

**BOONE COUNTY, KENTUCKY
PUBLIC PROPERTIES CORPORATION
GOLF COURSE**

December 31, 2001

*FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT*

**BOONE COUNTY, KENTUCKY
PUBLIC PROPERTIES CORPORATION
GOLF COURSE
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Boone County, Kentucky
Public Properties Corporation
Golf Course
Burlington, Kentucky

We have audited the accompanying financial statements of Boone County, Kentucky Public Properties Corporation Golf Course (a component unit of the Boone County Fiscal Court) as of and for the year ended December 31, 2001. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boone County, Kentucky Public Properties Corporation Golf Course as of December 31, 2001 and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 7, 2002 on our consideration of the Boone County, Kentucky Public Properties Corporation Golf Course internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The financial statements of Boone County, Kentucky Public Properties Corporation Golf Course as of December 31, 2000, were audited by other auditors whose report dated January 12, 2001, expressed an unqualified opinion on those statements.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
February 7, 2002

**BOONE COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION GOLF COURSE
BALANCE SHEETS**

ASSETS

	December 31,	
	2001	2000
Current Assets		
Cash and Cash Equivalents	\$ 44,417	\$ 14,873
Accounts Receivable	-	5,814
Inventories	25,662	21,525
	70,079	42,212
Property and Equipment		
Property and Equipment	11,279,149	11,222,347
Accumulated Depreciation	(4,232,269)	(3,826,867)
	7,046,880	7,395,480
Other Assets		
Restricted Cash	1,101	1,066
Deferred Charges	836,650	909,933
	837,751	910,999
Total Assets	\$ 7,954,710	\$ 8,348,691

LIABILITIES AND EQUITY

Current Liabilities		
Accounts Payable	\$ 43,079	\$ 36,524
Accrued Payroll	12,414	10,686
Accrued Interest Payable	36,310	38,646
Compensated Absences Payable	57,517	39,679
Due to General Fund	250,000	-
Due to Public Properties	50,000	100,000
Bonds Payable-Current Portion	465,000	445,000
	914,320	670,535
Long-Term Liabilities		
Bonds Payable, Less Current Portion	5,965,000	6,430,000
	6,879,320	7,100,535
Equity		
Retained Earnings - Unrestricted	1,075,390	1,248,156
Total Liabilities and Fund Equity	\$ 7,954,710	\$ 8,348,691

See accompanying notes.

**BOONE COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION GOLF COURSE
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS**

	Years Ended December 31,	
	2001	2000
Operating Revenues		
Green Fees	\$ 1,624,855	\$ 1,634,243
Power Cart Rentals	609,851	619,741
Memberships	98,868	92,750
Commission	78,077	83,386
Pro Shop Sales and Pull Cart Rentals	133,562	148,171
Less Cost of Merchandise Sold	(89,289)	(116,227)
Miscellaneous	695	6,506
Total Operating Revenues	<u>2,456,619</u>	<u>2,468,570</u>
Operating Expenses		
Salaries and Wages - Pro Shop	352,974	342,788
Salaries and Wages - Grounds	554,966	504,629
Employee Benefits	208,915	187,949
Golf Cart Lease	145,579	143,547
Contracted Services	32,162	54,163
Utilities	100,476	91,974
Conferences and Training	7,112	5,656
Maintenance and Repairs	82,112	71,718
Supplies	14,897	20,977
Fertilizer and Chemicals	226,073	236,976
Petroleum Products	31,981	32,104
Uniforms	13,239	10,530
Dues and Memberships	2,726	1,689
Depreciation	432,776	435,588
Miscellaneous	51,212	40,869
Total Operating Expenses	<u>2,257,200</u>	<u>2,181,157</u>
Net Revenue From Operations	<u>199,419</u>	<u>287,413</u>
Non-Operating Revenues and (Expenses)		
Interest Income	7,932	16,426
Interest Expense	(380,117)	(397,700)
Total Non-Operating Revenues and (Expenses)	<u>(372,185)</u>	<u>(381,274)</u>
Net Loss	(172,766)	(93,861)
Retained Earnings, Beginning	<u>1,248,156</u>	<u>1,342,017</u>
Retained Earnings, Ending	<u>\$ 1,075,390</u>	<u>\$ 1,248,156</u>

See accompanying notes.

**BOONE COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION GOLF COURSE
STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2001	2000
Cash Flows From Operating Activities		
Operating Income	\$ 199,419	\$ 287,413
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	432,776	435,588
Loss on Disposal of Equipment	11,064	-
Changes In Assets and Liabilities		
Accounts Receivable	5,814	35,812
Inventory	(4,137)	21,431
Accounts Payable	6,555	3,314
Accrued Payroll	1,728	1,183
Accrued Interest Payable	(2,336)	(2,178)
Compensated Absences Payable	17,838	1,610
	668,721	784,173
Net Cash Provided by Operating Activities		
Cash Flows From Investing Activities		
Interest Received	7,932	16,426
	7,932	16,426
Net Cash Flows Provided by Investing Activities		
Cash Flows From Capital and Related Financing Activities		
Acquisition of Property and Equipment	(95,240)	(140,809)
Increase in Restricted Cash	(35)	(456)
Payment on Bonds Payable	(445,000)	(425,000)
Interest Paid on Bonds Payable	(306,834)	(324,417)
	(847,109)	(890,682)
Net Cash Used by Capital and Related Financing Activities		
Cash Flows for Non-Capital Financing Activities		
Proceeds from Other Funds	550,000	200,000
Payments to Other Funds	(350,000)	(100,000)
	200,000	100,000
Net Cash Provided by Non-Capital Financing Activities		
Net Change in Cash	29,544	9,917
Cash at Beginning of Period	14,873	4,956
Cash at End of Period	\$ 44,417	\$ 14,873

See accompanying notes.

**BOONE COUNTY, KENTUCKY
PUBLIC PROPERTIES CORPORATION
GOLF COURSE
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Boone County, Kentucky, Public Properties Corporation Golf Course is a component unit and operating division of the Boone County Fiscal Court.

The financial statements of the Boone County, Kentucky, Public Properties Corporation Golf Course have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applies to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the County are described below.

Basis of Accounting

The accounting records are maintained on a cash basis. However, the statements presented in this report are prepared on the accrual basis to properly reflect financial position and operating results.

Use of Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Golf Course.

Kentucky Revised Statute 66.480 authorizes the county to invest in obligations of the U.S. Treasury; in bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies; savings and loan associations insured by an agency of the government of the United States up to the amount so insured; interest-bearing deposits in state or national banks chartered in Kentucky and insured by an agency of the United States up to the amount so insured, and in larger amounts providing such bank pledges as security obligations equal to uninsured amounts.

Inventories

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

Property and Equipment

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method.

Maintenance and repairs are charged to operations when incurred. Significant betterments and renewals are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The useful lives of property and equipment for purposes of computing depreciation are:

Land Improvements	20	Years
Buildings	30	Years
Machinery and Equipment	7	Years

Compensated Absences

It is the County's policy to permit employees to accumulate unused sick leave. Unused vacation can also be accumulated up to certain limits. The cost of the unused vacation is accrued in the period it is earned. The cost of the unused sick leave is a contingent liability and is not accrued until all conditions of its payment are met. In addition, upon retirement under the Standard Sick Leave Program, employees will receive service credit for unused sick leave for up to six months to be used in determining the employee's retirement benefit.

Issuance Costs

Issuance costs are deferred and amortized over the term of the lease using the principal-outstanding method, which approximates the effective interest method. Issuance costs are recorded as deferred charges.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 2 – CASH AND CASH EQUIVALENTS

The Golf Course's deposits are entirely insured or collateralized with securities held by an agent of the Golf Course in the Golf Course's name.

For purposes of the cash flow statement, cash includes cash on hand and cash in unrestricted checking accounts.

Interest paid during 2001 and 2000 was \$380,117 and \$397,700, respectively.

The Golf Course had noncash financing and investing transactions as follows:

	December 31,	
	2001	2000
Amortization of Deferred Charges Charged to Interest Expense	\$ <u>73,283</u>	\$ <u>73,283</u>

BOONE COUNTY, KENTUCKY
PUBLIC PROPERTIES CORPORATION
GOLF COURSE

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment and the related depreciation is as follows:

	December 31,	
	2001	2000
Land	\$ 2,396,478	\$ 2,396,478
Buildings	2,249,488	2,249,488
Improvements	5,523,656	5,516,656
Machinery and Equipment	<u>1,109,527</u>	<u>1,059,725</u>
	11,279,149	11,222,347
 Less Accumulated Depreciation	 <u>4,232,269</u>	 <u>3,826,867</u>
 Total	 <u>\$ 7,046,880</u>	 <u>\$ 7,395,480</u>

NOTE 4 – BONDS PAYABLE

In June 1998, the Golf Course sold \$8,060,000 of its Revenue Refunding Bonds for the purpose of refunding in advance of maturity the Golf Course's outstanding Certificates of Participation dated April 1, 1992 in the principal amount of \$8,100,000.

The Series 1998 Bonds dated June 1, 1998, are scheduled to mature as follows:

Year	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2002	4.10%	\$ 465,000	\$ 290,480	\$ 755,480
2003	4.20%	490,000	270,717	760,717
2004	4.25%	515,000	249,647	764,647
2005	4.30%	535,000	227,245	762,245
2006	4.35%	560,000	203,705	763,703
2007-2013	4.40-4.80%	<u>\$3,865,000</u>	<u>\$ 652,500</u>	<u>\$4,517,500</u>
		<u>\$6,430,000</u>	<u>\$1,894,294</u>	<u>\$8,324,294</u>

Defeased Corporation Certificates of Participation

The Golf Course has irrevocably placed \$7,842,664 from the Series 1998 bond proceeds in trust to be used for satisfying scheduled payments of interest and principal. The defeased certificates of participation outstanding are as follows:

Year	Issue of 1992
2002	\$ 315,000
2003	340,000
2004	365,000
2005	390,000
2006	415,000
2007-2013	<u>4,570,000</u>
Totals	<u>\$6,395,000</u>

NOTE 5 – RETIREMENT PLAN

County Employees Retirement System (CERS)

Golf Course employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

For the year ended June 30, 2001, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2000, participating employers contributed 7.28% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2001 was 7.17% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution and the actual percentage contributed for the Golf Course for the current and previous three years is as follows:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
1999	\$38,649	100%
2000	\$42,239	100%
2001	\$42,323	100%

NOTE 6 – EQUIPMENT LEASE

The Golf Course leases 160 Club DS Gasoline Golf Carts on a 48 month lease ending March 1, 2003 at an annual rental of \$138,976. The original lessor was Ambassador Group, Inc., but the lease has been assigned to Dubois County Bank for collection and servicing. Principal provisions of the lease applicable to the lessee are:

1. Lessee will be responsible for all taxes, if any, on the leased equipment.
2. Equipment will be used in a careful and proper manner, and lessee at its sole expense and cost shall maintain the equipment in good repair, condition and working order.
3. Lessee is responsible for appropriate insurance coverage.
4. Lessee will be responsible for damage or destruction of equipment.

The following is a schedule of the future minimum lease payments required under this lease.

<u>Year</u>	<u>Amount</u>
2002	\$138,976



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

Board of Directors
Boone County, Kentucky
Public Properties Corporation
Golf Course
Burlington, Kentucky

We have audited the financial statements of the Boone County, Kentucky Public Properties Corporation Golf Course as of and for the year ended December 31, 2001, and have issued our report thereon dated February 7, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits combined in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Boone County, Kentucky Public Properties Corporation Golf Course's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boone County, Kentucky Public Properties Corporation Golf Course's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider being material weaknesses.

This report is intended for the information of management and the Kentucky Department of Local Government and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
February 7, 2002