

**REPORT OF THE AUDIT OF THE
BOONE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2016**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT OF THE
BOONE COUNTY FISCAL COURT

June 30, 2016

The Auditor of Public Accounts has completed the audit of the Boone County Fiscal Court for fiscal year ended June 30, 2016.

We have issued unmodified opinions, based on our audit, on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Boone County, Kentucky.

Financial Condition:

The fiscal court had total net position of \$290,802,393 as of June 30, 2016. The fiscal court had unrestricted net position of \$19,706,222 in its governmental activities as of June 30, 2016, with total net position of \$293,089,977. In its business-type activities, total net cash and cash equivalents were \$952,725 with total net position of \$(2,287,584). The fiscal court had total debt principal as of June 30, 2016, of \$24,505,000 with \$2,895,000 due within the next year.

Deposits:

The fiscal court and component units' deposits were insured and collateralized by bank securities.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

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 Boone County, Kentucky, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Boone County, Kentucky's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Boone County Assisted Housing Department, which represents 17.75 percent, and 67.27 percent, respectively, of the assets and revenues of the business type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Boone County Assisted Housing Department, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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.



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Opinions

In our opinion, based on our audit and the report of the other auditor, 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, 2016, 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 (MD&A) on pages 5 to 16, Budgetary Comparison Schedules on pages 89 to 91, and pension information on pages 97 to 98 be presented to supplement the basic financial statements. Such information, although not a 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. Management did not include GASB 68-Accounting and Financial Reporting for Pensions and GASB 71-Pension Transition for Contributions Made Subsequent to the Measurement Date figures in the financial analysis within the MD&A, however, they did provide a reconciliation to the audited 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 presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and 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 the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2018, 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 of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

June 8, 2018

BOONE COUNTY OFFICIALS

For The Year Ended June 30, 2016

Fiscal Court Members:

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

Other Elected Officials:

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

Appointed Personnel:

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

**Boone County
Management's Discussion and Analysis
For the Year Ended June 30, 2016
Unaudited**

Management's Discussion and Analysis (MD&A) of the Boone County's (the county) financial performance provides a narrative overview and analysis of the county's financial activities for the fiscal year ended June 30, 2016. The MD&A does not include GASB 68 - Accounting and Financial Reporting for Pensions as Management believes the impact significantly distorts an operational discussion. Management provides a table at the end of its discussion to reconcile current year activities with the results; please read it in conjunction with the county's financial statements that begin on page 19.

Financial Highlights

- As of June 30, 2016, Boone County's net position was \$308,166,481, which is an increase of \$14,783,163 or 5.0 percent over the prior year. Total current assets of \$61,413,232 increased by \$7,994,891 or 15.0 percent and the non-current assets (including deferred outflows) increased by \$1,984,976 or 0.6 percent.
 - The \$7,994,891 increase in current assets is attributable to an increase in cash across most of the governmental funds as a result of strong revenues and focused spending. Growth in ending cash balances in the General, Mental Health, Self-Insurance, and Capital Improvement Funds account for approximately \$7.24 million of the overall increase.
 - Non-current assets (including deferred outflows) increased again this year by \$1,984,976 due to the net activity associated with the acceptance of new subdivision roads from local developers, along with an increase in the restricted cash balances associated with occupation/business license tax estimated and extension payments.
 - Total liabilities decreased \$4,803,302 or 9.8 percent when compared to the previous year as the County both elected to retire \$3.0 million in outstanding bonds from available cash funds and continues to make scheduled payments against the outstanding capital leases and bonds.
- Program revenues offset 38.3 percent of Boone County's governmental activity expenses, totaling \$51,007,620. These revenues consist of grants, contributions, and charges for services that the county collects to complement its use of tax revenue.
- Boone County's total indebtedness decreased by \$5,810,000. As of June 30, 2016, the county has \$24,505,000 of outstanding bonds, of which \$2,895,000 is due within one year.
- Through budgeted expenditures, grants and in-kind donations, the county capitalized \$5,202,654 in long lived assets during 2016. Significant additions include the following:
 - Construction was completed on a large fully condition restroom facility with concession stand in Central Park resulting in capitalization of approximately \$295,300 along with a local road extension connecting Limaburg Road and KY 237 for \$349,212.
 - The county continues to make progress on several infrastructure improvements relating to local roads and sidewalks for \$269,683. The county also purchased land that will be developed into additional parking and a public plaza for \$713,314.
 - Operating capital purchases included \$1,253,314 for first responders' equipment and technology law enforcement and first response equipment, \$109,594 for a conveyor system to aid in the storage of road salt for winter weather, \$138,000 for heavy equipment for use in Public Works, \$197,036 in light duty equipment for use in various other County departments, \$41,328 for feline housing at the Animal Shelter and \$49,888 to have both Boone Links and Lassing Pointe golf maintenance barns roofs re-shingled.

The county accepted new subdivision roads valued at \$1,526,726 from local developers.

**Boone County
Management's Discussion and Analysis
For the Year Ended June 30, 2016
Unaudited
(Continued)**

Overview of the Financial Statements

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

Government Wide Financial Statements

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

The primary government includes the following legal entity:

- Boone County Public Properties Corporation

The financial information of the county "as a whole" is reported in the two government wide financial statements (pages 19 through 23). One of the most important questions to ask is whether the county is in better financial shape as a result of the year's activities. The two government wide financial statements will help answer this question. These two statements report the county's net position and changes from the prior period. You can think of the county's net position – the difference between assets and liabilities – as one way to measure the county's financial health, or financial position. Over time, increases or decreases in the county's net position are one indicator of whether its financial health is improving or declining. You will need to consider other non-financial factors, however, such as changes in the county's property tax base and the condition of the roads and other infrastructure, to assess the overall health of the county.

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

- **Governmental Activities** - Most of the county's basic services are reported in this section, including police protection, roads and public works, parks, jail, emergency management, water rescue, building inspection, animal care and control, and social services. The internal service fund for Self-Insurance is also included in the governmental activities totals. Governmental activities also include the general administration of the county, all capital projects and mental health, intellectual disabilities and aging programs. These programs and services are funded 37.7 percent by program revenues which include charges for services and federal, state and local operating and capital grants. The Statement of Activities shows a positive change in net position of \$14,812,748. Revenues increased \$282,897 or 0.4 percent when compared to the previous year and the expenses increased by \$348,757 or 0.7 percent.
- **Business-Type Activities** - The county has the following 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 99.6 percent of service costs; only the Jail Canteen experienced an increase in its net position; however the Assisted Housing and Golf Course funds were able to absorb their respective decreases without assistance from other funds. The combined operations of all business-type activities resulted in a decline in net position of \$29,579.

**Boone County
Management's Discussion and Analysis
For the Year Ended June 30, 2016
Unaudited
(Continued)**

Fund Financial Statements

The fund financial statements (pages 26 through 35) focus on the individual funds of the county's government. These fund financial statements report the county's operations in more detail than the government wide statements by providing information on the county's most significant funds. The four funds deemed "major" are general, road and bridge, jail, and capital improvements funds.

- Governmental funds are used to report most of the county's basic services. These funds provide a short-term view of the county's operations. The county currently has ten governmental funds and adopts a budget for each except Public Properties, Self-Insurance and HRA accounts. These funds provide the reader with information to help determine whether there are more or fewer financial resources that can be spent in the near future to finance county programs. A 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 39 and 40.
- Proprietary funds are used to report operations the county treats as business-type activities. The focus is for these funds to be self-sufficient. The county charges either outside customers or other units of government for services reported in these funds. The county currently has three proprietary funds; Jail Canteen Fund, Assisted Housing Fund, and Golf Course Fund.
- The Self-Insurance and HRA Funds are combined and considered a Governmental Activity - Internal Service Fund and therefore combined in the governmental activities portion of the government wide statements.
- Fiduciary funds are used to account for assets held by the county in a trustee capacity or as an agent for another group or individual. Activities from these types of funds are not included in the government wide financial statements because the county cannot use the assets from the funds in daily operations. The county currently has four fiduciary funds; Jail Prisoners Cash Fund, School Board Tax Fund, Motor Vehicle Rental Tax Fund, and Flexible Spending Account.

Notes to the Financial Statements

The notes to the financial statements (pages 57 through 85) 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 89 through 91) for three major operating governmental funds provide information that supplements the government wide and fund financial statements.

**Boone County
Management's Discussion and Analysis
For the Year Ended June 30, 2016
Unaudited
(Continued)**

Required Supplementary Information

The budgetary comparison schedules (pages 89 through 91) for three major operating governmental funds provide information that supplements the government wide and fund financial statements.

Other required information includes the Condition Rating of the County's Street System. The Public Works Department is utilizing the modified approach 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 Fiscal Court through the budget process. The PCI is upgraded upon rehabilitation and by doing this the county fulfills the requirements of the modified approach. For more information relating to Condition Rating of the County's Street System, please see its more detailed report on pages 95 and 96.

Supplementary Information

The Combining Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds (pages 100 and 104) present the activities of the nonmajor governmental funds.

Basis of Accounting

The county has converted all financial information to the modified accrual basis of accounting as required by generally accepted accounting principles (GAAP). Under this basis of accounting, revenues are recorded when the resources are measurable and available and expenditures are recorded in the accounting period in which the related fund liability is incurred. In previous years, certain assets such as accounts receivable and certain liabilities such as accounts payable were not recorded in the financial statements, therefore limiting the reader of the full effect of the financial statements. The Boone County budget is adopted on a cash basis of accounting, which is required by the Kentucky Constitution. The schedule on pages 93 and 94 reconciles the actual results of the cash basis budget and the accrual basis fund statements.

**Boone County
Management's Discussion and Analysis
For the Year Ended June 30, 2016
Unaudited
(Continued)**

Financial Analysis of the County as a Whole

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

STATEMENTS OF NET POSITION

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY15</u>	<u>FY16</u>	<u>FY15</u>	<u>FY16</u>	<u>FY15</u>	<u>FY16</u>
Current Assets	\$ 52,299,905	\$ 60,335,884	\$ 1,118,436	\$ 1,077,348	\$ 53,418,341	\$ 61,413,232
Non-Current Assets	285,533,768	287,602,098	3,062,361	3,028,875	288,596,129	290,630,973
Total Assets	337,833,673	347,937,982	4,180,797	4,106,223	342,014,470	352,044,205
Deferred Outflows of Resources	353,796	303,928			353,796	303,928
Total Assets and Deferred Outflows of Resources	338,187,469	348,241,910	4,180,797	4,106,223	342,368,266	352,348,133
Current Liabilities	13,877,170	14,499,402	206,491	156,909	14,083,661	14,656,311
Long-Term Liabilities	29,834,921	24,454,382	5,066,372	5,070,959	34,901,293	29,525,341
Total Liabilities	43,712,091	38,953,784	5,272,863	5,227,868	48,984,954	44,181,652
Invested in Capital, Net	237,739,404	244,867,269	3,062,361	3,028,875	240,801,765	247,896,144
Multi-government Ins Fund	(483,443)	288,735			(483,443)	288,735
Social Services			26,380	24,210	26,380	24,210
PPP	3,582,197	3,645,702			3,582,197	3,645,702
Other Purposes	263,256	332,243	327,221	334,854	590,477	667,097
Other Capital Projects	13,324,357	18,871,872			13,324,357	18,871,872
Health and Welfare	1,949,046	2,555,436			1,949,046	2,555,436
Road	3,065,779	2,822,498			3,065,779	2,822,498
Unrestricted	35,034,782	35,904,371	(4,508,028)	(4,509,584)	30,526,754	31,394,787
Total Net Position	\$ 294,475,378	\$ 309,288,126	\$ (1,092,066)	\$ (1,121,645)	\$ 293,383,312	\$ 308,166,481

At June 30, 2016, the county's net position exceeded its liabilities by \$263,984,829, an increase of \$19,586,471 or 8.0 percent, over the prior year. The majority of the county's total assets (77.4 percent) are invested in capital assets which include land, buildings, infrastructure, equipment and vehicles. These assets are listed under the non-current assets section as capital and infrastructure assets. The unrestricted net position amount of \$31,602,097, an increase of \$1,075,343 or 3.5 percent, represents available funds the county may use to operate on a day-to-day basis to provide basic services, all operating expenses and any capital construction.

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

- In governmental activity, current assets increased by \$8,035,979 (15.4 percent), which is attributable to an increase in the cash balance of several major and minor funds.
- Total liabilities under governmental activities decreased by \$4,758,307 (10.9 percent), net of debt service activities (\$5,817,786) on outstanding bond obligations and an increase in net profit tax extension payables (\$976,408).
- Total assets decreased in the business activities by \$74,574 (1.8 percent) due to depreciation of \$116,243 on capital assets. The overall cash position of business activities decreased by approximately \$25,000.
- In the business activities, a decrease in net position of \$29,579 (2.7 percent) is attributable the Golf Course showing a net loss of approximately \$117,000.

**Boone County
Management's Discussion and Analysis
For the Year Ended June 30, 2016
Unaudited
(Continued)**

Financial Analysis of the County as a Whole (Continued)

STATEMENT OF ACTIVITIES

Revenues	Governmental Activities		Business Activities		Total	
	FY15	FY16	FY15	FY16	FY15	FY16
Program Revenues:						
Charges for Services	\$ 7,318,470	\$ 8,058,335	\$ 2,707,752	\$ 2,820,759	\$ 10,026,222	\$ 10,879,094
Operating Grants and Contributions	9,954,407	6,885,570	5,531,622	5,797,327	15,098,524	12,682,897
Capital Grants and Contributions	1,472,599	1,660,903			1,472,599	1,660,903
Program Revenues Funded	18,357,971	16,604,808	8,239,374	8,618,086	26,597,345	25,222,894
General Revenue:						
Taxes	41,078,613	45,233,752			41,078,613	45,233,752
License Fees and Permits	312,039	319,237			312,039	319,237
Excess Fees	2,458,045	1,445,412			2,458,045	1,445,412
Rental Income	205,104	302,544			205,104	302,544
Investment Earnings	146,784	245,244	3,098	3,957	149,882	249,201
Gain on Donated Roads/Land	2,886,066	1,526,726			2,886,066	1,526,726
Loss on Sale of Fixed Assets		(28,048)				(28,048)
Miscellaneous	92,849	170,693			92,849	170,693
Total Revenues	65,537,471	65,820,368	8,242,472	8,622,043	73,779,943	74,442,411
Expenses						
General Government/Administration	13,437,465	13,989,318			13,437,465	13,989,318
Protection to Persons and Property	22,664,954	23,182,762			22,664,954	23,182,762
General Health and Sanitation	1,773,096	1,810,572			1,773,096	1,810,572
Social Services	1,200,345	1,146,244			1,200,345	1,146,244
Recreation and Culture	2,339,295	2,388,228			2,339,295	2,388,228
Roads	8,134,129	7,450,419			8,134,129	7,450,419
Capital Improvements	151,720	120,918			151,720	120,918
Interest on Long-Term Debt	957,859	919,159			957,859	919,159
Jail Canteen Fund			484,257	540,994	484,257	540,994
Golf Course Fund			2,355,073	2,390,228	2,355,073	2,390,228
Assisted Housing Fund			5,598,194	5,720,400	5,598,194	5,720,400
Total Expenses	50,658,863	51,007,620	8,437,524	8,651,622	59,096,387	59,659,242
Change in Net Position	14,878,608	14,812,748	(195,052)	(29,579)	14,683,556	14,783,169
Net Position - Beginning Year	279,596,770	294,475,378	(897,014)	(1,092,066)	278,699,756	293,383,312
Net Position -Ending Year	\$ 294,475,378	\$309,288,126	\$ (1,092,066)	\$ (1,121,645)	\$ 293,383,312	\$ 308,166,481

**Boone County
Management's Discussion and Analysis
For the Year Ended June 30, 2016
Unaudited
(Continued)**

Financial Analysis of the County as a Whole (Continued)

For the year ended June 30, 2016, governmental activities net position totaled \$309,288,126, an increase of 5.0 percent over the previous fiscal year. Net position for business-type activities was (\$1,121,645), a decrease of 2.7 percent due to continuing decreases in the net position of the Golf Course Fund.

Total program revenues increased \$1,193,668 or 4.4 percent compared to the previous fiscal year. Revenue from all sources increased \$662,468 or 0.9 percent.

The county continues to maintain a very conservative approach to budgeting by eliminating most capital projects for which it cannot obtain grants or contributions to offset the cost and expenditures, hiring restrictions, and limiting discretionary spending. These conservative spending efforts have provided the county with adequate reserves and allowed for the investment in needed capital projects on roads, sidewalks and other infrastructure. Most capital improvements, other than regular maintenance of roads, were funded partially or fully by grants. Total expenditures increased by \$562,855 or 1.0 percent. Overall total revenues exceeded total expenditures, resulting in a positive change in net position of \$14,783,169.

Significant changes compared to the prior year are listed below:

- The county continues to see positive housing growth as developers donated \$1,526,726 in new subdivision streets and sidewalks and increase of \$1,359,340 over the prior year.
- Tax collections maintain their year over year growth, \$1,578,105 (3.8 percent) when compared to the prior year. This reflects an increase of approximately \$1,293,000 (6.9 percent) in occupational/payroll taxes. All other taxes remain comparable to prior year collections.
- Excess fees decreased \$1,012,633 (41.2 percent) as the prior year included a significant end of term payment from the county clerk's office that was atypical when compared to earlier periods.
- The business-type activity program revenues as a percentage of total expenditures were approximately 99.7 percent.

Program revenues for the governmental activities were 29.2 percent of total revenues received. This means that 29.2 percent 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 four major funds; General, Road and Bridge, Jail, and Capital Improvements. The county's governmental funds reflect a combined fund balance of \$64,339,432 of which approximately 42.7 percent 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 26 through 35. An increase in fund balance in the General Fund of \$1,538,045 from the previous year is related to the continuing net growth in tax collections and the focus on conservative budgeting and a policy to maintain a minimum 25.0 percent emergency reserve in the General Fund; along with additional reserves in all major funds.

**Boone County
Management's Discussion and Analysis
For the Year Ended June 30, 2016
Unaudited
(Continued)**

Financial Analysis of the County's Funds (Continued)

The county's proprietary funds' statements are shown on pages 43 through 51 with a total decrease in net position of \$29,579 for the enterprise funds from the prior fiscal year.

- The current year's Golf Course net operating loss was \$116,387. As mentioned earlier concerning governmental funds, the Golf Course also adopted a conservative budgeting approach taken by the county to eliminate most capital projects and expenditures, impose hiring restrictions, and limit discretionary spending with operating expenses. Operating expenses, without depreciation, increased by \$38,181 (1.7 percent) from the prior fiscal year. The primary cause of this year's increase was related to the general repair needs of the facility.
- The Jail Canteen Fund's net position increased with net income of \$7,633. This amount fluctuates from year to year depending on the expenditures taken from this account; however the fund is self-sufficient and does not require additional support.
- Assisted Housing Fund's net position increased by \$70,647 during the year. Revenues are up \$265,705 while expenses increased \$122,206.

The county has four fiduciary funds; School Board Tax Fund, Jail Prisoners Fund, Motor Vehicle Rental Tax Fund, and Flexible Spending Account, for which the statements are shown on page 55. 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 2016 although the county made various line item transfers within the budget to increase/decrease certain line items. Some transfers were inter-fund transfers and have no effect on the budget's bottom line. Throughout the year, general fund revenues collected were over budget by 5.5 percent, while reoccurring line item operating expenses were well below budget by 37.1 percent.

Capital Assets and Debt Administration

Capital Assets

At the end of the year ended June 30, 2016, the government activities of the county had \$269,539,037 invested in a broad range of capital assets, including land, roads, buildings, equipment and vehicles. As shown on the chart to follow, the amount represents a net increase (including additions, retirements and accumulated depreciation) of \$1,152,637 or 0.4 percent, on the governmental activities from the previous year. Due to the elimination of most capital purchases throughout the past couple of years, the governmental activities' increase in capital assets continues to be in the categories of construction in progress and roads. The increase in roads is a result of the county accepting additional roads donated from local developers of \$1,526,726.

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

**Boone County
Management's Discussion and Analysis
For the Year Ended June 30, 2016
Unaudited
(Continued)**

Capital Assets and Debt Administration (Continued)

Capital Assets (Continued)

STATEMENT OF CAPITAL ASSETS

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY15</u>	<u>FY16</u>	<u>FY15</u>	<u>FY16</u>	<u>FY15</u>	<u>FY16</u>
Land	\$ 11,825,020	\$ 11,825,020	\$2,396,478	\$2,396,478	\$ 14,221,498	\$ 14,221,498
Roads, Modified Approach (Not Depr.)	195,405,926	197,281,864			195,405,926	197,281,864
Roads	11,732	10,111			11,732	10,111
Land Improvements	6,401,520	5,974,446	86,329	81,792	6,487,849	6,056,238
Building and Improvements	46,780,183	45,613,154	506,799	495,683	47,286,982	46,108,837
Construction In Progress	461,662	1,412,071		2,000	461,662	1,414,071
Vehicles, Machinery and Equipment	6,935,463	6,987,306	72,755	40,727	7,008,218	7,028,033
Furniture and Office Equipment	564,894	435,065		12,195	564,894	447,260
	<u>\$ 268,386,400</u>	<u>\$ 269,539,037</u>	<u>\$ 3,062,361</u>	<u>\$ 3,028,875</u>	<u>\$ 271,448,761</u>	<u>\$ 272,567,912</u>

A more detailed breakdown of the capital assets and depreciation can be found in Note 6 of the Notes to the Financial Statements, pages 76 through 78.

Debt

As of June 30, 2016, the county had \$24,505,000 in outstanding bond obligations (not including premium or discount) versus \$30,265,000 last year, a decrease of 22.3 percent, as shown on the chart below. The primary reason this number has continued to decrease is due to the county not borrowing additional dollars to fund capital or special projects and to retire certain bonds early.

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY15</u>	<u>FY16</u>	<u>FY15</u>	<u>FY16</u>	<u>FY15</u>	<u>FY16</u>
General Obligation Bonds (backed by the County)	\$ 19,718,935	\$16,058,948	\$	\$	\$19,718,935	\$16,058,948
General Obligation Bonds (back by specific tax or fee)	2,026,065	941,052			2,026,065	941,052
Revenue Bonds and Notes (back by specific tax or fee revenues)	8,520,000	7,505,000			8,520,000	7,505,000
Compensated Absences	524,817	524,748	68,851	78,295	593,668	603,043
	<u>\$ 30,789,817</u>	<u>\$25,029,748</u>	<u>\$ 68,851</u>	<u>\$ 78,295</u>	<u>\$30,265,000</u>	<u>\$24,505,000</u>

The county's general obligation bond rating is Aa1, a rating that has been assigned by national rating agency, Moody's Rating Service. The Kentucky Revised Statutes provide that a county will not incur net indebtedness for all purposes that exceed an amount equal to two percent (2.0 percent) of the value of the taxable property within the county's limits. According to Boone County's 2015 assessment the maximum allowable indebtedness of the county is approximately \$269 million, which far exceeds the county's outstanding debt.

**Boone County
Management's Discussion and Analysis
For the Year Ended June 30, 2016
Unaudited
(Continued)**

Economic Factors and Next Year's Budget

During the current fiscal year the county's local economy showed continued signs of growth. In particular, revenue sources related to the housing industry improved for a second year; building permit activity, development inspection fees, and deed transfer tax (revenue originating from housing sales/transfers), combined, these sources increased 21.7 percent over the previous year. Revenue from payroll tax receipts, the county's single largest source of revenue, reflected growth of 6.9 percent over the previous fiscal year. Real and personal property tax revenues remain comparable to the prior period. State government continues to experience a decline in revenue which may translate, in part, to reductions in state aid for certain local government programs and services.

During the economic slowdown experienced in 2009 and 2010, the county developed and remains committed to a strategic budget process that is focused on controlling the size of the county workforce without reducing the quality or effectiveness of public services and carefully control discretionary spending, in lieu of seeking additional revenue. The trend lines of our local economy and operating budget suggest continuing growth and expansion of business activity for the foreseeable future. The budget development guidelines for future periods will continue to employ conservative forecasting and careful control of discretionary spending.

**Boone County
Management's Discussion and Analysis
For the Year Ended June 30, 2016
Unaudited
(Continued)**

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

	Governmental Activities			Business Activities			Total		
	Management's Statements	GASB 68 & 71 Adjustments	Audited Statements	Management's Statements	GASB 68 & 71 Adjustments	Audited Statements	Management's Statements	GASB 68 & 71 Adjustments	Audited Statements
Statement of Net Position									
Current Assets	\$ 52,299,905	\$	\$ 52,299,905	\$ 1,118,436	\$	\$ 1,118,436	\$ 53,418,341	\$	\$ 53,418,341
Non-Current Assets	285,533,768		285,533,768	3,062,361		3,062,361	288,596,129		288,596,129
Total Assets	337,833,673		337,833,673	4,180,797		4,180,797	342,014,470		342,014,470
Deferred Outflows of Resources	353,796	1,416,553	1,770,349		102,058	102,058	353,796	1,518,611	1,872,407
Total Assets and Deferred Outflows of Resources	338,187,469	1,416,553	339,604,022	4,180,797	102,058	4,282,855	342,368,266	1,518,611	343,886,877
Current Liabilities	13,877,170		13,877,170	206,491		206,491	14,083,661		14,083,661
Long-Term Liabilities	29,834,921	15,139,533	44,974,454	5,066,372	1,102,141	6,168,513	34,901,293	16,241,674	51,142,967
Total Liabilities	43,712,091	15,139,533	58,851,624	5,272,863	1,102,141	6,375,004	48,984,954	16,241,674	65,226,628
Deferred Inflows of Resources		1,637,253	1,637,253		123,026	123,026		1,760,279	1,760,279
Total Liabilities and Deferred Inflows of Resources	43,712,091	16,776,786	60,488,877	5,272,863	1,225,167	6,498,030	48,984,954	18,001,953	66,986,907
Total Net Position	\$ 294,475,378	\$ (15,360,233)	\$ 279,115,145	\$ (1,092,066)	\$ (1,123,109)	\$ (2,215,175)	\$ 293,383,312	\$ (16,483,342)	\$ 276,899,970
Statement of Activities									
Program Revenues	\$ 18,357,971	\$	\$ 18,357,971	\$ 8,239,374	\$	\$ 8,239,374	\$ 26,597,345	\$	\$ 26,597,345
General Revenues	47,179,500		47,179,500	3,098		3,098	47,182,598		47,182,598
Total Revenues	65,537,471		65,537,471	8,242,472		8,242,472	73,779,943		73,779,943
Expenses	50,658,863	1,249,826	51,908,689	8,437,524	86,476	8,524,000	59,096,387	1,336,302	60,432,689
Change in Net Position	14,878,608	(1,249,826)	13,628,782	(195,052)	(86,476)	(281,528)	14,683,556	(1,336,302)	13,347,254
Net Position - Beginning Year (As Restated)	279,596,770	(14,110,407)	265,486,363	(897,014)	(1,036,633)	(1,933,647)	278,699,756	(15,147,040)	263,552,716
Net Position -Ending Year	\$ 294,475,378	\$ (15,360,233)	\$ 279,115,145	\$ (1,092,066)	\$ (1,123,109)	\$ (2,215,175)	\$ 293,383,312	\$ (16,483,342)	\$ 276,899,970

**Boone County
Management's Discussion and Analysis
For the Year Ended June 30, 2016
Unaudited
(Continued)**

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

	Governmental Activities			Business Activities			Total		
	Management's Statements	GASB 68 & 71 Adjustments	Audited Statements	Management's Statements	GASB 68 & 71 Adjustments	Audited Statements	Management's Statements	GASB 68 & 71 Adjustments	Audited Statements
Statement of Net Position									
Current Assets	\$ 60,335,884	\$	\$ 60,335,884	\$ 1,077,348	\$	\$ 1,077,348	\$ 61,413,232	\$	\$ 61,413,232
Non-Current Assets	287,602,098		287,602,098	3,028,875		3,028,875	290,630,973		290,630,973
Total Assets	347,937,982		347,937,982	4,106,223		4,106,223	352,044,205		352,044,205
Deferred Outflows of Resources	303,928	4,144,281	4,448,209		284,839	284,839	303,928	4,429,120	4,733,048
Total Assets and Deferred Outflows of Resources	348,241,910	4,144,281	352,386,191	4,106,223	284,839	4,391,062	352,348,133	4,429,120	356,777,253
Current Liabilities	14,499,402		14,499,402	156,909		156,909	14,656,311		14,656,311
Long-Term Liabilities	24,454,382	20,331,300	44,785,682	5,070,959	1,450,032	6,520,991	29,525,341	21,781,332	51,306,673
Total Liabilities	38,953,784	20,331,300	59,285,084	5,227,868	1,450,032	6,677,900	44,181,652	21,781,332	65,962,984
Deferred Inflows of Resources		11,130	11,130		746	746		11,876	11,876
Total Liabilities and Deferred Inflows of Resources	38,953,784	20,342,430	59,296,214	5,227,868	1,450,778	6,678,646	44,181,652	21,793,208	65,974,860
Total Net Position	\$ 309,288,126	\$ (16,198,149)	\$ 293,089,977	\$ (1,121,645)	\$ (1,165,939)	\$ (2,287,584)	\$ 308,166,481	\$ (17,364,088)	\$ 290,802,393
Statement of Activities									
Program Revenues	\$ 16,604,808	\$	\$ 16,604,808	\$ 8,618,086	\$	\$ 8,618,086	\$ 25,222,894	\$	\$ 25,222,894
General Revenues	49,215,560		49,215,560	3,957		3,957	49,219,517		49,219,517
Total Revenues	65,820,368		65,820,368	8,622,043		8,622,043	74,442,411		74,442,411
Expenses	51,007,620	837,916	51,845,536	8,651,622	42,830	8,694,452	59,659,242	880,746	60,539,988
Change in Net Position	14,812,748	(837,916)	13,974,832	(29,579)	(42,830)	(72,409)	14,783,169	(880,746)	13,902,423
Net Position - Beginning Year	294,475,378	(15,360,233)	279,115,145	(1,092,066)	(1,123,109)	(2,215,175)	293,383,312	(16,483,342)	276,899,970
Net Position - Ending Year	\$ 309,288,126	\$ (16,198,149)	\$ 293,089,977	\$ (1,121,645)	\$ (1,165,939)	\$ (2,287,584)	\$ 308,166,481	\$ (17,364,088)	\$ 290,802,393

Requests for Information

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

**BOONE COUNTY
STATEMENT OF NET POSITION**

June 30, 2016

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**BOONE COUNTY
STATEMENT OF NET POSITION**

June 30, 2016

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets			
Cash and Cash Equivalents	\$ 48,549,252	\$ 889,607	\$ 49,438,859
Cash and Cash Equivalents-Restricted		63,118	63,118
Investments	1,055,874		1,055,874
Inventory		78,483	78,483
Accounts Receivable	10,487,083	46,140	10,533,223
Notes Receivable, Due Within One Year	243,675		243,675
Total Current Assets	60,335,884	1,077,348	61,413,232
Noncurrent Assets			
Capital Assets, Net of Accumulated Depreciation			
Land	11,825,020	2,396,478	14,221,498
Land Improvements	5,974,446	81,792	6,056,238
Buildings and Building Improvements	45,613,154	495,683	46,108,837
Furniture and Office Equipment	435,065	12,195	447,260
Vehicles and Equipment	6,987,306	40,727	7,028,033
Construction in Progress	1,412,071	2,000	1,414,071
Infrastructure Assets, Net of Accumulated Depreciation	197,291,975		197,291,975
Restricted Cash	9,430,309		9,430,309
Due from Boone County Golf Course	4,965,118		4,965,118
Notes Receivable, Due in More than One Year	3,667,634		3,667,634
Total Noncurrent Assets	287,602,098	3,028,875	290,630,973
Total Assets	347,937,982	4,106,223	352,044,205
Deferred Outflows of Resources			
Deferred Loss on Refundings, Net	303,928		303,928
Contributions After Measurement Date	4,144,281	284,839	4,429,120
Total Deferred Outflows of Resources	4,448,209	284,839	4,733,048
Total Assets and Deferred Outflows of Resources	\$ 352,386,191	\$ 4,391,062	\$ 356,777,253

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Current Liabilities			
Compensated Absences Payable, Due Within One Year	\$ 18,290	\$ 11,362	\$ 29,652
Bonds Payable, Due Within One Year	2,968,678		2,968,678
Accounts Payable	1,713,557	78,955	1,792,512
Accrued Payroll	241,376	26,913	268,289
Accrued Interest	207,310		207,310
Estimated Liability for Claims - HRA Accounts			
Due Within One Year	252,022		252,022
Accrued Other	9,098,169		9,098,169
Total Current Liabilities	\$ 14,499,402	\$ 117,230	\$ 14,616,632

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
STATEMENT OF NET POSITION
June 30, 2016
(Continued)

Liabilities and Deferred Inflows of Resources (Continued)

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Noncurrent Liabilities			
Compensated Absences Payable, Due in More Than One Year	\$ 506,458	\$ 66,933	\$ 573,391
Due to General Fund		4,815,118	4,815,118
Due to Capital Improvements		150,000	150,000
Bonds Payable, Due in More than One Year	22,007,018		22,007,018
Estimated Liability for Claims - HRA Accounts			
Due In More Than One Year	1,940,906		1,940,906
Accrued Other, Due in More Than One Year		78,587	78,587
Net Pension Liability	20,331,300	1,450,032	21,781,332
Total Noncurrent Liabilities	44,785,682	6,560,670	51,346,352
Total Liabilities	59,285,084	6,677,900	65,962,984
Deferred Inflows of Resources			
Net Difference Between Projected And Actual Investment Earnings	11,130	746	11,876
Total Liabilities and Deferred Inflows of Resources	\$ 59,296,214	\$ 6,678,646	\$ 65,974,860

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
Net Position			
Invested in Capital Assets, Net of Related Debt	\$ 244,867,269	\$ 3,028,875	\$ 247,896,144
Restricted for			
Multi-Government Self Insurance	288,735		288,735
Social Services		24,210	24,210
Protection of Persons and Property	3,645,702		3,645,702
Other Purposes	332,243	334,854	667,097
Other Capital Projects	18,871,872		18,871,872
Health and Welfare	2,555,436		2,555,436
Road Resurfacing and Maintenance	2,822,498		2,822,498
Unrestricted	19,706,222	(5,675,523)	14,030,699
Total Net Position	\$ 293,089,977	\$ (2,287,584)	\$ 290,802,393

The accompanying notes are an integral part of the financial statements.

**BOONE COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2016

**BOONE COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2016

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues Received</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
General Government	\$ 13,989,318	\$ 766,671	\$ 1,030,589	\$
Protection to Persons and Property	23,182,762	6,342,189	2,115,218	10,000
General Health and Sanitation	1,810,572	105,395	2,694,423	
Social Services	1,146,244	15,352	176,543	
Recreation and Culture	2,388,228	538,818	214,755	
Roads	7,450,419	346,318	3,231,031	
Capital Improvements	120,918		322,227	1,650,903
Pension Expense	837,916			
Interest on Long-Term Debt	919,159			
Total Governmental Activities	<u>51,845,536</u>	<u>8,114,743</u>	<u>9,784,786</u>	<u>1,660,903</u>
Business-Type Activities				
Jail Canteen Fund	540,994	547,530		
Golf Course Fund	2,390,228	2,273,229		
Assisted Housing	5,720,400		5,797,327	
Pension Expense	42,830			
Total Business-Type Activities	<u>8,694,452</u>	<u>2,820,759</u>	<u>5,797,327</u>	
Total Primary Government	<u>\$ 60,539,988</u>	<u>\$ 10,935,502</u>	<u>\$ 15,582,113</u>	<u>\$ 1,660,903</u>

General Revenues

Taxes
Property Taxes
Occupational Taxes
Franchise Fees
License Fees and Permits
Excess Fees
Rental/Income
Unrestricted Investment Earnings
Donated Assets
Loss on Sale of Capital Assets
Miscellaneous Revenues

Total General Revenues

Change in Net Position

Net Position July 1, 2015

Net Position June 30, 2016

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2016
(Continued)

Net (Disbursements) Receipts and Changes in Net Assets		
Primary Government		
Governmental Activities	Business- Type Activities	Total
\$ (12,192,058)	\$	\$ (12,192,058)
(14,715,355)		(14,715,355)
989,246		989,246
(954,349)		(954,349)
(1,634,655)		(1,634,655)
(3,873,070)		(3,873,070)
1,852,212		1,852,212
(837,916)		(837,916)
(919,159)		(919,159)
<u>(32,285,104)</u>		<u>(32,285,104)</u>
	6,536	6,536
	(116,999)	(116,999)
	76,927	76,927
	<u>(42,830)</u>	<u>(42,830)</u>
	<u>(76,366)</u>	<u>(76,366)</u>
<u>(32,285,104)</u>	<u>(76,366)</u>	<u>(32,361,470)</u>
15,581,579		15,581,579
25,828,691		25,828,691
924,266		924,266
319,237		319,237
1,445,412		1,445,412
259,282		259,282
245,244	3,957	249,201
1,526,726		1,526,726
(28,048)		(28,048)
<u>157,547</u>		<u>157,547</u>
<u>46,259,936</u>	<u>3,957</u>	<u>46,263,893</u>
13,974,832	(72,409)	13,902,423
<u>279,115,145</u>	<u>(2,215,175)</u>	<u>276,899,970</u>
<u>\$ 293,089,977</u>	<u>\$ (2,287,584)</u>	<u>\$ 290,802,393</u>

The accompanying notes are an integral part of the financial statements.

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**BOONE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2016

**BOONE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS**

June 30, 2016

	Major Funds			
	General Fund	Road and Bridge Fund	Jail Fund	Capital Improvements Fund
Assets				
Cash and Cash Equivalents	\$ 19,042,341	\$ 2,677,896	\$ 747,145	\$ 16,919,334
Investments	1,055,874			
Notes Receivable	3,049,785			861,524
Accounts Receivable	8,526,425	398,666	459,196	244,540
Due from Boone County Golf Course	4,815,118			150,000
Restricted Cash	9,430,309			
Total Assets	\$ 45,919,852	\$ 3,076,562	\$ 1,206,341	\$ 18,175,398
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 942,591	\$ 107,351	\$ 79,797	\$ 65,705
Accrued Payroll	112,925	40,047	50,107	
Compensated Absences Payable	250,120	106,666	79,631	
Net Profit Tax Extension Payable	9,098,169			
Total Liabilities	\$ 10,403,805	\$ 254,064	\$ 209,535	\$ 65,705
Fund Balances				
Non Spendable				
Notes Receivable Long-Term	\$ 7,704,978	\$	\$	\$ 930,274
Restricted				
Other Capital Projects				
Other Purposes	332,140			
Protection of Persons and Property				
Committed				
Health and Welfare				
Assigned				
Other Capital Projects				17,179,419
Protection of Persons and Property			996,806	
Road Resurfacing and Maintenance		2,822,498		
Unassigned	27,478,929			
Total Fund Balances	\$ 35,516,047	\$ 2,822,498	\$ 996,806	\$ 18,109,693
Total Liabilities and Fund Balances	\$ 45,919,852	\$ 3,076,562	\$ 1,206,341	\$ 18,175,398

The accompanying notes are an integral part of the financial statements.

Boone COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016
(Continued)

Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,368,308	\$ 45,755,024
	1,055,874
	3,911,309
858,256	10,487,083
	4,965,118
	9,430,309
<u>\$ 7,226,564</u>	<u>\$ 75,604,717</u>
\$ 205,548	\$ 1,400,992
38,297	241,376
88,331	524,748
	9,098,169
<u>\$ 332,176</u>	<u>\$ 11,265,285</u>
\$	\$ 8,635,252
1,689,953	1,689,953
103	332,243
2,648,896	2,648,896
2,555,436	2,555,436
	17,179,419
	996,806
	2,822,498
	27,478,929
<u>\$ 6,894,388</u>	<u>\$ 64,339,432</u>
<u>\$ 7,226,564</u>	<u>\$ 75,604,717</u>

The accompanying notes are an integral part of the financial statements.

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**BOONE COUNTY
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION**

June 30, 2016

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BOONE COUNTY
RECONCILIATION OF THE BALANCE SHEET-
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

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

Total Fund Balance - Governmental Funds	\$	64,339,432
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	\$ 311,669,096	
Accumulated Depreciation	<u>(42,130,059)</u>	269,539,037
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.		
		288,735
Deferred loss on refunding, net is not a financial resource and therefore is not reported as assets in governmental funds.		
		303,928
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:		
Contributions After Measurement Date		4,144,281
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		(11,130)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Accrued Interest on Bonds	207,310	
Discounts on Bonds, Net	(38,247)	
Premiums on Bonds, Net	508,943	
Bonds, Notes and Lease Principal Payments, Due within One Year	2,895,000	
Bonds, Notes and Lease Principal Payments, Due in More than One Year	21,610,000	
Net Pension Liability	<u>20,331,300</u>	<u>(45,514,306)</u>
Total Net Position - Governmental Activities	\$	<u>293,089,977</u>

The accompanying notes are an integral part of the financial statements.

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BOONE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2016

BOONE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2016

	Major Funds			
	General Fund	Road and Bridge Fund	Jail Fund	Capital Improvements Fund
Revenues				
Taxes	\$ 41,239,211	\$	\$	\$
In Lieu Tax Payments	102,000			
Excess Fees	1,445,412			
Licenses and Permits	1,871,421	107,045		
Intergovernmental	2,123,854	3,025,254	4,788,607	394,750
Charges for Services	1,546,591	181,633	220,424	
Miscellaneous	563,299	208,647	209,387	10,580
Interest	176,993	8,519	2,260	42,799
Total Revenues	49,068,781	3,531,098	5,220,678	448,129
Expenditures				
General Government	4,449,926			111,978
Protection to Persons and Property	12,675,895		4,562,047	
General Health and Sanitation	639,120			
Social Services	115,799			
Recreation and Culture	2,247,074			
Roads		5,728,170		
Capital Projects				1,574,201
Administration	9,433,569	1,135,676	1,281,593	
Debt Service	5,122,091	410,533		91,883
Total Expenditures	34,683,474	7,274,379	5,843,640	1,778,062
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing (Uses) Sources	14,385,307	(3,743,281)	(622,962)	(1,329,933)
Other Financing (Uses) Sources				
Payment to Bond Escrow Agent	(5,051,230)			
Proceeds from the Issuance of Bonds	5,045,000			
Bond Premiums	108,268			
Transfers to Other Funds	(12,949,300)			
Transfers from Other Funds		3,500,000	450,000	6,219,300
Total Other Financing (Uses) Sources	(12,847,262)	3,500,000	450,000	6,219,300
Net Change in Fund Balances	1,538,045	(243,281)	(172,962)	4,889,367
Fund Balances July 1, 2015	33,978,002	3,065,779	1,169,768	13,220,326
Fund Balances June 30, 2016	\$ 35,516,047	\$ 2,822,498	\$ 996,806	\$ 18,109,693

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2016
(Continued)

Nonmajor Governmental Funds	Total Governmental Funds
\$ 4,274,581	\$ 45,513,792
	102,000
	1,445,412
	1,978,466
1,740,281	12,072,746
	1,948,648
23,469	1,015,382
14,673	245,244
<u>6,053,004</u>	<u>64,321,690</u>
	4,561,904
3,373,858	20,611,800
1,143,163	1,782,283
772,508	888,307
	2,247,074
106,287	5,834,457
	1,574,201
1,163,734	13,014,572
<u>1,164,608</u>	<u>6,789,115</u>
<u>7,724,158</u>	<u>57,303,713</u>
<u>(1,671,154)</u>	<u>7,017,977</u>
	(5,051,230)
	5,045,000
	108,268
	(12,949,300)
<u>2,780,000</u>	<u>12,949,300</u>
<u>2,780,000</u>	<u>102,038</u>
1,108,846	7,120,015
<u>5,785,542</u>	<u>57,219,417</u>
<u>\$ 6,894,388</u>	<u>\$ 64,339,432</u>

The accompanying notes are an integral part of the financial statements.

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**BOONE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2016

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BOONE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2016

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

Total Net Change in Fund Balances - Governmental Funds	\$	7,120,015
--	----	-----------

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense exceeded capital outlays in the period.

Depreciation Expense	\$	(3,939,032)	
Capital Outlays		3,592,991	(346,041)

The difference between the proceeds related to the sale of capital assets and the net book value of those assets disposed of during the year is shown as a loss on disposal of capital assets on the statement not reported in the governmental funds as the costs of these capital assets were reported as an expenditure at the time of acquisition.

(28,048)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Proceeds from issuance of long-term debt		(5,045,000)
Premium on refunding bonds		(108,268)

Repayment of bond and capital lease principal is an expenditure in the governmental funds but it reduces long-term liabilities in the statement of net assets, and does not affect the statement of activities.

10,805,000

Donated capital assets are not reported on the governmental fund statements. However, for governmental activities, these assets are reported on the statement of net assets.

1,526,726

BOONE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2016
(Continued)

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.

County Pension Contributions - June 30, 2015	\$ (1,416,553)	
County Pension Contributions - June 30, 2016	1,423,242	
Cost of Benefits Earned Net of Employee Contributions	<u>(844,605)</u>	\$ (837,916)

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.

116,186

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.

772,178

Total Change in Net Position - Governmental Activities

\$ 13,974,832

**BOONE COUNTY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS**

June 30, 2016

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BOONE COUNTY
STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2016

	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	\$ 334,854	\$ 501,610	\$ 53,143	\$ 889,607	\$ 2,794,228
Cash and Cash Equivalents- Restricted		63,118		63,118	
Inventory			78,483	78,483	
Accounts Receivable		46,140		46,140	
Total Current Assets	<u>334,854</u>	<u>610,868</u>	<u>131,626</u>	<u>1,077,348</u>	<u>2,794,228</u>
Noncurrent Assets					
Land			2,396,478	2,396,478	
Land Improvements			5,639,310	5,639,310	
Buildings and Building Improvements		137,418	2,299,376	2,436,794	
Vehicles, Machinery and Equipment		18,412	160,697	179,109	
Furniture and Office Equipment		168,195	942,470	1,110,665	
Construction in Progress			2,000	2,000	
Less Accumulated Depreciation		<u>324,025</u>	<u>11,440,331</u>	<u>11,764,356</u>	
		<u>205,901</u>	<u>8,529,580</u>	<u>8,735,481</u>	
Total Noncurrent Assets		<u>118,124</u>	<u>2,910,751</u>	<u>3,028,875</u>	
Total Assets	<u>334,854</u>	<u>728,992</u>	<u>3,042,377</u>	<u>4,106,223</u>	<u>2,794,228</u>
Deferred Outflows of Resources					
Deferred Outflows Related to Pension		104,137	180,702	284,839	
Total Assets and Deferred Outflows of Resources	<u>\$ 334,854</u>	<u>\$ 833,129</u>	<u>\$ 3,223,079</u>	<u>\$ 4,391,062</u>	<u>\$ 2,794,228</u>
Liabilities and Deferred Inflows of Resources					
Current Liabilities					
Compensated Absences Payable,					
Due Within One Year	\$	\$ 1,063	\$ 10,299	\$ 11,362	\$
Accounts Payable			78,955	78,955	312,565
Accrued Payroll		5,257	21,656	26,913	
Estimated Liability for Claims - HRA Accounts, Due Within One Year					<u>252,022</u>
Total Current Liabilities	<u>\$</u>	<u>\$ 6,320</u>	<u>\$ 110,910</u>	<u>\$ 117,230</u>	<u>\$ 564,587</u>

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
STATEMENT OF NET POSITION - PROPRIETARY FUND
June 30, 2016
(Continued)

	Business-Type Activities - Enterprise Funds				Governmental
	Jail Canteen	Assisted	Golf Course	Total	Activities -
	Fund	Housing	Fund		Internal
		Fund			Service Fund
					Self
					Insurance
					Fund
Noncurrent Liabilities					
Compensated Absences Payable,					
Due in More than One Year	\$	\$ 20,191	\$ 46,742	\$ 66,933	\$
Due to General Fund			4,815,118	4,815,118	
Due to Capital Improvements			150,000	150,000	
Estimated Liability for Claims - HRA Accounts,					
Due in More than One Year					1,940,906
Accrued Other - Noncurrent,					
Due in More than One Year		78,587		78,587	
Net Pension Liability		560,149	889,883	1,450,032	
Total Noncurrent Liabilities		658,927	5,901,743	6,560,670	1,940,906
Total Liabilities		665,247	6,012,653	6,677,900	2,505,493
Deferred Inflows of Resources					
Deferred Inflows Related to Pension		259	487	746	-
Total Liabilities and Deferred Inflows of Resources		\$ 665,506	\$ 6,013,140	\$ 6,678,646	\$ 2,505,493
Net Position					
Invested in Capital Assets, Net of Related Debt	\$	\$ 118,124	\$ 2,910,751	\$ 3,028,875	\$
Restricted for					
Social Services		24,210		24,210	
Other Purposes	334,854			334,854	
Multi-Governmental Self Insurance					288,735
Unrestricted		25,289	(5,700,812)	(5,675,523)	
Total Net Position	\$ 334,854	\$ 167,623	\$ (2,790,061)	\$ (2,287,584)	\$ 288,735

BOONE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS

For The Year Ended June 30, 2016

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BOONE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS

For The Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds				Governmental
	Jail Canteen	Assisted	Golf Course	Total	Activities -
	Fund	Housing	Fund		Internal
		Fund			Service Fund
					Self-
					Insurance
					Fund
Operating Revenues					
Governmental Grants	\$	\$ 5,749,732	\$	\$ 5,749,732	\$
Canteen Receipts	547,530			547,530	
Green Fees			1,194,996	1,194,996	
Power Cart Rentals			434,722	434,722	
Memberships			73,512	73,512	
Commission			41,422	41,422	
Pro Shop Sales and Pull Cart Rentals			139,534	139,534	
Food and Beverage			350,322	350,322	
Employer / Employee Contributions					5,518,038
Miscellaneous		47,595	38,721	86,316	
Total Operating Revenues	547,530	5,797,327	2,273,229	8,618,086	5,518,038
Operating Expenses					
Cost of Merchandise Sold	540,994		102,432	643,426	
Housing Assistance Payment		5,119,655		5,119,655	
Salaries and Wages			917,551	917,551	
Employee Benefits			279,209	279,209	
Contract Services			29,162	29,162	
Materials and Supplies			7,341	7,341	
Administration		528,688		528,688	
Golf Cart Lease			206,290	206,290	
Utilities			122,442	122,442	
Maintenance and Repairs			114,050	114,050	
Fertilizer and Chemicals			240,563	240,563	
Petroleum Products			48,248	48,248	
Uniforms			3,923	3,923	
Food and Beverage			154,327	154,327	
Depreciation		4,544	111,879	116,423	
Pension Expense		8,528	34,302	42,830	
Other Operating Expenses			52,811	52,811	
Insurance Claims					4,756,955
Tenant Services		63,680		63,680	
Insurance		3,833		3,833	
Total Operating Expenses	540,994	5,728,928	2,424,530	8,694,452	4,756,955
Operating Income (Loss)	6,536	68,399	(151,301)	(76,366)	761,083

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
For The Year Ended June 30, 2016
(Continued)

	Business-Type Activities - Enterprise Funds				Governmental
	Jail Canteen	Assisted	Golf Course	Total	Activities -
	Fund	Housing	Fund		Internal
		Fund			Service Fund
					Self
					Insurance
					Fund
Non-Operating Revenues					
Interest Income	\$ 1,097	\$ 2,248	\$ 612	\$ 3,957	\$ 11,095
Change in Net Position	7,633	70,647	(150,689)	(72,409)	772,178
Net Position July 1, 2015	<u>327,221</u>	<u>96,976</u>	<u>(2,639,372)</u>	<u>(2,215,175)</u>	<u>(483,443)</u>
Net Position June 30, 2016	<u>\$ 334,854</u>	<u>\$ 167,623</u>	<u>\$ (2,790,061)</u>	<u>\$ (2,287,584)</u>	<u>\$ 288,735</u>

The accompanying notes are an integral part of the financial statements.

**BOONE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

For The Year Ended June 30, 2016

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BOONE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For The Year Ended June 30, 2016

	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	\$ 547,530	\$	\$ 2,231,807	\$ 2,779,337	\$
Receipts from Commissions			41,422	41,422	
Receipts from Operating Grants		5,766,483		5,766,483	
Received From Other Sources		47,595		47,595	
Receipts from Employees/Intergovernmental					5,518,038
Payments to Suppliers	(540,994)		(1,082,240)	(1,623,234)	
Payments to Employees		(339,417)	(1,238,081)	(1,577,498)	
Payments for Administration and Tenant Services		(260,645)		(260,645)	
Payments for Housing Assistance Payments		(5,119,709)		(5,119,709)	
Payments for Claims					(4,790,224)
Net Cash Provided (Used) by Operating Activities	<u>6,536</u>	<u>94,307</u>	<u>(47,092)</u>	<u>53,751</u>	<u>727,814</u>
Cash Flows from Capital and Related Financing Activities					
Purchase of Capital Assets		(13,304)	(69,633)	(82,937)	
Cash Flows from Investing Activities					
Interest Income	<u>1,097</u>	<u>2,248</u>	<u>612</u>	<u>3,957</u>	<u>11,095</u>
Net Change in Cash	7,633	83,251	(116,113)	(25,230)	738,909
Cash and Cash Equivalents July 1, 2015	<u>327,221</u>	<u>481,477</u>	<u>169,256</u>	<u>977,955</u>	<u>2,055,319</u>
Cash and Cash Equivalents June 30, 2016	<u>334,854</u>	<u>564,728</u>	<u>53,143</u>	<u>952,725</u>	<u>2,794,228</u>
Reconciliation of Operating Income					
Net Cash Provided (Used) by Operating Activities					
Operating Income (Loss)	\$ 6,536	\$ 68,399	\$ (151,301)	\$ (76,366)	\$ 761,083
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Depreciation		4,544	111,879	116,423	
Change in Assets and Liabilities					
Accounts Receivable		15,016		15,016	
Inventory			842	842	
Deferred Outflows of Resources		(63,450)	(119,331)	(182,781)	
Accounts Payable			(1,493)	(1,493)	(19,155)
Estimated Liability for Claims - HRA					(14,114)
Accrued Payroll			(47,903)	(47,903)	
Compensated Absences Payable			6,582	6,582	
Net Pension Liability		120,765	227,126	347,891	
Deferred Inflows of Resources		(48,787)	(73,493)	(122,280)	
Increase (decrease) in liabilities					
Accrued Liabilities		(48,251)		(48,251)	
Deferred Liabilities		46,071		46,071	
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,536</u>	<u>\$ 94,307</u>	<u>\$ (47,092)</u>	<u>\$ 53,751</u>	<u>\$ 727,814</u>

The accompanying notes are an integral part of the financial statements.

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**BOONE COUNTY
STATEMENT OF NET POSITION - FIDUCIARY FUNDS**

June 30, 2016

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BOONE COUNTY
STATEMENT OF NET POSITION - FIDUCIARY FUNDS

June 30, 2016

	Agency Funds			
	School Board Tax Fund	Jail Prisoners Funds	Motor Vehicle Rental Tax Fund	Flexible Spending Account
Assets				
Cash and Cash Equivalents	\$ 954,961	\$ 299,307	\$ 92	\$ 36,471
Accounts Receivable	<u>3,961,497</u>		<u>483,026</u>	
Total Assets	4,916,458	299,307	483,118	36,471
Liabilities				
Accounts Payable and Accrued Liabilities	<u>4,916,458</u>	<u>299,307</u>	<u>483,118</u>	<u>36,471</u>
Net Position	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Additional-Boone County Constitutional Elected Officials:

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

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

Blended Component Unit

The following organization is shown as a 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 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.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Government Wide Statements (Continued)

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

The statement of net position presents the reporting entity's non-fiduciary assets and liabilities with the difference between the two shown as net position. Net position is reported in three categories:

- 1) Net investment in capital assets, consists of capital assets, net of accumulated depreciation and further reduced by debt net of cash balances, for debt related to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position results from constraints placed on net position by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position are those net position that do not meet the definition of restricted net position or invested in capital assets.

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 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. They 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.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The government reports the following major governmental funds:

General Fund

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

Road and Bridge Fund

This fund is for road and bridge construction and repair. The primary sources of revenue for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department of Local Development requires the county to maintain these receipts and expenditures separately from the general fund.

Jail Fund

The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal governments, other counties for housing prisoners, and transfers from the general fund. The Department of Local Development requires the fiscal court to maintain these receipts and expenditures separately from the general fund.

Capital Improvements Fund

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

Nonmajor Funds

The primary government also has the following nonmajor funds: Public Safety Communications Center, local government economic assistance fund (LGEA), federal grants fund, tax improvement fund, mental health fund, public properties fund, and Earl Parker Robinson fund.

Special Revenue Funds

The road and bridge fund, jail fund, Public Safety Communications Center, local government economic assistance fund, federal grants fund, tax improvement fund, mental health fund, and Earl Parker Robinson fund are Special Revenue Funds that account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund

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

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The government reports the following major proprietary funds:

Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1). The profits generated from the sale of items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer, the receipts and disbursements of the jail canteen fund.

Golf Course Fund

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

Assisted Housing Fund

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

Self-Insurance Fund

The fiscal court accounts for the health insurance of the county's employees through this fund.

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 percent motor vehicle rental tax placed on most car rental agencies by the 1995 Boone County Ordinance 430.8. These dollars are remitted to the Tri-County Economic Development less a 3 percent 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.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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

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

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

Property Taxes

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

Basis of Accounting

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

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

Legal Compliance-Budget

The county budget is adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky, as required by the State Local Finance Officer. The Boone County Judge/Executive is required to submit estimated receipts and proposed expenditures to the county by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the county by July 1.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Legal Compliance-Budget (Continued)

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 93 and 94 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 obligations of the United States and of its agencies and instrumentalities obligations and contracts for future delivery, or purchase of obligations backed the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC), or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Inventories

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

Capital Assets

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

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

All reported capital assets, except for land and roads, are depreciated. Improvements are depreciated over the estimated remaining useful lives of the related capital assets. The county has adopted the modified approach method in valuing their roads. They manage the roads using an asset management system and preserve the roads at or above a minimum condition level established by the county. Under the modified approach, expenditure (except for additions and improvements eligible to be capitalized) are expenses 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 using the following useful lives for both general capital assets and proprietary fund assets:

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

	Governmental Activities Estimated Lives
	<hr/>
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 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.

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, 2016.

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' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

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

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Equity

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

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

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

Related Organizations

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

NOTE 2. EMPLOYMENT RETIREMENT SYSTEM

General Information about the Pension Plan

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

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

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 2. EMPLOYMENT RETIREMENT SYSTEM (Continued)

Nonhazardous Plan:

Retirement eligibility for members whose participation began:

Before 09/01/2008				
Age	Years of Service	Allowance Reduction		
65	4	None		
Any	27	None		
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.		
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.		
On Or After 9/01/2008 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)		
On or After 1/01/2014				
Age	Years of Service	Allowance Reduction		
65	5	None		
57	Rule of 87	None		
Benefit Formula				
Final Compensation	x	Benefit Factor	x	Years of Service
Average of the five highest if participation began before 9/1/2008	2.20%	Member begins participating prior to 8/1/2004		Includes earned service purchased service, prior service, and sick leave (if the member's employer participates in an approved sick leave program)
	2.20%	Member begins participating on or after 8/1/2004 and before 09/01/2008		
Average of the last complete five if participation began on or after 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 9/1/2008		

* **Service** (and **Benefit Factor**) : **10 years or less** (1.10%); **10-20 years** (1.30%); **20-26 years** (1.5%); **26-30 years** (1.75%)

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 2. EMPLOYMENT RETIREMENT SYSTEM (Continued)

Tier 3 member begins participating on or after January 1, 2014. Each year that a member is an active contributing member to the System, the member and the member's employer will contribute 5.00 percent and 4.00 percent of creditable compensation respectively into a hypothetical account. This hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4.00 percent. If the System's geometric average net investment return for the previous five years exceeds 4.00 percent, then the hypothetical account will be credited with an additional amount of interest equal to 75 percent of the amount of the return which exceeds 4.00 percent. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or annuitized into a single life annuity option.

Hazardous Plan:

Before 09/01/2008				
Age	Years of Service	Allowance Reduction		
55	5	None		
Any	20	None		
50	15	6.5% per year for first five years, and 4.5% for next five years before age 55 or 20 years of service.		
On Or After 9/01/2008 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		
On or After 1/01/2014				
Age	Years of Service	Allowance Reduction		
65	5	None		
57	25	None		
Benefit Formula				
Final Compensation	x	Benefit Factor	x	Years of Service
Average of the three highest if participation began before 9/1/2008	2.50% if	Member begins participating on or after 9/1/2008		Includes earned service purchased service, prior service, and sick leave (if the member's employer participates in an approved sick leave program)
Average of the three highest complete years if participation began on or after 9/1/2008	Increasing percent based on service at retirement* if	Member begins participating on or after 09/01/2008 but before 01/01/2014		

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

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 2. EMPLOYMENT RETIREMENT SYSTEM (Continued)

Tier 3 member begins participating on or after January 1, 2014. Each year that a member is an active contributing member to the System, the member and the member's employer will contribute 8.00 percent and 7.50 percent of the creditable compensation respectively into a hypothetical account. This hypothetical account will earn interest annually on both the member's and employer's contribution at a minimum rate of 4.00 percent. If the System's geometric average net investment return for the previous five years exceeds 4.00 percent, then the hypothetical account will be credited with an additional amount of interest equal to 75 percent of the amount of the return which exceeds 4.00 percent. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year. Upon retirement the hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the system as a lump sum or annuitized in a single life annuity option.

Nonhazardous and Hazardous Plans:

For post-retirement death benefits, if the member is receiving a monthly benefit based on at least four 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 percent for nonhazardous and 25 percent 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 percent for nonhazardous and 25 percent for hazardous of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

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

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

Contributions: For the fiscal years ended June 30, 2016 and 2015, plan members who began participating prior to September 1, 2008, were required to contribute 5 percent nonhazardous and 8 percent hazardous of their annual creditable compensation. These members were classified in the Tier 1 structure of benefits.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 2. EMPLOYMENT RETIREMENT SYSTEM (Continued)

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6 percent for nonhazardous and 9 percent for hazardous of their annual creditable compensation. The 1 percent was deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50 percent. 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 percent contribution to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These members were classified in the tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary month to their own account. Members contribute 5 percent nonhazardous and 8 percent hazardous of their annual creditable compensation and 1 percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit deposited to the member's account. A member's account is credited with a 4 percent nonhazardous and 7.5 percent hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

Participating employers were required to contribute at an actuarially determined rate for CERS pensions. Per KRS 78.545, normal contribution and pas service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium. The Board may amend contribution rates as of the first day of July of the second year biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the fiscal year ended June 30, 2016, participating employers contributed 17.06 percent (12.42 percent pension fund and 4.64 percent insurance fund) for the nonhazardous system and 32.95 percent (20.26 percent pension fund and 12.69 percent insurance fund) for the hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years were a percentage of each employee's creditable compensation. Contributions to the pension plan (excluding the insurance portion) from the county were \$1,557,371 (not including the insurance portion) for the year ended June 30, 2016.

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

At June 30, 2016, the county reported a liability of \$21,781,332 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The county's proportion of the net pension liability was based on the county's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2016, the county's proportion for the nonhazardous system was 0.377834 percent and for the hazardous system was 0.360644 percent.

Change of Benefit Terms: The following changes made by the Kentucky legislature and reflected in the valuation performed as of June 30, 2015, are listed below.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 2. EMPLOYMENT RETIREMENT SYSTEM (Continued)

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

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

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

For the year ended June 30, 2016, the county recognized pension expense of \$846,444. At June 30, 2016, 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
	<u> </u>	<u> </u>
Net difference between projected and actual earnings on pension plan investments	\$ 180,391	\$
Difference between expected and actual experience	255,247	
Changes of assumptions	2,116,561	
Changes in proportion and difference between employer contributions and proportionate share of contributions	319,550	11,876
Contributions after measurement date	<u>1,557,371</u>	
	<u>\$ 4,429,120</u>	<u>\$ 11,876</u>

The \$4,429,120 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, 2017. 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 Ended <u>June 30,</u>	
2017	\$ 983,451
2018	983,451
2019	639,618
2020	<u>253,354</u>
Total	<u>\$ 2,859,874</u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 2. EMPLOYMENT RETIREMENT SYSTEM (Continued)

Actuarial assumptions: The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008-June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	28 years
Asset Valuation Method	5-year Smoothed market
Inflation	3.25%
Salary Increase	4.00%, average, including inflation
Investment Rate of Return	7.50% Net of pension plan investment expense including inflation

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

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, at a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

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

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 2. EMPLOYMENT RETIREMENT SYSTEM (Continued)

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

Discount rate: The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 28 year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate determination does not use a municipal bond rate. The periods of projected benefit payments for all current plan members were projected through 2117.

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate: The following present's the county's proportionate share of the net pension liability using the discount rate of 7.50 percent, 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 one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.5%)</u>
Nonhazardous	\$20,738,847	\$ 16,245,063	\$12,396,545
Hazardous	7,086,608	5,536,269	4,255,379

Changes of assumptions: Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated. The changes are noted below.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 2. EMPLOYMENT RETIREMENT SYSTEM (Continued)

- 1) The assumed investment rate of return was decreased from 7.75 percent to 7.50 percent.
- 2) The assumed rate of inflation was reduced from 3.50 percent to 3.25 percent.
- 3) The assumed rate of wage inflation was reduced from 1.00 percent to 0.75 percent.
- 4) Payroll growth assumption was reduced from 4.50 percent to 4.00 percent.
- 5) The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50 percent for males and 30 percent for females).
- 6) For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2014 (setback one year for females). For disabled members, the R-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (setback three years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- 7) The assumed rates of Retirement, Withdrawal, and Disability were updated to more accurate reflect experience.

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.gov.

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240, 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, 2016, the county's deposits were fully insured or collateralized at a 100.00 percent 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.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

Interest Rate Risk

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

Credit Risk

The policy limits investments to the following:

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

Concentration of Credit Risk

The policy limits the concentration of credit risk as follows:

- The amount of money invested at any time by the county in bankers' acceptances, commercial paper, or bonds or certificates of indebtedness of Kentucky, shall not exceed 20 percent of the total amount of money invested by the county.
- The county shall not purchase any investment on a margin basis or through the use of any similar leveraging technique.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 3. DEPOSITS AND INVESTMENTS (Continued)

- With the exception of fully insured or fully collateralized investments, nor more that 10 percent 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 not 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, 2016, the county investments are neither insured nor registered, but are held by the county's counterparty in the county's name.

At June 30, 2016, the county's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Certificates of Deposit	\$ 943,565	Various	N/A
Money Market Funds	<u>112,309</u>	N/A	N/A
Total	<u><u>\$ 1,055,874</u></u>		

NOTE 4. NOTES RECEIVABLE

The Walton Fire Protection District has a lease/purchase agreement with county for the construction of a single level firehouse. Principal payments are due yearly with interest due semi-annually. The note matures in October 2018. The receivable balance on the lease/purchase agreement at June 30, 2016, is \$60,810 and the Walton Fire Protection District is in substantial compliance with the terms of the agreement.

The Boone County Water District has a lease/purchase agreement with the county for the construction of rural water lines. Principal payments are due yearly with interest due semi-annually. The note matures in August 2035. The receivables balance on the lease agreement at June 30, 2016, is \$1,983,578 and the Boone County Water District is in substantial compliance with the terms of the agreement.

The county has agreed to use a portion of the \$2,200,000 General Obligation Multi-Purpose Public Project Bond, Series 2006 to complete improvements to the Petersburg Fire Protection Firehouse and apparatus bays (the Project). The Petersburg Fire Protection District has determined to operate and maintain the Project and to make certain annual payments to the county. These annual payments equal Petersburg fire Protection District's portion of principal and interest due on these bonds. The receivables balance on the lease agreement at June 30, 2016, totaled \$1,005,397.

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 percent of one cent of their real property assessments will be sent to the county as payment on the note receivable. As of June 30, 2016, the note receivable balance was \$861,524. The note is expected to be paid off by June 2027.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 4. NOTES RECEIVABLE (Continued)

The remaining maturities on the notes are as follows:

Years Ending June 30,		
2017	\$	243,675
2018		251,250
2019		247,190
2020		242,070
2021		249,460
Thereafter		<u>2,677,664</u>
	<u>\$</u>	<u>3,911,309</u>

NOTE 5. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30, 2016:

	Governmental Activities	Business- Type Activities	Total
Taxes-Current	\$ 7,901,129	\$ 0	\$ 7,901,129
Taxes-Delinquent	9,177		9,177
Excess Fees	385,737		385,737
Charges for Service	40,910		40,910
Intergovernmental	1,799,661		1,799,661
License Fees	259,309		259,309
Miscellaneous	<u>91,160</u>	<u>46,140</u>	<u>137,300</u>
	<u>\$ 10,487,083</u>	<u>\$ 46,140</u>	<u>\$ 10,533,223</u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 6. CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2016, was as follows:

	Reporting Entity			Balance June 30, 2016
	Balance July 1, 2015	Additions	Deductions	
<u>Primary Government: Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 11,825,020	\$ 0	\$ 0	\$ 11,825,020
Roads	195,405,926	1,875,938		197,281,864
Construction In Progress	461,662	1,163,809	213,400	1,412,071
Total Capital Assets Not Being Depreciated	207,692,608	3,039,747	213,400	210,518,955
Depreciable Capital Assets				
Land Improvements	11,184,100			11,184,100
Buildings and Building Improvements	65,012,063	309,806		65,321,869
Equipment	12,378,214	994,932	18,500	13,354,646
Furniture and Office Equipment	1,905,023			1,905,023
Vehicles	8,900,040	988,632	589,072	9,299,600
Roads	84,903			84,903
Total Depreciable Capital Assets	99,464,343	2,293,370	607,572	101,150,141
Total Capital Assets at Historical Cost	307,156,951	5,333,117	820,972	311,669,096
Less Accumulated Depreciation For:				
Land Improvements	4,782,580	427,074		5,209,654
Buildings and Building Improvements	18,231,880	1,476,835		19,708,715
Equipment	7,555,803	1,204,760	17,500	8,743,063
Furniture and Office Equipment	1,340,129	129,829		1,469,958
Vehicles	6,786,988	698,913	562,024	6,923,877
Roads	73,171	1,621		74,792
Total Accumulated Depreciation	38,770,551	3,939,032	579,524	42,130,059
Total Capital Assets, Being Depreciated, Net	60,693,792	(1,645,662)	28,048	59,020,082
Governmental Activities Capital Assets, Net	\$ 268,386,400	\$ 1,394,085	\$ 241,448	\$ 269,539,037

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 6. CAPITAL ASSETS (Continued)

<u>Business-Type Activities:</u>	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Capital Assets Not Being Depreciated:				
Land	\$ 2,396,478	\$ 0	\$ 0	\$ 2,396,478
Construction In Progress		2,000		2,000
Total Capital Assets Not Being Depreciated	2,396,478	2,000		2,398,478
Depreciable Capital Assets				
Land Improvements	5,621,565	17,745		5,639,310
Buildings and Building Improvements	2,386,905	49,888		2,436,793
Furniture and Office Equipment	181,409	13,304		194,713
Vehicles, Machinery and Equipment	1,097,361		2,300	1,095,061
Totals at Historical Cost	9,287,240	80,937	2,300	9,365,877
Total Capital Assets at Historical Cost	11,683,718	82,937	2,300	11,764,355
Less Accumulated Depreciation For:				
Land Improvements	5,535,236	22,282		5,557,518
Buildings and Building Improvements	1,880,106	61,004		1,941,110
Furniture and Office Equipment	181,409	1,109		182,518
Vehicles, Machinery and Equipment	1,024,606	32,028	2,300	1,054,334
Total Accumulated Depreciation	8,621,357	116,423	2,300	8,735,480
Depreciable Capital Assets, Net	665,883	(35,486)		630,397
Business-Type Activities Capital Assets, Net	\$ 3,062,361	\$ (33,486)	\$ 0	\$ 3,028,875

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 6. CAPITAL ASSETS (Continued)

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

	Year Ended June 30, 2016
<u>Governmental Activities:</u>	
General Government	\$ 943,582
Protection to Persons and Property	1,957,012
General Health and Sanitation	33,849
Social Services	2,625
Recreation and Culture	232,716
Roads, Including Depreciation of General Infrastructure Assets	<u>769,248</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,939,032</u>
<u>Business-Type Activities</u>	
Golf Course	\$ 111,879
Assisted Housing	<u>4,544</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 116,423</u>

NOTE 7. ACCOUNTS PAYABLE

Accounts payable consists of the following at June 30, 2016:

	Governmental Activities	Business- Type Activities	Total
General Government	\$ 62,996	\$ 0	\$ 62,996
Protection to Persons and Property	481,799		481,799
General Health and Sanitation	53,129		53,129
Social Services	70,757	39,679	110,436
Recreation and Culture	58,756	78,955	137,711
Roads	98,125		98,125
Capital Projects	65,705		65,705
Administration	509,725		509,725
Insurance Claims	<u>312,565</u>		<u>312,565</u>
	<u>\$ 1,713,557</u>	<u>\$ 118,634</u>	<u>\$ 1,832,191</u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 8. LONG-TERM DEBT

The following is a summary of the county's long-term debt transactions for the year ended June 30, 2016

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 21,745,000	\$ 5,045,000	\$ 9,790,000	\$ 17,000,000	\$ 1,875,000
Special Revenue Bonds	8,520,000		1,015,000	7,505,000	1,020,000
Unamortized Premium	478,302	108,268	77,627	508,973	79,881
Unamortized Discount	(44,450)		(6,203)	(38,247)	(6,203)
Compensated Absences	524,817		69	524,748	18,290
Governmental Activities Long-term Liabilities	<u>\$ 31,223,669</u>	<u>\$ 5,153,268</u>	<u>\$ 10,876,493</u>	<u>\$ 25,500,474</u>	<u>\$ 2,986,968</u>
<u>Business-Type Activities</u>					
Financing Obligations	10,122		10,122		
Compensated Absences	65,851	12,444		78,295	11,362
Business-Type Activities Long-Term Liabilities	<u>75,973</u>	<u>12,444</u>	<u>10,122</u>	<u>78,295</u>	<u>11,362</u>

Series 2002 - General Fund

The county issued General Obligation Bonds for the purpose of installing a water system. The Series 2002, dated October 2, 2002, were issued at various interest rates ranging from a 3.50 percent to 4.50 percent and will be retired by August 1, 2027. Interest payments are due February 1st and August 1st with principal payments due August 1st of each year. The series was refinanced in the current fiscal year as part of the Series 2015 Refunding and fully retired on October 9, 2015.

Series 2003C - General Fund

The county issued General Obligation Bonds for the purposes of the construction of the Law Enforcement and Detention Center. The Series 2003C, dated October 2005, was issued at various interest rates ranging from 2.75 percent to 4.25 percent and will be retired by December 1, 2021. Interest payments are due by June 1st and December 1st with principal payments due December 1st of each year. The county elected to fully retire this series from available funds on December 1, 2015.

Series 2006 - General Fund

The county issued General Obligation Multi-Purpose Public Project Bonds for the purpose of financing a fire station, library, and community center in Petersburg, Kentucky. The Series 2006, dated March 1, 2006, were issued with an interest rate of 3.70 percent and will be retired by March 1, 2026. Interest payments are due by March 1st and September 1st, with principal payments due March 1st of each year. This series was refinanced in the current fiscal year as part of the Series 2015 Refunding and fully retired on March 1, 2016.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 8. LONG-TERM DEBT (Continued)

Series 2007 - Public Works and Capital Improvements Fund

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

Years Ending June 30	Scheduled Interest	Scheduled Principal
2017	\$ 165,390	\$ 335,000
2018	152,996	350,000
2019	140,046	360,000
2020	126,726	375,000
2021	112,850	390,000
2022-2026	336,705	2,175,000
2027	17,946	485,000
	<hr/>	<hr/>
Totals	<u>\$ 1,052,659</u>	<u>\$ 4,470,000</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 percent to 4.0 percent and will be retired on April 1, 2022. Interest payments are due by October 1st and April 1st with principal payments due April 1st each year. Principal payments are required and scheduled interests for the retirement of the bonds are as follows:

Years Ending June 30	Scheduled Interest	Scheduled Principal
2017	\$ 292,050	\$ 1,155,000
2018	257,400	1,190,000
2019	209,800	1,235,000
2020	160,400	1,285,000
2021	109,000	1,335,000
2022	55,600	1,390,000
	<hr/>	<hr/>
Totals	<u>\$ 1,084,250</u>	<u>\$ 7,590,000</u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 8. LONG-TERM DEBT (Continued)

Series 2015 - General Obligations 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 percent to 2.375 percent 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
2017	\$ 99,400	\$ 385,000
2018	91,650	390,000
2019	83,700	405,000
2020	75,550	410,000
2021	67,300	415,000
2022-2026	202,263	2,265,000
2027-2028	15,824	670,000
Totals	<u>\$ 635,687</u>	<u>\$ 4,940,000</u>

Special Revenue Bonds - Public Properties

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

Defeased Bond

Due to favorable interest rates, during fiscal year 2012, \$9,840,000 of Series 2011 First Mortgage Revenue Refunding Bonds were issued to refund \$9,110,000 of the county's previously issued and outstanding Series 2001 First Mortgage Revenue Refunding Bonds. The 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 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, 2016, are as follows:

Purpose	Interest Rate	Amount
2011 Justice Center Bonds	1.00% - 2.50%	<u>\$ 7,505,000</u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 8. LONG-TERM DEBT (Continued)

The minimum obligations at June 30, 2016, for debt service of these bonds are as follows:

Years Ending June 30	Scheduled Interest	Scheduled Principal
2017	\$ 132,464	\$ 1,020,000
2018	118,837	1,035,000
2019	101,670	1,045,000
2020	81,565	1,070,000
2021	59,283	1,090,000
2022-2023	48,096	2,245,000
Totals	<u>\$ 541,915</u>	<u>\$ 7,505,000</u>

Conduit Debt Obligations

The county has outstanding numerous bonds to provide financial assistance to both private 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, 2016, the outstanding principal on these bonds was \$429,044,777.

NOTE 9. OPERATING LEASES

The county owns various buildings throughout Boone County that are leased to organizations, accounted for under an operating lease. Three leases renew annually, one expiring in March 2019, one expiring in June 2020, one expiring in December 2020, one expiring in June 2022, one expiring in December 2023, one expiring July 2025, and one expiring in October 2025. Rental income for the fiscal year ended June 30, 2016, was \$216,089. The future minimum lease payments to be received are as follows:

Years Ending June 30	
2017	\$ 133,776
2018	139,896
2019	139,216
2020	131,185
2021	90,337
Thereafter	<u>252,328</u>
Total Minimum Lease Payments	<u>\$ 886,738</u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 9. 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 six long term leases expiring at various dates through August, 2030. The county may also rent equipment on an as-needed basis. Rental expense for the fiscal year ended June 30, 2016, was \$402,378. The future minimum lease payments are as follows:

Years Ending June 30	
2017	\$ 310,224
2018	257,330
2019	138,795
2020	83,984
2021	85,184
Thereafter	<u>708,856</u>
Total Minimum Lease Payments	<u>\$ 1,584,373</u>

NOTE 10. INSURANCE

For the fiscal year ended June 30, 2016, 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 basis nature of a self-insurance program is that of collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

NOTE 11. GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND

Self-Insurance Fund

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

The total liability of these HRA dollars at the fiscal year ended June 30, 2016, was \$2,505,493, which includes all departments on the plan (fiscal court, sheriff, county clerk, Soil Conservation District, and Planning Commission). In the statement of cash flows, the self-insurance fund shows a cash balance of \$2,794,228 in the account, but with the liability of the HRA account, the net position on June 30, 2016, is a positive \$288,735.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 11. GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUND (Continued)

In 2016, the county paid out 12.72 percent of total HRA liability, including the rolled over amounts from 2015 and 101.78 percent of that year's liability, with no rollover. Another 0.23 percent was forfeited, either through waiving the health plan or leaving employment. Through studies conducted, the Kentucky Government Block (employer's with similar HRA programs), the average amount of claims paid as a percentage of total liability is 18.64 percent with rollover amounts, and 50.74 percent without the rollover.

Cash Balance, Beginning of Year	\$ 2,055,319
Premiums Collected	5,518,038
Interest Earned	11,095
Claims Paid	<u>4,790,224</u>
Cash Balance, End of Year	<u>\$ 2,794,228</u>

NOTE 12. INTER-FUND TRANSACTIONS

The following is a list of inter-fund transactions as of June 30, 2016:

Total	General Fund	Road Fund	Jail Fund	Capital Improvements Fund	PSCC Fund
\$	\$ (3,500,000)	\$ 3,500,000	\$	\$	\$
	(450,000)		450,000		
	(2,780,000)				2,780,000
	<u>(6,219,300)</u>			<u>6,219,300</u>	
Total Transfer to Other Funds	<u>\$ (12,949,300)</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total Transfer from Other Funds	<u>\$ 12,949,300</u>	<u>\$ 3,500,000</u>	<u>\$ 450,000</u>	<u>\$ 6,219,300</u>	<u>\$ 2,780,000</u>

The purpose of inter-fund transactions is to move resources from the funds recording the revenue to the funds that will expend them.

NOTE 13. DEFERRED COMPENSATION

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

These deferred compensation plans permit 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.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

NOTE 13. DEFERRED COMPENSATION (Continued)

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 Here Road, Suite 1, Frankfort, KY 40601-8862 or by telephone at (502)573-7925.

NOTE 14. 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.

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BOONE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis

For The Year Ended June 30, 2016

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BOONE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis

For The Year Ended June 30, 2016

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 38,663,000	\$ 38,663,000	\$ 41,041,046	\$ 2,378,046
In Lieu Tax Payments	100,000	100,000	102,000	2,000
Excess Fees	1,425,400	1,425,400	1,153,115	(272,285)
Licenses and Permits	1,536,885	1,536,885	1,868,768	331,883
Intergovernmental	2,240,784	2,240,784	2,061,484	(179,300)
Charges for Services	850,690	850,690	856,731	6,041
Miscellaneous	988,285	988,285	1,163,467	175,182
Interest	96,500	96,500	179,991	83,491
Total Revenues	<u>45,901,544</u>	<u>45,901,544</u>	<u>48,426,602</u>	<u>2,525,058</u>
Expenditures				
General Government	5,041,285	5,075,730	4,501,158	574,572
Protection to Persons and Property	12,601,651	12,650,095	12,369,999	280,096
General Health and Sanitation	724,725	756,470	650,350	106,120
Social Services	131,000	131,000	120,367	10,633
Recreation and Culture	2,559,821	2,563,821	2,338,311	225,510
Debt Service	648,796	648,796	550,053	98,743
Administration	9,883,925	9,912,346	9,412,782	499,564
Reserve Balance	18,658,690	15,881,635	30,898	15,850,737
Total Expenditures	<u>50,249,893</u>	<u>47,619,893</u>	<u>29,973,918</u>	<u>17,645,975</u>
(Deficit) Excess of Revenues Over Expenditures	<u>(4,348,349)</u>	<u>(1,718,349)</u>	<u>18,452,684</u>	<u>20,171,033</u>
Other Financing (Uses) Sources				
Bond Principal Payments	(1,840,001)	(4,470,001)	(4,470,000)	1
Operating Transfers Out	(10,949,650)	(10,949,650)	(12,949,300)	(1,999,650)
Total Other Financing (Uses) Sources	<u>(12,789,651)</u>	<u>(15,419,651)</u>	<u>(17,419,300)</u>	<u>(1,999,649)</u>
(Deficit) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(17,138,000)</u>	<u>(17,138,000)</u>	<u>1,033,384</u>	<u>18,171,384</u>
Fund Balance July 1, 2015	<u>17,138,000</u>	<u>17,138,000</u>	<u>19,064,833</u>	<u>1,926,833</u>
Fund Balance June 30, 2016	<u>\$</u>	<u>\$</u>	<u>\$ 20,098,217</u>	<u>\$ 20,098,217</u>

BOONE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2016
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Licenses and Permits	\$ 50,000	\$ 50,000	\$ 110,077	\$ 60,077
Intergovernmental	2,494,668	2,494,668	2,962,365	467,697
Charges for Services	170,000	170,000	180,466	10,466
Miscellaneous	231,000	231,000	187,452	(43,548)
Interest	4,000	4,000	8,519	4,519
Total Revenues	<u>2,949,668</u>	<u>2,949,668</u>	<u>3,448,879</u>	<u>499,211</u>
Expenditures				
Roads	7,465,850	7,603,950	5,785,069	1,818,881
Debt Service	153,954	153,954	153,953	1
Administration	1,209,300	1,209,300	1,096,084	113,216
Reserve Balance	1,843,985	1,705,885	54,051	1,651,834
Total Expenditures	<u>10,673,089</u>	<u>10,673,089</u>	<u>7,089,157</u>	<u>3,583,932</u>
(Deficit) Excess of Revenues Over Expenditures	<u>(7,723,421)</u>	<u>(7,723,421)</u>	<u>(3,640,278)</u>	<u>4,083,143</u>
Other Financing (Uses) Sources				
Bond Principal Payment	(256,579)	(256,579)	(256,579)	
Operating Transfers In	6,000,000	6,000,000	3,500,000	(2,500,000)
Total Other Financing Sources (Uses)	<u>5,743,421</u>	<u>5,743,421</u>	<u>3,243,421</u>	<u>(2,500,000)</u>
(Deficit) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(1,980,000)</u>	<u>(1,980,000)</u>	<u>(396,857)</u>	<u>1,583,143</u>
Fund Balance July 1, 2015	<u>1,980,000</u>	<u>1,980,000</u>	<u>3,074,753</u>	<u>1,094,753</u>
Fund Balance June 30, 2016	<u>\$</u>	<u>\$</u>	<u>\$ 2,677,896</u>	<u>\$ 2,677,896</u>

BOONE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Budgetary Basis
For The Year Ended June 30, 2016
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental	\$ 4,593,500	\$ 4,593,500	\$ 4,685,328	\$ 91,828
Charges for Services	223,000	223,000	220,425	(2,575)
Miscellaneous	194,000	194,000	195,944	1,944
Interest	3,500	3,500	2,260	(1,240)
	<u>5,014,000</u>	<u>5,014,000</u>	<u>5,103,957</u>	<u>89,957</u>
Total Revenues				
	<u>5,014,000</u>	<u>5,014,000</u>	<u>5,103,957</u>	<u>89,957</u>
Expenditures				
Protection to Persons and Property	4,986,150	4,983,416	4,602,227	381,189
Administration	1,374,200	1,376,934	1,289,999	86,935
Reserve Balance	125,000	125,000	10,506	114,494
	<u>6,485,350</u>	<u>6,485,350</u>	<u>5,902,732</u>	<u>582,618</u>
Total Expenditures				
	<u>6,485,350</u>	<u>6,485,350</u>	<u>5,902,732</u>	<u>582,618</u>
(Deficit) Excess of Revenues Over Expenditures	(1,471,350)	(1,471,350)	(798,775)	672,575
Other Financing Sources				
Operating Transfers In	686,350	686,350	450,000	(236,350)
	<u>686,350</u>	<u>686,350</u>	<u>450,000</u>	<u>(236,350)</u>
Deficit of Revenues and Other Financing Sources Over Expenditures and Other Financing Sources	(785,000)	(785,000)	(348,775)	436,225
Fund Balance July 1, 2015	785,000	785,000	1,095,920	310,920
	<u>785,000</u>	<u>785,000</u>	<u>1,095,920</u>	<u>310,920</u>
Fund Balance June 30, 2016	\$ <u> </u>	\$ <u> </u>	\$ 747,145	\$ 747,145

BOONE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The Boone County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

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

Note 2. Budgetary Basis vs. GAAP

Accounting principles applied for purposes of developing data on budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles. A schedule reconciling the fund balance on a cash basis at June 30, 2016, to the fund balance on an accrual basis follows:

BOONE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016
Continued

Note 2. Budgetary Basis vs. GAAP (Continued)

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

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>
Revenues			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 48,426,602	\$ 3,448,879	\$ 5,103,957
Accounts Receivable June 30, 2015	(7,794,720)	(316,447)	(342,475)
Accounts Receivable June 30, 2016	8,526,425	398,666	459,196
Change in Note Receivable Balance	(90,054)		
Reclass of Reimbursements	<u>530</u>		
 Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	 <u>\$ 49,068,783</u>	 <u>\$ 3,531,098</u>	 <u>\$ 5,220,678</u>
Expenses			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 29,973,918	\$ 7,089,157	\$ 5,902,732
Accounts Payable June 30, 2015	(258,624)	(83,854)	(57,828)
Accounts Payable June 30, 2016	610,451	107,351	79,797
Accrued Payroll June 30, 2015	(337,703)	(121,569)	(133,120)
Accrued Payroll June 30, 2016	112,925	40,047	50,107
Compensated Absences Payable June 30, 2015	(240,181)	(119,998)	(77,679)
Compensated Absences Payable June 30, 2016	250,120	106,666	79,631
Bond Issuance Costs	102,038		
Reclass of Reimbursements	<u>530</u>		
 Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	 <u>\$ 30,213,474</u>	 <u>\$ 7,017,800</u>	 <u>\$ 5,843,640</u>

BOONE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016
Continued

Note 2. Budgetary Basis vs. GAAP (Continued)

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>
Other Financing (Uses) Sources			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ (17,419,300)	\$ 3,243,421	\$ 450,000
Payment to Bond Escrow Agent	(5,051,230)		
Proceeds from the Issuance of Bonds	5,045,000		
Bond Premiums	<u>108,268</u>		
Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	<u>\$ (17,317,262)</u>	<u>\$ 3,243,421</u>	<u>\$ 450,000</u>
Ending Balance			
Schedule of Revenues, Expenditures and Changes In Fund Balance Budget and Actual	\$ 20,098,217	\$ 2,677,896	\$ 747,145
Notes Receivable	3,049,785		
Accounts Receivable	8,526,425	398,666	459,196
Due from Boone County Golf Course	4,815,118		
Restricted Cash	9,430,309		
Accounts Payable	(942,591)	(107,351)	(79,797)
Accrued Payroll	(112,925)	(40,047)	(50,107)
Compensated Balances Payable	(250,120)	(106,666)	(79,631)
Net Profit Tax Extension Payable	(9,098,169)		
Rounding Adjustment	<u>(2)</u>		
Schedule of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	<u>\$ 35,516,047</u>	<u>\$ 2,822,498</u>	<u>\$ 996,806</u>

BOONE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016
Continued

Note 3. Infrastructure Assets Reported Using the Modified Approach

As allowed by GASB Statement 34, Basic Financial Statements – and Management’s Discussion & Analysis – for State and Local Governments, the Boone County Fiscal Court has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the Boone County Fiscal Court expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include 418.4 miles of roads that the Boone County Fiscal Court is responsible to maintain. In order to utilize the modified approach, the Boone County Fiscal Court is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate, each year, the annual amount to maintain and preserve the assets as the condition level established and disclosed by the Boone County Fiscal Court.
- Document that the assets are being preserved approximately at, or above, the established condition level.

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.

Under the newly adopted PCI standard, the county accepted the professional recommendations from Infrastructure Management System (IMS) to set the minimum total road system average of 65 or higher and backlog as a percentage of total lane miles to 10 percent or less.

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

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

BOONE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016
Continued

Note 3. Infrastructure Assets Reported Using the Modified Approach (Continued)

	Percentage of Lane-Miles in Good or Better Condition			
	2014	2013	2012	2011
	93%	92%	98%	97%
	Percentage of Lane-Miles in Substandard Condition			
	2014	2013	2012	2011
	7%	8%	2%	3%
	Comparison of Needed-to-Actual Maintenance/Preservation			
	2014	2013	2012	2011
Bridge				
Needed	\$ 270,000	\$	\$	\$
Actual	162,435			
Roads				
Needed	467,685	736,920	670,000	762,000
Actual	424,713	552,570	582,477	500,456
Subdivision				
Needed	1,870,712	2,947,690	2,680,000	2,048,000
Actual	1,698,853	2,214,280	2,329,906	2,001,824

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

BOONE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016
Continued

Note 4. Schedule of County Pension Contributions

	<u>2016</u>	<u>2015</u>
County's Proportion of the Net Pension Liability (Asset)- Non Hazardous	0.38%	0.38%
County's Proportion of the Net Pension Liability (Asset)- Hazardous	36.06%	0.33%
County's Proportionate Share of the Net Pension Liability (Asset)		
Non Hazardous	\$ 16,245,063	\$ 12,273,284
Hazardous	<u>5,536,269</u>	<u>3,968,390</u>
Total County's Proportionate Share of the Net Pension Liability (Asset)	<u>\$ 21,781,332</u>	<u>\$ 16,241,674</u>
County's Covered-Employee Payroll	\$ 11,001,641	\$ 10,935,677
County's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	197.98%	148.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability-Non Hazardous	59.97%	66.80%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability- Hazardous	57.52%	63.46%

BOONE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016
Continued

Note 4. Schedule of County Pension Contributions (Continued)

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

**BOONE COUNTY
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
Other Supplementary Information**

June 30, 2016

BOONE COUNTY
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

June 30, 2016

	Public Safety Communications Center	Local Government Economic Assistance Fund	Federal Grants Fund	Tax Improvement Fund
Assets				
Cash and Cash Equivalents	\$ 2,696,909	\$ 791	\$	\$ 1,267,021
Accounts Receivable	119,669		13,082	80,540
Total Assets	\$ 2,816,578	\$ 791	\$ 13,082	\$ 1,347,561
Liabilities and Fund Balances				
Balances Liabilities				
Accounts Payable	41,054	688	13,082	
Accrued Payroll	38,297			
Compensated Absences Payable	88,331			
Total Liabilities	167,682	688	13,082	
Fund Balances				
Restricted				
Other Capital Projects				1,347,561
Other Purposes		103		
Protection to Persons and Property	2,648,896			
Committed				
Health and Welfare				
Total Fund Balances	2,648,896	103		1,347,561
Total Liabilities and Fund Balances	\$ 2,816,578	\$ 791	\$ 13,082	\$ 1,347,561

BOONE COUNTY
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
Other Supplementary Information
June 30, 2016

<u>Mental Health Fund</u>	<u>Earl Parker Robinson Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 2,061,195	\$ 342,392	\$ 6,368,308
644,965		858,256
<u>\$ 2,706,160</u>	<u>\$ 342,392</u>	<u>\$ 7,226,564</u>
150,724		205,548
		38,297
		88,331
<u>150,724</u>		<u>332,176</u>
	342,392	1,689,953
		103
		2,648,896
<u>2,555,436</u>		<u>2,555,436</u>
<u>2,555,436</u>	<u>342,392</u>	<u>6,894,388</u>
<u>\$ 2,706,160</u>	<u>\$ 342,392</u>	<u>\$ 7,226,564</u>

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BOONE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2016

BOONE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

For The Year Ended June 30, 2016

	Public Safety Communications Center	Local Government Economic Assistance Fund	Federal Grants Fund	Tax Improvement Fund
Revenues				
Taxes	\$ 1,375,365	\$	\$	\$ 322,182
Intergovernmental	343,490	55,640	176,543	
Miscellaneous	8,117			
Interest	4,689	200		
	<u>1,731,661</u>	<u>55,840</u>	<u>176,543</u>	<u>327,203</u>
Total Revenues				
	<u>1,731,661</u>	<u>55,840</u>	<u>176,543</u>	<u>327,203</u>
Expenditures				
Protection to Persons and Property	3,373,858			
General Health and Sanitation				
Social Services			176,543	
Roads		101,187		5,100
Administration	908,422			
Debt Service				
	<u>4,282,280</u>	<u>101,187</u>	<u>176,543</u>	<u>5,100</u>
Total Expenditures				
	<u>4,282,280</u>	<u>101,187</u>	<u>176,543</u>	<u>5,100</u>
(Deficiency) Excess of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>(2,550,619)</u>	<u>(45,347)</u>		<u>317,082</u>
Other Financing Sources (Uses)				
Transfers from Other Funds	<u>2,780,000</u>			
Total Other Financing Sources (Uses)	<u>2,780,000</u>			
Net Change in Fund Balances	229,381	(45,347)		317,082
Fund Balances July 1, 2015	<u>2,419,515</u>	<u>45,450</u>		<u>1,030,479</u>
Fund Balances June 30, 2016	<u>\$ 2,648,896</u>	<u>\$ 103</u>	<u>\$ 0</u>	<u>\$ 1,347,561</u>

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information
For The Year Ended June 30, 2016
(Continued)

Mental Health Fund	Earl Parker Robinson Fund	Public Properties Fund	Total Nonmajor Governmental Funds
\$ 2,577,034	\$	\$	\$ 4,274,581
15,352		1,164,608	1,740,281
8,444	1,340		23,469
<u>2,600,830</u>	<u>1,340</u>	<u>1,164,608</u>	<u>6,053,004</u>
			3,373,858
1,143,163			1,143,163
595,965			772,508
255,312			106,287
		1,164,608	1,163,734
<u>1,994,440</u>	<u></u>	<u>149,608</u>	<u>1,164,608</u>
			7,724,158
<u>606,390</u>	<u>1,340</u>	<u>1,015,000</u>	<u>(1,671,154)</u>
			2,780,000
		(1,015,000)	2,780,000
606,390	1,340		1,108,846
<u>1,949,046</u>	<u>341,052</u>		<u>5,785,542</u>
<u>\$ 2,555,436</u>	<u>\$ 342,392</u>	<u>\$ 0</u>	<u>\$ 6,894,388</u>

The accompanying notes are an integral part of the financial statements.

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**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***

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

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*

Independent Auditor's Report

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Boone County Fiscal Court as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Boone County Fiscal Court's basic financial statements, and have issued our report thereon dated June 8, 2018. Our report includes a reference to another auditor who audited the financial statements of the Boone County Assisted Housing Department, as listed in our report on the Boone County Fiscal Court's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Boone County Fiscal Court'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 Boone County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Boone County Fiscal Court's internal control.

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

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



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*
(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

June 8, 2018

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

BOONE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2016**

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**BOONE COUNTY FISCAL COURT
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
FOR THE YEAR ENDED JUNE 30, 2016**

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