund for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department of Local Development requires the County to maintain these receipts and expenditures separately from the General Fund.

Capital Improvements Fund

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

Nonmajor Funds

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

Special Revenue Funds

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

Debt Service Fund

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government reports the following major proprietary funds:

Jail Canteen Fund

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

Golf Course Fund

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

Assisted Housing Fund

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

Self Insurance Fund

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

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

The government reports the following fiduciary funds:

School Board Tax Fund

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

Jail Prisoners Fund

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

Motor Vehicle Rental Tax Fund

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

Flexible Spending Account

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

Bullittsville Cemetery Trust Fund

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

Early Childhood Fund

This fund is an agency fund used as a pass through to support organization working with Boone County children in ways that align with the 2017 Boone County by 6 mission and vision.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

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

Legal Compliance - Budget

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

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

The schedules of revenues, expenditures and changes in fund balances budget and actual present a comparison of budgetary data in actual results. These funds utilize the same basis of accounting for both budgetary purposes and actual results. See pages 18 and 20 for the reconciliation of the actual results to the fund statements.

Cash and Investments

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

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

Accounts Receivable

Accounts receivable primarily consists of taxes, intergovernmental revenues, and excess fees. Accounts receivable are presented, when considered necessary, net of an allowance for doubtful accounts. There was no allowance as of June 30, 2020.

Inventory

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

Deferred Outflows and Inflows of Resources

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred inflows of resources represent an acquisition of net position that applies to a future period and is therefore deferred until that time. The County recognizes deferred outflows of resources related to pensions and other postemployment benefits. In the governmental funds, certain revenue transactions have been reported as unavailable revenue. Revenue cannot be recognized until it has been earned and is available to finance expenditures of the current period. Revenue that is earned but not available is reported as a deferred inflow of resource until such time as the revenue becomes available.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at acquisition value as of the date received. The County maintains a capitalization threshold of \$20,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life, are not.

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

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

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

Construction in Progress

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

Compensated Absences

These amounts represent the unpaid vacation costs as of the end of the period. All compensated amounts for governmental and proprietary fund types are accrued as liabilities. The compensated absence liability has been computed based on rates of pay in effect at June 30, 2020.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

Postemployment Benefits Other Than Pensions (OPEB)

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

Net Position

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

Fund Equity

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

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

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

Related Organizations

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Adoption of New Accounting Standards**

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of GASB Statement No. 88 are effective for reporting periods beginning after June 15, 2019. The implementation of GASB Statement No. 88 resulted in additional note disclosures regarding long term debt.

Recently Issued Accounting Pronouncements

GASB Statement No. 84, *Fiduciary Activities* was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The requirements of GASB Statement No. 84 are effective for reporting periods beginning after December 15, 2019. The County is currently evaluating the impact GASB Statement No. 84 may have on its financial statements.

GASB Statement No. 87, *Leases* was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of GASB Statement No. 87 are effective for fiscal years beginning after June 15, 2021. The County is currently evaluating the impact GASB Statement No. 87 may have on its financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* was issued to enhance the relevance and comparability of information about capital assets and the costs of borrowing for a period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of GASB Statement No. 89 are effective for reporting periods beginning after December 15, 2020. The County is currently evaluating the impact of GASB Statement No. 89 may have on its financial statements.

GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statement No. 14 and No. 61* was issued to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of GASB Statement No. 90 are effective for reporting periods beginning after December 15, 2019. The County is currently evaluating the impact GASB Statement No. 90 may have on its financial statements.

GASB Statement No. 91, *Conduit Debt Obligations* was issued to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of GASB Statement No. 91 are effect for reporting periods beginning after December 15, 2021. The County is currently evaluating the impact GASB Statement No. 91 may have on its financial statements.

GASB Statement No. 92, *Omnibus 2020*, was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of GASB Statement No. 92 are effective for fiscal years or reporting periods beginning after June 15, 2021, other than the requirements related to the effective date of GASB Statement No. 87, which is effective upon issuance. The County is currently evaluating the impact GASB Statement No. 92 may have on its financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The requirements of GASB Statement No. 93, except paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirements in paragraph 11b are effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal year periods beginning after June 15, 2021. The County is currently evaluating the impact GASB Statement No. 93 may have on its financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, was issued to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements and to provide guidance for accounting and financial reporting for availability payment arrangements. The requirements of GASB Statement No. 94 are effective for fiscal years beginning after June 15, 2022. The County is currently evaluating the impact GASB Statement No. 94 may have on its financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of GASB Statement No. 96 are effective for fiscal years beginning after June 15, 2022. The County is currently evaluating the impact GASB Statement No. 96 may have on its financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, was issued to (1) increase consistency and comparability related to the fiduciary reporting of component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan for benefits provided through those plans. Aspects of GASB Statement No. 97 are effective immediately, however there was no significant impact to the County's financial statements for the year ended June 30, 2019. Other requirements of GASB Statement No. 97 are effective for fiscal years or reporting periods beginning after June 15, 2021. The County is currently evaluating the impact GASB Statement No. 97 may have on its financial statements.

GASB Statement No. 99, *Omnibus 2022*, was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of GASB Statement No. 99 are effective for fiscal years or reporting periods beginning after June 15, 2023, other than the requirements related to the effective date of GASB Statements No. 53 and 63, which are effective upon issuance, and requirements related to leases, PPPs and SBITAs, which are effective for fiscal years beginning after June 15, 2022. The County is currently evaluating the impact GASB Statement No. 99 may have on its financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, was issued to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of GASB Statement No. 100 are effective for fiscal years or reporting periods beginning after June 15, 2023. The County is currently evaluating the impact GASB Statement No. 100 may have on its financial statements.

GASB Statement No. 101, *Compensated Absences*, was issued to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The requirements of GASB Statement No. 100 are effective for fiscal years or reporting periods beginning after December 15, 2023. The County is currently evaluating the impact GASB Statement No. 101 may have on its financial statements.

NOTE 2 - DEPOSITS AND INVESTMENTS**Deposits**

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposits at all times. In order to be valid against the FDIC, in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2020, the County's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County's agent in the County's name or provided surety bond which named the County as beneficiary/obligee on the bond.

Investments

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

Interest Rate Risk

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

Credit Risk

The policy limits investments to the following:

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

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

The policy limits the concentration of credit risk as follows:

- The amount of money invested at any time by the County in bankers' acceptances, commercial paper, or bonds or certificates of indebtedness of Kentucky, shall not exceed 20% of the total amount of money invested by the County.

The County shall not purchase any investment on a margin basis or through the use of any similar leveraging technique.

- With the exception of fully insured or fully collateralized investments, no more than 10% of the County's total investment portfolio shall be invested in a single security type or with a single financial institution.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy on custodial credit risk. As of June 30, 2020, 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, 2020, the County's investment balances were as follows:

Investment Type	Fair Value	Maturity	Rating
Money Market Funds	\$ <u>1,110,322</u>	N/A	N/A

NOTE 3 - NOTES RECEIVABLE

The Boone County Water District has a lease/purchase agreement with the County for the construction of rural water lines. Principal payments are due yearly with interest due semi-annually. The note matures in August 2035. The receivable balance on the lease agreement at June 30, 2020 is \$1,738,805 and the Boone County Water District is in substantial compliance with the terms of the agreement.

The County has agreed to use a portion of the \$2,200,000 General Obligation Multi-Purpose Public Project Bond, Series 2006 to complete improvements to the Petersburg Fire Protection Firehouse and apparatus bays (the Project). The Petersburg Fire Protection District has determined to operate and maintain the Project and to make certain annual payments to the County. These annual payments equal Petersburg Fire Protection District's portion of principal and interest due on these bonds. The receivable balance on the lease agreement at June 30, 2020 totaled \$681,798.

The County has agreed to use a portion of the \$7,000,000 General Obligation Public Project Bonds, Series 2007 to complete construction of a fire training facility to be used by numerous fire districts in Boone County. An inter-local agreement was signed by the County and the various fire districts. The districts have agreed that 25% of one cent of their real property assessments will be sent to the County as payment on the note receivable. As of June 30, 2020, the note receivable balance was \$506,524. The note is expected to be paid off by June 2027.

The County issued promissory notes with various residents on Carli Court. Principal payments are due yearly. The notes mature in July 2021. The receivable balance on the notes at June 30, 2020 is \$18,967 and the residents are in substantial compliance with the terms of the agreements.

NOTE 3 - NOTES RECEIVABLE (Continued)

The remaining maturities on the notes are as follows:

Years Ending June 30,	
2021	\$ 259,994
2022	268,435
2023	267,610
2024	276,346
2025	286,221
Thereafter	1,587,488
	\$ 2,946,094

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2020:

	Governmental Activities	Business-Type Activities	Total
Taxes – Current	\$ 10,707,938	\$ -	\$ 10,707,938
Excess Fees	227,966	-	227,966
Charges for Service	86,092	-	86,092
Intergovernmental	1,948,743	-	1,948,743
License Fees	18,013	-	18,013
Miscellaneous	899,002	45,013	944,015
	\$ 13,887,754	\$ 45,013	\$ 13,932,767

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2020 was as follows:

Governmental Activities	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Capital Assets Not Being Depreciated				
Land	\$ 12,055,580	\$ 329,346	\$ -	\$ 12,384,926
Roads	204,894,274	4,878,796	-	209,773,070
Construction in Progress	10,306,863	3,496,186	9,046,301	4,756,748
Total Capital Assets Not Being Depreciated	<u>227,256,717</u>	<u>8,704,328</u>	<u>9,046,301</u>	<u>226,914,744</u>
Depreciable Capital Assets				
Land Improvements	12,830,442	850,616	-	13,681,058
Buildings and Building Improvements	67,895,823	1,419,306	-	69,315,129
Equipment	15,919,598	8,061,525	29,588	23,951,535
Furniture and Office Equipment	2,112,667	120,269	-	2,232,936
Vehicles	11,312,813	1,347,558	906,548	11,753,823
Roads	84,903	-	-	84,903
Total Depreciable Capital Assets	<u>110,156,246</u>	<u>11,799,274</u>	<u>936,136</u>	<u>121,019,384</u>
Total Capital Assets at Historical Cost	<u>337,412,963</u>	<u>20,503,602</u>	<u>9,982,437</u>	<u>347,934,128</u>
Less Accumulated Depreciation				
Land Improvements	6,541,180	549,690	-	7,090,870
Buildings and Building Improvements	24,279,919	1,594,973	-	25,874,892
Equipment	11,387,760	2,406,049	28,588	13,765,221
Furniture and Office Equipment	1,307,944	231,873	-	1,539,817
Vehicles	8,015,536	971,305	870,548	8,116,293
Roads	76,412	-	-	76,412
Total Accumulated Depreciation	<u>51,608,751</u>	<u>5,753,890</u>	<u>899,136</u>	<u>56,463,505</u>
Depreciable Capital Assets, Net	<u>58,547,495</u>	<u>6,045,384</u>	<u>37,000</u>	<u>64,555,879</u>
Governmental Activities Capital Assets - Net	<u>\$ 285,804,212</u>	<u>\$ 14,749,712</u>	<u>\$ 9,083,301</u>	<u>\$ 291,470,623</u>

NOTE 5 - CAPITAL ASSETS (Continued)

Business-Type Activities	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Capital Assets Not Being Depreciated				
Land	\$ 2,396,478	\$ -	\$ -	\$ 2,396,478
Construction in Progress	3,916,133	-	3,916,133	-
Total Capital Assets Not Being Depreciated	<u>6,312,611</u>	<u>-</u>	<u>3,916,133</u>	<u>2,396,478</u>
Depreciable Capital Assets				
Land Improvements	5,669,574	431,020	-	6,100,594
Buildings and Building Improvements	2,465,918	4,137,519	21,624	6,581,813
Furniture and Office Equipment	225,224	-	35,344	189,880
Vehicles and Equipment	1,199,770	-	-	1,199,770
Totals at Historical Cost	<u>9,560,486</u>	<u>4,568,539</u>	<u>56,968</u>	<u>14,072,057</u>
Total Capital Assets at Historical Cost	<u>15,873,097</u>	<u>4,568,539</u>	<u>3,973,101</u>	<u>16,468,535</u>
Less Accumulated Depreciation				
Land Improvements	5,613,742	27,217	-	5,640,959
Buildings and Building Improvements	2,148,415	233,704	21,624	2,360,495
Furniture and Office Equipment	188,525	11,406	35,344	164,587
Vehicles and Equipment	950,600	49,005	-	999,605
Total Accumulated Depreciation	<u>8,901,282</u>	<u>321,332</u>	<u>56,968</u>	<u>9,165,646</u>
Depreciable Capital Assets, Net	<u>659,204</u>	<u>4,247,207</u>	<u>-</u>	<u>4,906,411</u>
Business - Type Activities Capital Assets - Net	<u>\$ 6,971,815</u>	<u>\$ 4,247,207</u>	<u>\$ 3,916,133</u>	<u>\$ 7,302,889</u>

NOTE 5 - CAPITAL ASSETS (Continued)

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

	<u>Year Ended June 30, 2020</u>
Governmental Activities	
General Government	\$ 896,902
Protection to Persons and Property	3,201,923
General Health and Sanitation	41,697
Social Services	2,625
Recreation and Culture	285,896
Roads, Including Depreciation of General Infrastructure Assets	<u>1,324,847</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 5,753,890</u>
Business-Type Activities	
Golf Course	\$ 306,491
Assisted Housing	<u>14,841</u>
Total Depreciation Expense – Business-Type Activities	<u>\$ 321,332</u>

NOTE 6 - ACCOUNTS PAYABLE

Accounts payable consists of the following at June 30, 2020:

	Governmental Activities	Business-Type Activities	Total
General Government	\$ 108,727	\$ -	\$ 108,727
Protection to Persons and Property	135,878	-	135,878
General Health and Sanitation	20,276	-	20,276
Social Services	34,200	-	34,200
Recreation and Culture	43,885	50,075	93,960
Roads	223,682	-	223,682
Fleet Services	16,520	-	16,520
Capital Projects	581,464	-	581,464
Administration	505,621	48,805	554,426
Insurance Claims	378,122	-	378,122
	<u>\$ 2,048,375</u>	<u>\$ 98,880</u>	<u>\$ 2,147,255</u>

NOTE 7 - LONG-TERM LIABILITIES

The following is a summary of the County's long-term liabilities for the year ended June 30, 2020:

<u>Governmental Activities</u>	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
General Obligation Bonds	\$ 12,170,000	\$ -	\$ 1,765,000	\$ 10,405,000	\$ 1,825,000
Special Revenue Bonds	4,405,000	-	1,070,000	3,335,000	1,090,000
Unamortized Premium	334,480	-	83,224	251,256	83,224
Unamortized Discount	(19,638)	-	(6,203)	(13,435)	(6,203)
Compensated Absences	716,246	-	68,066	648,180	59,701
Estimated Liability for Claims - HRA Accounts	<u>1,568,679</u>	<u>-</u>	<u>98,063</u>	<u>1,470,616</u>	<u>89,653</u>
Governmental Activities Long-Term Liabilities	<u>\$ 19,174,767</u>	<u>\$ -</u>	<u>\$ 3,078,150</u>	<u>\$ 16,096,617</u>	<u>\$ 3,141,375</u>
Business-Type Activities					
Compensated Absences	\$ 86,593	\$ -	\$ 6,994	\$ 79,599	\$ 2,010
Accrued Other	<u>159,552</u>	<u>-</u>	<u>20,362</u>	<u>139,190</u>	<u>23,673</u>
Governmental Activities Long-Term Liabilities	<u>\$ 246,145</u>	<u>\$ -</u>	<u>\$ 27,356</u>	<u>\$ 218,789</u>	<u>\$ 25,683</u>

Series 2010C - General Obligation Refunding Bonds

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

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2021	\$ 109,000	\$ 1,335,000
2022	<u>55,600</u>	<u>1,390,000</u>
Total	<u>\$ 164,600</u>	<u>\$ 2,725,000</u>

NOTE 7 - LONG-TERM LIABILITIES (Continued)

Series 2015 – General Obligation Refunding Bonds

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

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2021	\$ 67,300	\$ 415,000
2022	58,800	435,000
2023	50,050	440,000
2024	41,150	450,000
2025	31,419	465,000
2026-2028	36,668	1,145,000
Total	\$ 285,387	\$ 3,350,000

Series 2018 - General Obligation Bonds

The County issued General Obligation Bonds for the purpose of renovating the golf clubhouse. The Series 2018, dated December 28, 2018, were issued at various interest rates ranging from 3.0% to 3.5% and will be retired on December 1, 2038. Interest payments are due by December 1st and June 1st with principal payments due June 1st each year. Principal payments are required and scheduled interests for the retirement of the bonds are as follows:

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2021	\$ 136,957	\$ 75,000
2022	134,707	75,000
2023	132,382	80,000
2024	129,982	80,000
2025	126,157	175,000
2026-2030	547,529	975,000
2031-2035	378,943	1,330,000
2036-2039	110,078	1,540,000
Total	\$ 1,696,735	\$ 4,330,000

Special Revenue Bonds - Public Properties

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

NOTE 7 - LONG-TERM LIABILITIES (Continued)

Defeased Bond

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

Revenue bonds outstanding at June 30, 2020, are as follows:

Purpose	Interest Rate	Amount
2011 Justice Center Bonds	1.00% - 2.50%	\$ 3,335,000

The minimum obligations at June 30, 2020 for debt service of these bonds are as follows:

Years Ending June 30,	Scheduled Interest	Scheduled Principal
2021	\$ 65,486	\$ 1,090,000
2022	41,140	1,110,000
2023	14,188	1,135,000
Total	\$ 120,814	\$ 3,335,000

Conduit Debt Obligations

The County has outstanding numerous bonds to provide financial assistance to both private and public sector entities for varying purposes, such as the purchase property or refinancing. The bonds are secured by the property financed and are payable solely from the private or public sector entity. Neither the County nor any political subdivision thereof, is obligated in any manner for repayment of these bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. As of June 30, 2020, the outstanding principal on these bonds were \$588,381,002.

NOTE 8 - PENSION PLAN

General Information about the Pension Plan

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

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

NOTE 8 - PENSION PLAN (Continued)

Non-hazardous Plan:

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

Age	Years of Service	Allowance Reduction
65	1 month	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

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

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

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

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

Benefit Formula for Tiers 1 & 2

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

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

NOTE 8 - PENSION PLAN (Continued)

Benefit Formula for Tier 3					
(A-B) = C X 75% = D then B+D = Interest					
A	B	C	D		
5 Year Geometric Average Return	Less Guarantee Rate	Upside Sharing Interest	Upside Sharing Interest X 75% = Upside Gain	Interest Rate Earned (4% + Upside)	Total Interest Credited to Members' Accounts
5.51%	4.00%	1.51%	1.13%	5.13%	\$ 6,360,000

Hazardous Plan:

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

Age	Years of Service	Allowance Reduction
55	1 month	None
Any	20	None
50	15	6.5% per year for first five years, and 4.5% for next five years before age 55 or 20 years of service.

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

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

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

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

Benefit Formula for Tiers 1 & 2

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

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

NOTE 8 - PENSION PLAN (Continued)

Benefit Formula for Tier 3					
(A-B) = C X 75% = D then B+D = Interest					
A	B	C	D		
5 Year Geometric Average Return	Less Guarantee Rate	Upside Sharing Interest	Upside Sharing Interest X 75% = Upside Gain	Interest Rate Earned (4% + Upside)	Total Interest Credited to Members' Accounts
5.79%	4.00%	1.79%	1.34%	5.34%	\$ 1,838,000

Non-hazardous and Hazardous Plans:

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

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

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

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

During the 2018 legislative session, House Bill 185 was enacted, which provided increased pension benefits for the beneficiaries of active members who die in the line of duty.

Contributions: The employee contribution rate is set by state statute. Non-hazardous employees contributed 5.00% and hazardous employees contributed 8.00% of their annual creditable compensation. These members were classified in the Tier 1 structure of benefits.

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

NOTE 8 - PENSION PLAN (Continued)

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

The employer contributions rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2020, participating employers contributed 24.06% (19.30% pension fund and 4.76% insurance fund) for the non-hazardous system and 39.58% (30.06% pension fund and 9.52% insurance fund) for the hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the pension fund from the County were \$2,731,217 for the year ended June 30, 2020.

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

At June 30, 2020, the County reported a liability of \$38,517,693 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2019, using generally accepted actuarial principles. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2020, the County's proportion for the non-hazardous system was 0.382318% and for the hazardous system was 0.420994%. This was an increase of 0.006856% and a decrease of 0.013912%, respectively.

For the year ended June 30, 2020, the County recognized pension expense of \$4,576,558. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	\$ -	\$ 113,612
Difference Between Expected and Actual Experience	1,180,640	598,037
Changes of Assumptions	3,850,258	-
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	532,607	227,869
Contributions After Measurement Date	2,731,217	-
Total	<u>\$ 8,294,722</u>	<u>\$ 939,518</u>

NOTE 8 - PENSION PLAN (Continued)

\$2,731,217 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,	
2021	\$ 3,039,713
2022	1,132,957
2023	410,083
2024	41,234
Total	\$ 4,623,987

Actuarial assumptions: The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percent of Pay Amortization Method
Remaining Amortization Period	24 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Payroll Growth Rate	2.0% for Non-hazardous and Hazardous
Salary Increase	3.30% to 10.30%, Varies by Service for Non-hazardous 3.55% to 19.05%, Varies by Service for Hazardous
Investment Rate of Return	6.25% Net of Pension Plan Investment Expense, Including Inflation

The mortality table used for active members was a PUB-2010 General Mortality Table, for the non-hazardous system, and the PUB-2010 Public Safety Mortality table for the hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB -2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

NOTE 8 - PENSION PLAN (Continued)

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

Asset Class	Target Allocation	Long Term Expected Nominal Return
Growth:		
US Equity	18.75 %	4.30 %
Non-US Equity	18.75	4.80
Private Equity	10.00	6.65
Specialty Credit/High Yield	15.00	2.60
Liquidity:		
Core Bonds	13.50	1.35
Cash	1.00	0.20
Diversifying Strategies:		
Real Estate	5.00	4.85
Opportunistic	3.00	2.97
Real Return	15.00	4.10
Total	100.00 %	

Discount rate: The discount rate used to measure the total pension liability was 6.25%. The single discount rate was based on the expected rate of return on pension plan investments for the system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all future benefit payment of the current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the system. The projection of cash flows used to determine the single discount rate assumes that each fund receives the employer required contributions each year as determined by the current funding policy established in statute, which includes the phase-in provisions from House Bill 362 (passed in 2018) that applies to CERS.

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

	1% Decrease	Current Discount Rate	1% Increase
Non-hazardous	\$ 33,630,006	\$ 26,888,595	\$ 21,269,695
Hazardous	14,538,982	11,629,098	9,243,413
Total	\$ 48,168,988	\$ 38,517,693	\$ 30,513,108

Changes of assumptions: As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdraw rates, and rates of disablement were updated for the 2019 actuarial valuation.

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

NOTE 9 - OPEB PLAN

General Information About the OPEB Plan

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

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

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

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

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

Contributions: The employee contribution rate is set by state statute. Non-hazardous employees contributed 5.00% and hazardous employees contributed 8.00% of their annual creditable compensation. These members were classified in the Tier 1 structure of benefits.

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

NOTE 9 - OPEB PLAN (Continued)

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

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2020, participating employers contributed 24.06% (19.30% pension fund and 4.76% insurance fund) for the non-hazardous system and 39.58% (30.06% pension fund and 9.52% insurance fund) for the hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the insurance fund from the County were \$725,279 for the year ended June 30, 2020.

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

At June 30, 2020, the County reported a liability of \$9,543,777 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2019, using generally accepted actuarial principles. The County's proportion of the net OPEB liability was based on the County's share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2020, the County's proportion for the non-hazardous system was 0.382260% and for the hazardous system was 0.420936%. This was an increase of 0.006813% and a decrease of 0.013994%, respectively.

For the year ended June 30, 2020, the County recognized OPEB expense of \$383,874. At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	\$ -	\$ 464,622
Difference Between Expected and Actual Experience	-	2,519,279
Changes of Assumptions	2,843,670	18,619
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	159,813	101,465
Contributions After Measurement Date	<u>725,279</u>	<u>-</u>
Total	<u>\$ 3,728,762</u>	<u>\$ 3,103,985</u>

NOTE 9 - OPEB PLAN (Continued)

\$725,279 reported as deferred outflows of resources related to OPEB resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	
2021	\$ 168,395
2022	2,748
2023	(17,926)
2024	(122,193)
2025	(113,232)
Thereafter	(18,294)
Total	\$ (100,502)

Actuarial assumptions: The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2018
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percent of Pay Amortization Method
Amortization Period	24 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increase	3.30% to 10.30%, Varies by Service for Non-hazardous; 3.55% to 19.05%, Varies by Service for Hazardous
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 7.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 5.00% at January 1, 2020 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The mortality table used for active members was a PUB-2010 General Mortality Table, for the non-hazardous system, and the PUB-2010 Public Safety Mortality table for the hazardous system, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB -2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

NOTE 9 - OPEB PLAN (Continued)

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

Asset Class	Target Allocation	Long Term Expected Nominal Return
Growth:		
US Equity	18.75 %	4.30 %
Non-US Equity	18.75	4.80
Private Equity	10.00	6.65
Specialty Credit/High Yield	15.00	2.60
Liquidity:		
Core Bonds	13.50	1.35
Cash	1.00	0.20
Diversifying Strategies:		
Real Estate	5.00	4.85
Opportunistic	3.00	2.97
Real Return	15.00	4.10
Total	100.00 %	

Discount rate: The discount rate used to measure the total OPEB liability was 5.68% for non-hazardous and 5.69% for hazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.25% and a municipal bond rate of 3.13%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2019. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the system’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the system’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows to determine the single discount rate assumes that the funds receive the required employer contributions each future year, as determined by the current funding policy established in statute as last amended by House Bill 362 (passed in 2018).

Sensitivity of the County’s proportionate share of the net OPEB liability to changes in the discount rate: The following present’s the County’s proportionate share of the net OPEB liability, as well as what the County’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68% for non-hazardous and 4.69% for hazardous) or 1-percentage-point higher (6.68% for non-hazardous and 6.69% for hazardous) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Non-hazardous	\$ 8,612,806	\$ 6,429,441	\$ 4,630,493
Hazardous	4,345,127	3,114,336	2,115,292
Total	\$ 12,957,933	\$ 9,543,777	\$ 6,745,785

NOTE 9 - OPEB PLAN (Continued)

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Non-hazardous	\$ 4,781,608	\$ 6,429,441	\$ 8,427,634
Hazardous	2,167,002	3,114,336	4,270,032
Total	\$ 6,948,610	\$ 9,543,777	\$ 12,697,666

Changes of assumptions: As a result of the 2018 experience study, salary increase assumptions, retirement rate assumptions, mortality assumptions, withdraw rates, and rates of disablement were updated for the 2019 actuarial valuation. The medical trend assumption rate was also updated for the 2019 actuarial valuations as a result of an annual review of this particular assumption.

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

NOTE 10 - OPERATING LEASES

The County owns various buildings throughout Boone County that are leased to organizations, accounted for under an operating lease. Three leases renew annually. The others expire on various dates through October 2025. Rental income for the fiscal year ended June 30, 2020 was \$239,168. The future minimum lease payments to be received are as follows:

Years Ending June 30,	
2021	\$ 94,804
2022	82,880
2023	77,480
2024	55,274
2025	33,072
Thereafter	4,338
Total Minimum Lease Payments	\$ 347,848

NOTE 10 - OPERATING LEASES (Continued)

The County leases various equipment and office space accounted for under operating leases. Majority of the leases are month-to-month and annual renewals with twelve long term leases expiring at various dates through May 2044. The County may also rent equipment on an as-needed basis. Rental expense for the fiscal year ended June 30, 2020 was \$654,170. The future minimum lease payments are as follows:

Years Ending June 30,		
2021	\$	593,220
2022		519,019
2023		331,809
2024		286,537
2025		245,057
Thereafter		2,214,275
Total Minimum Lease Payments	\$	4,189,917

NOTE 11 - INSURANCE

For the fiscal year ended June 30, 2020, Boone County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a Self Insurance Fund, and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

NOTE 12 - GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND

Self Insurance Fund

The Self Insurance Fund was established in 1999 to cover all health insurance cost, including medical and dental claims, prescriptions and any fixed administrative cost related to health insurance. In fiscal year 2007, in an effort to decrease insurance costs to the County's health insurance, and increase reserves in the account, a Health Reimbursement Arrangement (HRA) was set up for each employee on the plan to coincide with a higher deductible plan. These dollars are to reimburse any covered persons' out of pocket deductible or co-insurance expenses. Each single plan was given \$1,000 and all other plans \$2,000 in January, 2009.

The total liability of these HRA dollars at the fiscal year ended June 30, 2020 was \$1,470,616, which includes all departments on the plan (Fiscal Court, Sheriff, County Clerk, Soil Conservation District, and Planning Commission). In the statement of cash flows, the Self Insurance Fund shows a cash balance of \$4,681,588 in the account, but with the liability of the HRA account, the net position on June 30, 2020 is a positive \$3,159,201.

In 2020, the County paid out 7.42% of total HRA liability, including the rolled over amounts from 2019, and 3.57% of that year's liability, with no rollover. Another 1.19% was forfeited, either through waiving the health plan or leaving employment.

Cash Balance, Beginning of Year	\$	4,290,382
Premiums Collected		5,596,885
Interest Earned		47,013
Claims Paid		(5,252,692)
Cash Balance, End of Year	\$	4,681,588

NOTE 13 - INTER-FUND TRANSACTIONS

The following is a list of inter-fund transactions as of June 30, 2020:

<u>Total</u>	<u>General Fund</u>	<u>Jail Fund</u>	<u>Road Fund</u>	<u>Capital Improvements Fund</u>	<u>PSCC Fund</u>	<u>Tax Improvement Fund</u>	<u>Golf Course Fund</u>
\$ -	\$ (6,000,000) 1	\$ -	\$ 6,000,000 1	\$ -	\$ -	\$ -	\$ -
-	(572,400) 2	572,400 2	-	-	-	-	-
-	36,616 3	-	-	-	-	(36,616) 3	-
-	(8,500,000) 4	-	-	8,500,000 4	-	-	-
-	(378,200) 5	-	-	-	-	-	378,200 5
-	140,091 6	-	-	-	-	-	(140,091) 6
<hr/>							
Total Transfer to							
Other Funds	\$ (15,627,307)	\$ (15,450,600)	\$ -	\$ -	\$ -	\$ (36,616)	\$ (140,091)
<hr/>							
Total Transfer From							
Other Funds	\$ 15,627,307	\$ 176,707	\$ 572,400	\$ 6,000,000	\$ 8,500,000	\$ -	\$ 378,200
<hr/>							
	1. For Road Improvement Projects		3. Transfer Interest Received		5. For Golf Course Operations Funding		
	2. To Supplement Jail Operation Costs		4. For Multiple Construction Projects		6. For Debt Service on Golf Course Bonds		

NOTE 14 - DEFERRED COMPENSATION

On February 24, 2000, the County voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862 or by telephone at (502) 573-7925.

NOTE 15 - TAX ABATEMENTS

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

NOTE 15 - TAX ABATEMENTS (Continued)

The amount of taxes abated for the year ending June 30, 2020 were as follows:

Program	Taxes Abated
Kentucky Business Investment	\$ <u>47,387</u>

NOTE 16 - CONTINGENT LIABILITIES

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

Prior to year-end, the World Health Organization announced a global health emergency, later classified as a global pandemic as a result of the COVID-19 outbreak. The outbreak and response have impacted financial and economic markets across the world and within the United States of America. The full impact continues to evolve and as such, it is uncertain as to the full magnitude that the pandemic will have on the County’s financial condition, liquidity, and future results of operations. Management is actively monitoring the possible effects on every aspect of the County.

NOTE 17 - SUBSEQUENT EVENTS

The County has evaluated subsequent events through September 28, 2022, which is the date the financial statements were available to be issued.

As a result of the pandemic, the president signed into law the Coronavirus Aid, Relief and Economic Security (CARES) Act in March 2020, which established the Coronavirus Relief Fund (CRF) to reimburse local governments for expenses incurred in response to the public health emergency caused by the novel coronavirus. The County was awarded \$6,150,189 in these funds after June 30, 2020. Additionally, in March 2021, the president signed into law the American Rescue Plan Act, which established the Coronavirus State and Local Fiscal Recovery Funds to cover lost revenues and pandemic-related expenditures. The County was awarded a total of \$25,950,973 in these funds.

In September 2020, the County signed a resolution establishing a new utility development fund to support the extension of public water and high-speed broadband access in unserved areas of the County. The resolution allow authorizes and directs the transfer of tax revenue from the general fund to the utility development fund for the limited and specific purposes stated.

In October 2020, the County requested to call the entire principal balance plus any accrued interest on the General Obligation Refunding Bonds Series 2010C on December 1, 2020. Subsequently, \$2,743,167 was paid in principal and outstanding interest to pay off the remaining balance of the bond.

In April 2021 through June 2021, the County established and implemented four local development area tax increment financing districts. The County has agreed to pledge certain incremental revenues to promote the development of the local development areas. No incremental revenues have been determined to date.

In November 2021, the County defeased the outstanding balance of the Series 2015 – General Obligation Refunding Bonds. The bonds were defeased as a cost savings measure for the County and were defeased by depositing funds with an escrow agent in a principal amount such that the principal and interest will be sufficient to retire the principal and interest on outstanding bonds as they become due.

In July 2022, the County purchased approximately 296 acres of real property for \$1,181,960.

REQUIRED SUPPLEMENTARY INFORMATION

BOONE COUNTY FISCAL COURT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 47,105,000	\$ 47,105,000	\$ 48,913,799	\$ 1,808,799
In Lieu Tax Payments	125,000	125,000	132,189	7,189
Excess Fees	1,550,000	1,550,000	1,063,167	(486,833)
Licenses and Permits	2,041,885	2,041,885	2,337,337	295,452
Intergovernmental	2,025,881	2,025,881	2,213,521	187,640
Charges for Services	1,712,645	1,712,645	1,975,525	262,880
Miscellaneous	732,235	732,235	570,361	(161,874)
Interest	325,000	325,000	447,018	122,018
Total Revenues	55,617,646	55,617,646	57,652,917	2,035,271
Expenditures				
General Government	6,222,085	6,421,355	5,955,433	465,922
Protection to Persons and Property	14,697,258	14,697,258	14,409,511	287,747
General Health and Sanitation	802,405	802,405	708,505	93,900
Social Services	136,150	136,150	109,263	26,887
Recreation and Culture	3,014,135	3,077,966	2,846,609	231,357
Debt Service	2,140,085	2,140,085	2,137,220	2,865
Administration	10,894,303	10,830,472	10,375,829	454,643
Total Expenditures	37,906,421	38,105,691	36,542,370	1,563,321
Excess of Revenues Over Expenditures	17,711,225	17,511,955	21,110,547	3,598,592
Other Financing Sources (Uses)				
Operating Transfers In	25,000	25,000	36,616	11,616
Operating Transfers Out	(14,572,400)	(14,972,400)	(15,450,600)	(478,200)
Total Other Financing Sources (Uses)	(14,547,400)	(14,947,400)	(15,413,984)	(466,584)
Net Change in Fund Balances	3,163,825	2,564,555	5,696,563	3,132,008
Fund Balances July 1, 2019	15,328,000	15,328,000	18,081,170	2,753,170
Fund Balances June 30, 2020	\$ 18,491,825	\$ 17,892,555	\$ 23,777,733	\$ 5,885,178

BOONE COUNTY FISCAL COURT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
CASH BASIS
FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Licenses and Permits	\$ 70,000	\$ 70,000	\$ 80,992	\$ 10,992
Intergovernmental	2,762,066	2,762,066	2,404,634	(357,432)
Charges for Services	235,000	235,000	290,990	55,990
Miscellaneous	306,000	306,000	530,157	224,157
Interest	45,000	45,000	40,071	(4,929)
Total Revenues	3,418,066	3,418,066	3,346,844	(71,222)
Expenditures				
General Health and Sanitation	912,916	907,916	746,949	160,967
Roads	8,321,400	8,444,810	5,971,282	2,473,528
Fleet Services	774,860	915,177	818,542	96,635
Administration	1,298,720	1,298,720	1,221,474	77,246
Total Expenditures	11,307,896	11,566,623	8,758,247	2,808,376
Deficit of Revenues Over Expenditures	(7,889,830)	(8,148,557)	(5,411,403)	2,737,154
Other Financing Sources				
Operating Transfers In	6,000,000	6,000,000	6,000,000	-
Net Change in Fund Balances	(1,889,830)	(2,148,557)	588,597	2,737,154
Fund Balances July 1, 2019	5,405,000	5,405,000	5,786,605	381,605
Fund Balances June 30, 2020	\$ 3,515,170	\$ 3,256,443	\$ 6,375,202	\$ 3,118,759

**BOONE COUNTY FISCAL COURT
NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2020**

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

	General Fund	Road and Bridge Fund
Revenues		
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 57,652,917	\$ 3,346,844
Accounts Receivable June 30, 2019	(10,311,049)	(574,661)
Accounts Receivable June 30, 2020	10,735,277	824,068
Accounts Payable June 30, 2019	7,498	-
Accounts Payable June 30, 2020	(3,129)	(6,755)
Unavailable Revenue - Intergovernmental June 30, 2020	(603,503)	-
Change in Note Receivable Balance	(148,319)	(11,591)
Golf Course Transfer for Bond Payments	(140,091)	-
Reclass of Reimbursements	(5)	(1)
 Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	 \$ 57,189,596	 \$ 3,577,904
 Expenses		
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 36,542,370	\$ 8,758,247
Accounts Payable June 30, 2019	(292,229)	(109,652)
Accounts Payable June 30, 2020	372,147	250,578
Accrued Payroll June 30, 2019	(164,127)	(56,015)
Accrued Payroll June 30, 2020	64,610	76,592
Compensated Absences Payable June 30, 2019	(366,377)	(122,880)
Compensated Absences Payable June 30, 2020	332,336	111,733
Reclass of Reimbursements	-	(5)
 Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	 \$ 36,488,730	 \$ 8,908,598

BOONE COUNTY FISCAL COURT
NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

	<u>General Fund</u>	<u>Road and Bridge Fund</u>
Other Financing (Uses) Sources		
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ (15,413,984)	\$ 6,000,000
Golf Course Transfer for Bond Payments	<u>140,091</u>	<u>-</u>
 Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	 \$ <u>(15,273,893)</u>	 \$ <u>6,000,000</u>
 Ending Balance		
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 23,777,733	\$ 6,375,202
Notes Receivable	2,420,603	18,967
Accounts Receivable	10,735,277	879,768
Restricted Cash	21,657,324	-
Accounts Payable	(643,695)	(257,333)
Accrued Payroll	(207,375)	(76,592)
Compensated Balances Payable	(332,336)	(111,733)
Unavailable Revenue - Intergovernmental	(603,503)	-
Net Profit Tax Extension Payable	<u>(21,246,141)</u>	<u>-</u>
 Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	 \$ <u>35,557,887</u>	 \$ <u>6,828,279</u>

**BOONE COUNTY FISCAL COURT
CONDITION RATING OF THE COUNTY'S STREET SYSTEM
FISCAL YEAR ENDED JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total Road System Length in Miles:	463.5	437.1	418.5	421.6	418.4
Total Road System PCI Average:	72	72	71	72	71
Percentage of Lane Miles With PCI Greater Than or Equal to 65:	64%	69%	61%	63%	65%
Percentage of Lane Miles With PCI Less Than 65:	36%	31%	39%	37%	35%
Backlog as a Percentage of Total Lane Miles:	2%	2%	6%	5%	3%
Comparison of Needed-to-Actual Maintenance/Preservation:					
Needed	\$ 4,720,128	\$ 4,597,780	\$ 2,619,850	\$ 2,868,929	\$ 3,005,639
Actual	\$ 2,841,981	\$ 3,696,607	\$ 2,295,705	\$ 1,899,465	\$ 2,070,749

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

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

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

BOONE COUNTY FISCAL COURT
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2020

County Employees Retirement System
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's Proportion of the Net Pension Liability - Non-Hazardous	0.382318%	0.375462%	0.374627%	0.382260%	0.377834%	0.378294%
County's Proportion of the Net Pension Liability - Hazardous	0.420994%	0.434906%	0.406650%	0.399048%	0.360644%	0.330197%
County's Proportionate Share of the Net Pension Liability						
Non-Hazardous	\$ 26,888,595	\$ 22,866,780	\$ 21,928,070	\$ 18,821,045	\$ 16,245,063	\$ 12,273,284
Hazardous	<u>11,629,098</u>	<u>10,518,014</u>	<u>9,097,894</u>	<u>6,847,425</u>	<u>5,536,269</u>	<u>3,968,390</u>
Total County's Proportionate Share of the Net Pension Liability	<u>\$ 38,517,693</u>	<u>\$ 33,384,794</u>	<u>\$ 31,025,964</u>	<u>\$ 25,668,470</u>	<u>\$ 21,781,332</u>	<u>\$ 16,241,674</u>
County's Covered Payroll	\$ 12,117,952	\$ 12,070,563	\$ 11,272,839	\$ 11,629,174	\$ 11,001,641	\$ 10,935,677
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	317.86%	276.58%	275.23%	220.72%	197.98%	148.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non-Hazardous	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Hazardous	46.63%	49.26%	49.78%	53.95%	57.52%	63.46%

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

**BOONE COUNTY FISCAL COURT
SCHEDULE OF COUNTY'S PENSION CONTRIBUTIONS
JUNE 30, 2020**

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

<u>Non-Hazardous</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,993,747	\$ 1,568,165	\$ 1,352,036	\$ 1,276,916	\$ 1,140,081	\$ 1,136,496	\$ 1,200,715
Contributions in Relation to the Contractually Required Contribution	<u>(1,993,747)</u>	<u>(1,568,165)</u>	<u>(1,352,036)</u>	<u>(1,276,916)</u>	<u>(1,140,081)</u>	<u>(1,136,496)</u>	<u>(1,200,715)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 10,330,295	\$ 9,667,644	\$ 9,522,842	\$ 9,127,484	\$ 9,467,263	\$ 9,014,830	\$ 9,060,903
Contributions as a Percentage of Covered Payroll	19.30%	16.22%	14.20%	13.99%	12.04%	12.61%	13.25%
<u>Hazardous</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 737,470	\$ 609,319	\$ 536,849	\$ 474,605	\$ 417,290	\$ 382,115	\$ 364,344
Contributions in Relation to the Contractually Required Contribution	<u>(737,470)</u>	<u>(609,319)</u>	<u>(536,849)</u>	<u>(474,605)</u>	<u>(417,290)</u>	<u>(382,115)</u>	<u>(364,344)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 2,453,327	\$ 2,450,308	\$ 2,547,721	\$ 2,145,355	\$ 2,161,911	\$ 1,986,811	\$ 1,874,774
Contributions as a Percentage of Covered Payroll	30.06%	24.87%	21.07%	22.12%	19.30%	19.23%	19.43%

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

**BOONE COUNTY FISCAL COURT
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2020**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
County's Proportion of the Net OPEB Liability - Non-Hazardous	0.382260%	0.375447%	0.374627%
County's Proportion of the Net OPEB Liability - Hazardous	0.420936%	0.434930%	0.406650%
County's Proportionate Share of the Net OPEB Liability			
Non-Hazardous	\$ 6,429,441	\$ 6,665,986	\$ 7,531,284
Hazardous	<u>3,114,336</u>	<u>3,100,875</u>	<u>3,361,661</u>
Total County's Proportionate Share of the Net OPEB Liability	<u>\$ 9,543,777</u>	<u>\$ 9,766,861</u>	<u>\$ 10,892,945</u>
County's Covered Payroll	\$ 12,117,952	\$ 12,070,563	\$ 11,272,839
County's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll	78.76%	80.91%	96.63%
Plan Fiduciary Net OPEB as a Percentage of the Total OPEB Liability - Non-Hazardous	60.44%	57.62%	52.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Hazardous	64.44%	64.24%	58.99%

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

**BOONE COUNTY FISCAL COURT
SCHEDULE OF COUNTY'S OPEB CONTRIBUTIONS
JUNE 30, 2020**

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

<u>Non-Hazardous</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 491,722	\$ 508,518	\$ 438,851	\$ 432,961
Contributions in Relation to the Contractually Required Contribution	<u>(491,722)</u>	<u>(508,518)</u>	<u>(438,851)</u>	<u>(432,961)</u>
Contribution Deficiency (Excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
County's Covered Payroll	\$ 10,330,295	\$ 9,667,644	\$ 9,522,842	\$ 9,127,484
Contributions as a Percentage of Covered Payroll	4.76%	5.26%	4.61%	4.74%
<u>Hazardous</u>	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contribution	\$ 233,557	\$ 256,620	\$ 226,106	\$ 204,402
Contributions in Relation to the Contractually Required Contribution	<u>(233,557)</u>	<u>(256,620)</u>	<u>(226,106)</u>	<u>(204,402)</u>
Contribution Deficiency (Excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
County's Covered Payroll	\$ 2,453,327	\$ 2,450,308	\$ 2,547,721	\$ 2,145,355
Contributions as a Percentage of Covered Payroll	9.52%	10.47%	8.87%	9.53%

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

SUPPLEMENTARY INFORMATION

**BOONE COUNTY FISCAL COURT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	<u>Public Safety Communi- cations Center</u>	<u>Jail Fund</u>	<u>Tax Improvement Fund</u>	<u>Mental Health Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets					
Cash and Cash Equivalents	\$ 5,432,812	\$ 1,464,210	\$ 3,005,640	\$ 3,682,028	\$ 13,584,690
Accounts Receivable	2,695	365,944	78,977	812,555	1,260,171
Total Assets	<u>\$ 5,435,507</u>	<u>\$ 1,830,154</u>	<u>\$ 3,084,617</u>	<u>\$ 4,494,583</u>	<u>\$ 14,844,861</u>
Liabilities and Fund Balances					
Balances Liabilities					
Accounts Payable	\$ 18,089	\$ 94,971	\$ -	\$ 68,653	\$ 181,713
Accrued Payroll	78,055	131,352	-	-	209,407
Compensated Absences Payable	87,147	116,964	-	-	204,111
Total Liabilities	<u>183,291</u>	<u>343,287</u>	<u>-</u>	<u>68,653</u>	<u>595,231</u>
Fund Balances					
Restricted					
Other Capital Projects	-	-	3,084,617	-	3,084,617
Protection to Persons and Property	5,252,216	-	-	-	5,252,216
Committed					
Health and Welfare	-	-	-	4,425,930	4,425,930
Assigned					
Protection to Persons and Property	-	1,486,867	-	-	1,486,867
Total Fund Balances	<u>5,252,216</u>	<u>1,486,867</u>	<u>3,084,617</u>	<u>4,425,930</u>	<u>14,249,630</u>
Total Liabilities and Fund Balances	<u>\$ 5,435,507</u>	<u>\$ 1,830,154</u>	<u>\$ 3,084,617</u>	<u>\$ 4,494,583</u>	<u>\$ 14,844,861</u>

BOONE COUNTY FISCAL COURT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2020

	Public Safety Communi- cations Center	Jail Fund	Local Government Economic Assistance Fund	Federal Grants Fund	Tax Improvement Fund	Mental Health Fund	Public Properties Fund	Total Nonmajor Governmental Funds
Revenues								
Taxes	\$ 3,960,488	\$ -	\$ -	\$ -	\$ 428,055	\$ 3,078,932	\$ -	\$ 7,467,475
Intergovernmental	516,128	5,800,642	119,396	205,128	-	-	1,177,872	7,819,166
Charges for Services	-	142,084	-	-	-	-	-	142,084
Miscellaneous	-	177,861	-	-	-	33,965	-	211,826
Interest	75,182	16,928	1,482	-	28,494	39,400	-	161,486
Total Revenues	4,551,798	6,137,515	120,878	205,128	456,549	3,152,297	1,177,872	15,802,037
Expenditures								
Protection to Persons and Property	5,994,551	5,319,144	-	-	-	-	-	11,313,695
General Health and Sanitation	-	-	-	-	-	1,944,383	-	1,944,383
Social Services	-	-	-	205,128	-	564,946	-	770,074
Roads	-	-	256,395	-	-	-	-	256,395
Administration	1,066,674	1,984,674	-	-	-	379,640	-	3,430,988
Debt Service	-	-	-	-	-	-	1,177,872	1,177,872
Total Expenditures	7,061,225	7,303,818	256,395	205,128	-	2,888,969	1,177,872	18,893,407
(Deficiency) Excess of Revenues Over Expenditures	(2,509,427)	(1,166,303)	(135,517)	-	456,549	263,328	-	(3,091,370)
Other Financing Sources (Uses)								
Transfers to Other Funds	-	-	-	-	(36,616)	-	-	(36,616)
Transfers from Other Funds	-	572,400	-	-	-	-	-	572,400
Total Other Financing Sources (Uses)	-	572,400	-	-	(36,616)	-	-	535,784
Net Change in Fund Balances	(2,509,427)	(593,903)	(135,517)	-	419,933	263,328	-	(2,555,586)
Fund Balances July 1, 2019	7,761,643	2,080,770	135,517	-	2,664,684	4,162,602	-	16,805,216
Fund Balances June 30, 2020	\$ 5,252,216	\$ 1,486,867	\$ -	\$ -	\$ 3,084,617	\$ 4,425,930	\$ -	\$ 14,249,630

REQUIRED REGULATORY SECTION

**BOONE COUNTY FISCAL COURT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2020**

Federal Grants/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Passed Through to Subrecipients	Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed-Through Department for Local Government</i>				
Community Development Block Grant / State's Program and Non-Entitlement Grants in Hawaii				
- Kentucky Recovery Grant - Brighton Center (Operating)	14.228	18-047	\$ 148,589	\$ 148,589
- Kentucky Recovery Grant - Brighton Center (Operating)	14.228	19-053	56,539	56,539
- Evergreen-Ridgeview Sanitary Sewer Project	14.228	17-041	-	960,000
Total U.S. Department of Housing and Urban Development			<u>205,128</u>	<u>1,165,128</u>
<u>U.S. Department of Justice</u>				
State Criminal Alien Assistance Program	16.606		-	15,972
<u>U.S. Environmental Protection Agency</u>				
<i>Passed-Through Department for Local Government</i>				
Performance Partnership Grants	66.605	PON2 129 1900003259	-	277,279
<u>U.S. Federal Emergency Management Agency</u>				
<i>Passed-Through State Department of Military Affairs</i>				
Emergency Management Performance Grants	97.042	PON2 095 080007930 1	-	43,240
<u>U.S. Department of Transportation</u>				
<i>Passed-Through Kentucky Transportation Cabinet</i>				
Highway Planning and Construction Cluster Highway Planning and Construction				
- Litton Lane	20.205	PO2-625-2000000767	-	116,676
- Longbranch Road	20.205	PO2-625-1400003185	-	574,290
- Multi-Use Path (KY18 to KY237)	20.205	PO2-628-1800000528	-	44,067
- State Route 237 Multi-Use Path	20.205	POX-625-1700003577	-	21,122
Total U.S. Department of Transportation			<u>-</u>	<u>756,155</u>
Total Expenditures of Federal Awards			<u>\$ 205,128</u>	<u>\$ 2,257,774</u>

**BOONE COUNTY FISCAL COURT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the County under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - BOONE COUNTY ASSISTED HOUSING DEPARTMENT

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Boone County Fiscal Court (the County) as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 28, 2022.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-003 and 2020-004 to be significant deficiencies.

Compliance and Other Matters

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

People of Kentucky
Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court
Page 2

Response to Findings

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

Purpose of this Report

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

VonLehman & Company Inc.

Fort Wright, Kentucky
September 28, 2022

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

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

Report on Compliance for Each Major Federal Program

We have audited Boone County Fiscal Court's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Boone County Fiscal Court's major federal programs for the year ended June 30, 2020. Boone County Fiscal Court's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Boone County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boone County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Community Development Block Grant and Performance Partnership Grants

As described in the accompanying schedule of findings and questioned costs, Boone County Fiscal Court did not comply with requirements regarding Community Development Block Grant [AL #14.228 and Pass-through Grantor #19-053] and Performance Partnership Grants [AL #66.605 and Pass-through Grantor #PON2 129 1900003259] as described in finding number 2020-004 Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for Boone County Fiscal Court to comply with the requirements applicable to those programs.

People of Kentucky
Honorable Andy Beshear, Governor
Holly M. Johnson, Secretary
Finance and Administration Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court
Page 2

Qualified Opinion on Community Development Block Grant and Performance Partnership Grants

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Boone County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-005, that we considered to be a material weakness.

Boone County Fiscal Court's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Boone County Fiscal Court's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

VonLehman & Company Inc.

Fort Wright, Kentucky
September 28, 2022

**BOONE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS	
Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major federal programs:	
• Material weakness(es) identified?	Yes
• Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for major programs:	Modified
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	Yes
Identification of major programs:	<ul style="list-style-type: none"> • Community Development Block Grant [Assistance Listing 14.228] • Performance Partnership Grants [Assistance Listing 66.605]
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**BOONE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020
(Continued)**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2020-001 Material Audit Adjustments

Criteria: The Governmental Accounting Standards Board (GASB) requires that governmental organizations employ or contract to have an individual that has the necessary skills, knowledge, and experience in order to report and understand governmental accounting.

Condition: As a result of current year auditing procedures, there were several material adjustments that were considered necessary to record during the current audit.

Cause: The County failed to provide proper oversight over year-end financial reporting, which resulted in materially misstated accounting records.

Effect: The County's books required audit adjustments to ensure their financial records were fairly stated in accordance with generally accepted accounting principles.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the County implement procedures to ensure the County has the skills, knowledge, and experience to report and understand governmental accounting.

Views of Responsible Officials and Planned Corrective Action: There were internal delays with completion of the audit work along with significant turnover in the Finance Department. The department is now fully staffed and this issue has been addressed.

Finding 2020-002 Preparation of the Schedule of Expenditures of Federal Awards

Criteria: The Uniform Guidance under section 200.508 requires the auditee to prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section 200.510.

Condition: During the reconciliation of the schedule of expenditures of federal awards to the general ledger, there were several errors noted with respect to amounts reported as well as programs reported.

Cause: Due to turnover in the accounting department, the County lacked the skills, knowledge, and experience in order to properly prepare the schedule of expenditures of Federal awards.

Effect: The schedule of expenditures of Federal awards was materially misstated and could result in programs not being properly tested.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the County designate an individual with the appropriate skills, knowledge, and experience to prepare the schedule of expenditures of Federal awards.

Views of Responsible Officials and Planned Corrective Action: The Finance Department is in the process of assigning the duties of a Grants Administrator to be a single point-of-contact for all award activity. This person will also prepare the SEFA.

**BOONE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020
(Continued)**

Finding 2020-003 Significant Deficiency Internal Controls Jail Canteen

Criteria: The County should have proper internal controls in place for the financial function of money and transactions within the Jail Canteen Fund.

Condition: During cash disbursements testing, for the Jail Canteen Fund, it was noted that the captain at the Jail has significant authority and overlapping duties regarding, approval of payments, invoicing, and signing of disbursements along with bank reconciliation authority. The captain also has the authority to make purchases with a credit card with no oversight.

Cause: The Court has not established proper internal controls and oversight for activity at the Jail Canteen.

Effect: There are not proper internal controls at the Jail Canteen and therefore could possibly lead to fraud or misstatements in financial reporting.

Repeat Finding: This is a repeat finding.

Recommendation: We recommend that the County review the activity performed at the Jail Canteen and ascertain what controls need to be implemented.

Views of Responsible Officials and Planned Corrective Action: The Fiscal Court is in agreement with the finding and will perform a review of the functions within the Jail Canteen Fund and implement any necessary changes for internal control purposes.

Finding 2020-004 County Employees Retirement System

Criteria: Creditable compensation includes all salary, wages, tips, fees, and qualified transportation expenses paid to all employees.

Condition: During testing of the census data reported to the Kentucky Public Pension Authority, 9 out of 35 employees had the incorrect wages reported.

Cause: The Court has not established proper internal controls and oversight for reporting wages to the Kentucky Public Pension Authority.

Effect: Wages reported could impact the benefits earned by the employees upon retirement.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the County review the reporting process to the Kentucky Public Pension Authority and ascertain what controls need to be implemented to ensure employee wages are accurate.

Views of Responsible Officials and Planned Corrective Action: The County will review its internal process to verify wage reports prior to submission to the state.

**BOONE COUNTY FISCAL COURT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020
(Continued)**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2020-005 Allowable Costs/Cost Principles

Federal Program: Community Development Block Grant [AL #14.228 and Pass-through Grantor #19-053] and Performance Partnership Grants [AL #66.605 and Pass-through Grantor #PON2 129 1900003259]

Criteria: Per CFR 200.403(f), in order to be allowable under Federal awards, costs must “not be included as a cost or used to meet cost sharing or matching requirements of any other federally-financed program in either the current or a prior period.”

Condition: For the fiscal year ended June 30, 2020, the Community Development Block Grant for the Ridgeview/Evergreen Sanitation Connection Project reported \$200,652 in expenditures that were also reported for reimbursement under the Performance Partnership Grant for the same project.

Cause: Multiple funding sources were received for the Ridgeview/Evergreen Sanitation Connection Project, which were being administered by different personnel. As such, there was no one reviewing to ensure expenses under the project were being submitted to the multiple funding sources.

Effect: The County reported the same expenditures under two Federal programs. As such, the costs are not considered allowable and are reported as questioned costs.

Context: Under current controls, there is no one designated with oversight of Federal awards to ensure expenditures are not reported for reimbursement under multiple programs.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend that the County designate an individual with oversight responsibility for all Federal award programs. This individual would be responsible for reviewing and approving expenditures to ensure they are only being reported once. The accounting system should be used to track expenditures that have been submitted for reimbursement to assist with this review. Additionally, this individual would be responsible for the preparation of the SEFA.

Views of Responsible Officials and Planned Corrective Action: The Finance Department is in the process of assigning the duties of a Grants Administrator to be a single point-of-contact for all award activity. This person will also prepare the SEFA.

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

SECTION I – FINANCIAL STATEMENT FINDINGS

Finding 2019-001 Significant Deficiency Internal Controls Jail Canteen

During cash disbursements testing, for the Jail Canteen Fund, it was noted that the captain at the Jail has significant authority and overlapping duties regarding, approval of payments, invoicing, and signing of disbursements along with bank reconciliation authority. The captain also has the authority to make purchases with a credit card with no oversight.

Status of Finding: This is a repeat finding in the current year as there were no changes made until March, 2022.

SECTION II – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

**BOONE COUNTY FISCAL COURT
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
FOR THE YEAR ENDED JUNE 30, 2020**

The Boone County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


County Judge Executive


County Treasurer