

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

June 30, 2006

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

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

Judge Executive and Members of
Boone County Fiscal Court

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 years ended June 30, 2006 and 2005 as listed in the table of contents. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 June 30, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 3, 2007 on our consideration of Boone County, Kentucky Public Properties Corporation Golf Course's internal control over financial reporting and 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 on compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis on pages 1-4 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
September 3, 2007

**BOONE COUNTY, KENTUCKY
PUBLIC PROPERTIES CORPORATION GOLF COURSE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The County's Management Discussion and Analysis (MD&A) of Boone County, Kentucky Public Properties Corporation Golf Course's financial performance provides an overview of the Golf Course's financial activities for the fiscal year ending June 30, 2006. Please read it in conjunction with the County's fiscal year financial statements.

Financial Highlights

Operating revenues increased approximately \$54,000 or 2% during the year ended June 30, 2006 due to the increase in play on the courses compared to 2005. Operating expenses increased approximately \$56,000 or 3% due to an increase in utility expenses. Included in operating expenses is depreciation expense of \$403,150 and \$410,056 for the years ended June 30, 2006 and 2005, respectively.

As the bonds are maturing, interest expense is decreasing and a greater portion of the bond payments are reducing the principal balance of the bonds outstanding. The bonds mature in 2012.

The golf course is continuing to provide cash from operations. The receipts from the golf course operations have exceeded expenditures by \$72,000 and \$75,000 during the years ended June 30, 2006 and 2005, respectively. Cash has been used to make bond principal and interest payments and purchase equipment.

Overview of the Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the report on the Golf Course's basic financial statements.

Proprietary Funds

The County maintains an enterprise fund, which is used to report functions, presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Golf Course.

Net Assets

The following table reflects condensed information on the Golf Course's Net Assets:

Summary of Net Assets

| | June 30, | | Amount Change |
|----------------------------------|--------------|--------------|------------------|
| | 2006 | 2005 | |
| Current Cash and Inventory | \$ 482,893 | \$ 271,894 | \$ 210,999 |
| Capital Assets | 5,206,817 | 5,553,243 | (346,426) |
| Other Assets | 434,589 | 507,872 | (73,283) |
| Total Assets | \$ 6,124,299 | \$ 6,333,009 | \$ (208,710) |
| Long-Term Debt Outstanding | \$ 6,096,217 | \$ 6,149,439 | \$ (53,222) |
| Other Liabilities | 265,241 | 228,910 | 36,331 |
| Total Liabilities | 6,361,458 | 6,378,349 | (16,891) |
| Net Assets | | | |
| Invested in Capital Assets | 721,318 | 564,522 | 156,796 |
| Unrestricted | (958,477) | (609,862) | (348,615) |
| Total Liabilities and Net Assets | \$ 6,124,299 | \$ 6,333,009 | \$ (208,710) |

**BOONE COUNTY, KENTUCKY
PUBLIC PROPERTIES CORPORATION GOLF COURSE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

At June 30, 2006 the Golf Course had liabilities exceeding its assets by \$237,000. Capital assets consist of the land, buildings, equipment, and related golf course amenities (land architectural improvements, i.e. sand traps, lakes, cart paths, drainage and irrigation systems). Soft assets not included in the financial statements herein consist of the golf course reputation, personnel experience and course ratings.

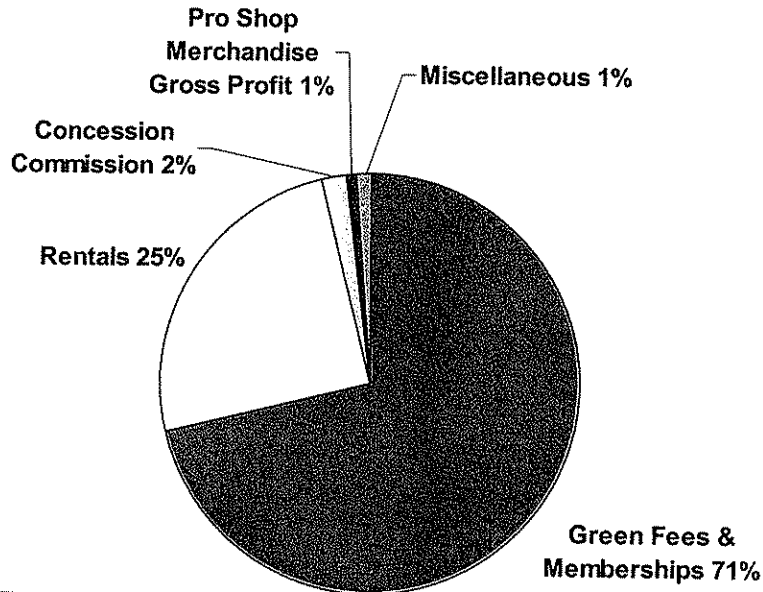
Summary of Changes in Net Assets

| | June 30, | | Amount Change | % |
|-----------------------------|---------------------|--------------------|---------------------|----------------|
| | 2006 | 2005 | | |
| Revenues | | | | |
| Pro Shop Gross Profit | \$ 34,432 | \$ 23,481 | \$ 10,951 | 46.6 |
| Greens Fees | 1,583,684 | 1,572,361 | 11,323 | 0.7 |
| Rentals | 589,029 | 566,095 | 22,934 | 4.1 |
| Memberships | 69,480 | 76,934 | (7,454) | (9.7) |
| Concession | 55,597 | 60,643 | (5,046) | (8.3) |
| Other | 11,695 | (9,408) | 21,103 | 224.3 |
| Interest Income | 8,556 | 7,589 | 967 | 12.7 |
| Gain on Sale of Equipment | 15,649 | - | 15,649 | 100.0 |
| Total Revenues | <u>2,368,122</u> | <u>2,297,695</u> | <u>70,427</u> | <u>3.1</u> |
| Expenses | | | | |
| Employee Benefits | 243,608 | 227,811 | 15,797 | 6.9 |
| Contract Services | 24,053 | 25,073 | (1,020) | (4.1) |
| Materials and Supplies | 13,754 | 8,585 | 5,169 | 60.2 |
| Golf Car Lease | 117,435 | 102,661 | 14,774 | 14.4 |
| Utilities | 204,262 | 144,123 | 60,139 | 41.7 |
| Maintenance and Repairs | 51,785 | 52,754 | (969) | (1.8) |
| Fertilizer and Chemicals | 231,975 | 232,994 | (1,019) | (0.4) |
| Petroleum Products | 54,934 | 37,524 | 17,410 | 46.4 |
| Uniforms | 7,773 | 7,831 | (58) | (0.7) |
| Depreciation | 403,150 | 410,056 | (6,906) | 1.7 |
| Payroll Expenses | 880,454 | 921,795 | (41,341) | (4.5) |
| Miscellaneous | 38,615 | 44,283 | (5,668) | (12.8) |
| Interest | 288,143 | 309,014 | (20,871) | (6.8) |
| Total Expenses | <u>2,559,941</u> | <u>2,524,504</u> | <u>35,437</u> | <u>1.4</u> |
| Change in Net Assets | (191,819) | (226,809) | 34,990 | 15.4 |
| Beginning Net Assets | <u>(45,340)</u> | <u>181,469</u> | <u>(226,809)</u> | <u>(125.0)</u> |
| Ending Net Assets | <u>\$ (237,159)</u> | <u>\$ (45,340)</u> | <u>\$ (191,819)</u> | <u>(423.1)</u> |

Operating revenues for the Golf Course for the year ended June 30, 2006 were \$2,343,917. Charges for Services, specifically green fees, were the largest component of revenues (68%). Rental for gas powered golf carts was the second largest revenue figure at 25%.

BOONE COUNTY, KENTUCKY
PUBLIC PROPERTIES CORPORATION GOLF COURSE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

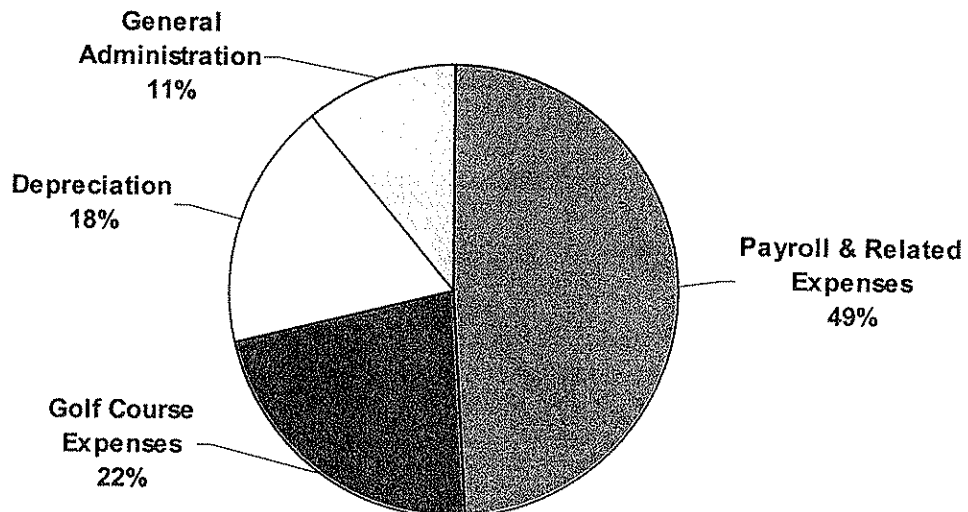
2006 Operating Revenue Distribution



Total Expenses of the Golf Course operations were \$2,271,798.

The greatest expense to the operation of the Golf Course after debt service was in the area of personnel at 49%.

2006 Operating Expense Distribution



**BOONE COUNTY, KENTUCKY
PUBLIC PROPERTIES CORPORATION GOLF COURSE
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

Capital Assets

At the end of fiscal year 2006, the Golf Course had \$5,206,817 net of accumulated depreciation invested in land, land improvements, buildings, and machinery and equipment. The following table shows fiscal year 2006 and 2005 balances:

| | June 30, | | Amount Change |
|-------------------------------|---------------------|---------------------|---------------------|
| | 2006 | 2005 | |
| Land | \$ 2,396,478 | \$ 2,396,478 | \$ - |
| Land Improvements | 5,523,656 | 5,523,656 | - |
| Buildings | 2,249,488 | 2,249,488 | - |
| Machinery and Equipment | <u>1,124,869</u> | <u>1,112,652</u> | <u>12,217</u> |
| | 11,294,491 | 11,282,274 | 12,217 |
| Less Accumulated Depreciation | <u>6,087,674</u> | <u>5,729,031</u> | <u>358,643</u> |
| Total | <u>\$ 5,206,817</u> | <u>\$ 5,553,243</u> | <u>\$ (346,426)</u> |

Current Conditions

The Golf Course is experiencing a good revenue year this year. January through July, 2007 revenues are up approximately \$140,000 over those from the same period of 2006. This is due in a large part to undertaking the food and beverage portion of the courses in 2007 representing \$184,000 in revenues offset by \$111,000 in expenses. Expenses are also up from those of 2006 by \$227,000; in addition to the \$111,000 above stated in food and beverage expenses the Golf Course had an increase in fringe benefit pay-out due to the retirement of the long time superintendent and the decision to buy-out all full time employees' accrued vacation pay exceeding 240 hours.

The courses are in reasonably good shape considering the draught experienced since the beginning of the year and the age of the buildings. The interior and exterior of the clubhouse was completely repainted at Lassing Pointe and while both clubhouses need some cosmetic upgrades, they are both in decent condition.

Golf rounds are down 5% at Boone Links (primarily due to the very mild January and February in 2006 and the very cold, wet weather in 2007). The rounds at Lassing Pointe, which does not open until the middle of March, are up 2.5%. While rounds are not where the Golf Course would like to see them, Boone County Golf Courses are fairing better than the average national regional golf course.

**BOONE COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION GOLF COURSE
STATEMENTS OF NET ASSETS**

ASSETS

| | June 30, | |
|------------------------------------|--------------|--------------|
| | 2006 | 2005 |
| Current Assets | | |
| Cash and Cash Equivalents | \$ 367,125 | \$ 154,052 |
| Inventory | 42,485 | 44,559 |
| Deferred Charges | 73,283 | 73,283 |
| Total Current Assets | 482,893 | 271,894 |
| Property and Equipment, Net | 5,206,817 | 5,553,243 |
| Non-Current Assets | | |
| Restricted Cash | 996 | 996 |
| Deferred Charges | 433,593 | 506,876 |
| Total Other Assets | 434,589 | 507,872 |
| Total Assets | \$ 6,124,299 | \$ 6,333,009 |

LIABILITIES AND NET ASSETS

| | | |
|--|--------------|--------------|
| Current Liabilities | | |
| Bonds Payable, Due Within One Year | \$ 560,000 | \$ 535,000 |
| Capital Lease Payable | 14,669 | 9,296 |
| Accounts Payable | 111,929 | 92,510 |
| Accrued Payroll | 14,735 | 13,632 |
| Accrued Interest Payable | 25,463 | 28,406 |
| Total Current Liabilities | 726,796 | 678,844 |
| Non-Current Liabilities | | |
| Compensated Absences Payable | 113,114 | 94,362 |
| Due to General Fund of Boone County, Ky Fiscal Court | 1,460,718 | 1,010,718 |
| Due to Public Properties | 150,000 | 150,000 |
| Capital Lease Payable, Due in More than One Year | 45,830 | 19,425 |
| Bonds Payable, Due in More than One Year | 3,865,000 | 4,425,000 |
| Total Non-current Liabilities | 5,634,662 | 5,699,505 |
| Total Liabilities | 6,361,458 | 6,378,349 |
| Net Assets | | |
| Invested in Capital Assets, Net | 721,318 | 564,522 |
| Unrestricted | (958,477) | (609,862) |
| Total Net Assets | (237,159) | (45,340) |
| Total Liabilities and Net Assets | \$ 6,124,299 | \$ 6,333,009 |

See accompanying notes.

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

| | Years Ended June 30, | |
|------------------------------------|----------------------|-------------|
| | 2006 | 2005 |
| Operating Revenues | | |
| Pro-Shop Sales | \$ 121,092 | \$ 120,737 |
| Less Cost of Sales | 86,660 | 97,256 |
| Pro-Shop Gross Profit | 34,432 | 23,481 |
| Green Fees | 1,583,684 | 1,572,361 |
| Rentals - Power Carts | 589,029 | 566,095 |
| Memberships | 69,480 | 76,934 |
| Commissions | 55,597 | 60,643 |
| Miscellaneous Income (Expense) | 11,695 | (9,408) |
| Total Operating Revenues | 2,343,917 | 2,290,106 |
| Operating Expenses | | |
| Employee Benefits | 243,608 | 227,811 |
| Contract Services | 24,053 | 25,073 |
| Materials and Supplies | 13,754 | 8,585 |
| Golf Cart Lease | 117,435 | 102,661 |
| Utilities | 204,262 | 144,123 |
| Maintenance and Repairs | 51,785 | 52,754 |
| Fertilizer and Chemicals | 231,975 | 232,994 |
| Petroleum Products | 54,934 | 37,524 |
| Uniforms | 7,773 | 7,831 |
| Depreciation | 403,150 | 410,056 |
| Payroll Expenses | 880,454 | 921,795 |
| Miscellaneous | 38,615 | 44,283 |
| Total Operating Expenses | 2,271,798 | 2,215,490 |
| Net Income From Operations | 72,119 | 74,616 |
| Other Income and (Expenses) | | |
| Interest Expense | (288,143) | (309,014) |
| Interest Income | 8,556 | 7,589 |
| Gain on Sale of Equipment | 15,649 | - |
| Total Other Expenses | (263,938) | (301,425) |
| Change in Net Assets | (191,819) | (226,809) |
| Net Assets, Beginning | (45,340) | 181,469 |
| Net Assets, Ending | \$ (237,159) | \$ (45,340) |

See accompanying notes.

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

| | Years Ended June 30, | |
|--|----------------------|--------------|
| | 2006 | 2005 |
| Cash Flows From Operating Activities | | |
| Receipts from Customers | \$ 2,309,485 | \$ 2,276,033 |
| Receipts from Commissions | 121,092 | 120,737 |
| Payments to Suppliers | (809,753) | (732,036) |
| Payments to Employees | (1,104,207) | (1,145,223) |
| | 516,617 | 519,511 |
| Cash Flows From Non Capital Financing Activities | | |
| Proceeds from Other Funds | 450,000 | 140,000 |
| Payments to Other Funds | - | (140,000) |
| | 450,000 | - |
| Cash Flows From Capital and Related Financing Activities | | |
| Proceeds on Sale of Capital Assets | 15,648 | - |
| Purchase of Capital Assets | (15,649) | (4,060) |
| Payments on Bond Obligations | (535,000) | (515,000) |
| Payments on Capital Lease Obligations | (9,296) | (10,675) |
| Interest Paid on Long - Term Debt | (217,803) | (238,531) |
| | (762,100) | (768,266) |
| Cash Flows From Investing Activities | | |
| Interest Income | 8,556 | 7,589 |
| | 213,073 | (241,166) |
| Cash at Beginning of Period | 154,052 | 395,218 |
| Cash at End of Period | \$ 367,125 | \$ 154,052 |
| | | |
| Reconciliation of Net Income from Operations to Net Cash Provided by Operating Activities | | |
| Operating Income | \$ 72,119 | \$ 74,616 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | |
| Depreciation | 403,150 | 410,056 |
| Changes In Assets and Liabilities | | |
| Inventory | 2,074 | 20,450 |
| Accounts Payable | 19,419 | 10,006 |
| Accrued Payroll | 1,103 | (4,588) |
| Compensated Absences Payable | 18,752 | 8,971 |
| | 516,617 | 519,511 |
| Net Cash Provided by Operating Activities | \$ 516,617 | \$ 519,511 |

See accompanying notes.

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

NOTE 1 – 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 it applies to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. 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 whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

All activities of the Golf Course are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Golf Course is determined by its measurement focus. The transactions of the Golf Course are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Operating revenues are shown for proprietary operations generally result from producing or providing goods and services. Operating expenses for these operations include all costs related to providing the service or product. These costs include salaries, supplies, travel, contract services, depreciation, administrative expenses or other expenses directly related to costs of services. All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Cash and Cash Flow Information

For purposes of cash flows, cash includes cash on hand, cash in checking accounts and cash in certificates of deposit.

Cash paid for interest in 2006 and 2005 was \$217,803 and \$238,531, respectively.

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.

NOTE 1 – ACCOUNTING POLICIES (Continued)

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 are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

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

| | |
|-------------------------|-------------|
| Land Improvements | 5-20 Years |
| Buildings | 20-30 Years |
| Machinery and Equipment | 7 Years |

Inventory

Inventory is recorded at the lower of average cost or market.

Amortization

Bond issuance costs and bond defeasance costs are recorded at cost and are amortized over the life of the capital lease.

Compensated Absences

It is the County's policy to permit employees to accumulate unused sick leave and vacation. 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.

NOTE 2 – DEPOSITS

It is the policy of the County to invest public funds in a manner that will provide the highest investment with the maximum security of principal while meeting the daily cash flow demands of the County and conforming to all state statutes and county regulations governing the investments of public funds.

The County is authorized to invest in:

- 1) 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.
- 2) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.
- 3) Obligations of any corporation of the United States government.
- 4) 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 similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by the Kentucky Revised Statutes.

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

NOTE 2 – DEPOSITS (Continued)

Custodial Credit Risk – Deposits

For deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned. The Golf Course maintains deposits with financial institutions insured by the FDIC. As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2006 and 2005, the Golf Course had uninsured deposits in the amount of \$-0-.

For purposes of the cash flows statement, cash includes cash in checking accounts and short-term deposits with an initial maturity of ninety days or less. Restricted cash held in escrow for the purpose of debt service is not included in cash for this statement.

An analysis of cash and cash equivalents as of June 30, 2006 and 2005 is presented below:

| | <u>2006</u> | | <u>2005</u> | |
|---------------------------|-------------------|------------------|-------------------|------------------|
| | <u>Per Books</u> | <u>Per Bank</u> | <u>Per Books</u> | <u>Per Bank</u> |
| Checking-Interest Bearing | \$ 366,125 | \$352,414 | \$ 153,052 | \$138,636 |
| Bond Fund | 996 | 33 | 996 | 33 |
| Petty Cash | <u>1,000</u> | <u>-</u> | <u>1,000</u> | <u>-</u> |
| Total | <u>\$ 368,121</u> | <u>\$352,447</u> | <u>\$ 155,048</u> | <u>\$138,669</u> |

The amount, per books, includes deposits in transit, outstanding checks and other reconciling items.

The County had the following non cash capital and related financing activities:

| | <u>June 30,</u> | |
|--|------------------|------------------|
| | <u>2006</u> | <u>2005</u> |
| Amortization of Deferred Charges Charged to Interest | \$ <u>73,283</u> | \$ <u>73,283</u> |
| Machinery and Equipment Purchased by Capital Lease | \$ <u>41,074</u> | \$ <u>39,395</u> |

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment and the related depreciation are as follows:

| | <u>2006</u> | <u>2005</u> |
|-------------------------------|---------------------|---------------------|
| Land | \$ 2,396,478 | \$ 2,396,478 |
| Land Improvements | 5,523,656 | 5,523,656 |
| Buildings | 2,249,488 | 2,249,488 |
| Machinery and Equipment | <u>1,124,869</u> | <u>1,112,652</u> |
| | 11,294,491 | 11,282,274 |
| Less Accumulated Depreciation | <u>6,087,674</u> | <u>5,729,031</u> |
| Total | <u>\$ 5,206,817</u> | <u>\$ 5,553,243</u> |

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

NOTE 4 – BONDS PAYABLE

Revenue Refunding Bonds

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

| Years Ending June 30. | Principal | Interest |
|--------------------------|---------------------|-------------------|
| 2007 | \$ 560,000 | \$ 191,385 |
| 2008 | 585,000 | 166,195 |
| 2009 | 610,000 | 139,600 |
| 2010 | 635,000 | 111,270 |
| 2011 | 665,000 | 81,038 |
| 2012-2013 | <u>1,370,000</u> | <u>64,865</u> |
| | <u>\$ 4,425,000</u> | <u>\$ 754,353</u> |

The following is a summary of the Golf Course's bond transactions during the year ended June 30, 2006:

| | Debt Outstanding July 1, 2005 | Additions of New Debt | Repayments | Debt Outstanding June 30, 2006 | Amount Expected to be Paid Within One Year |
|------------------|-------------------------------------|-----------------------------|-------------------|--------------------------------------|--|
| Revenue Bonds | <u>\$ 4,960,000</u> | <u>\$ -</u> | <u>\$ 535,000</u> | <u>\$ 4,425,000</u> | <u>\$ 560,000</u> |

NOTE 5 – CAPITAL LEASE PURCHASE AGREEMENTS

During 2005, the Golf Course entered into a lease-purchase agreement for equipment. The lease term for this agreement is 4 years. The total balance of the agreement is \$19,424 as of June 30, 2006.

During 2006, the Golf Course entered into a lease-purchase agreement for equipment. The lease term for this agreement is 5 years. The total balance of the agreement is \$41,074 as of June 30, 2006.

The following is a summary of the Golf Course's capital lease purchase agreement transactions for the year ended June 30, 2006:

| | Debt Outstanding July 1, 2005 | Additions of New Debt | Repayments | Debt Outstanding June 30, 2006 | Amount Expected to be Paid Within One Year |
|--|-------------------------------------|-----------------------------|-----------------|--------------------------------------|--|
| | <u>\$ 28,720</u> | <u>\$ 41,074</u> | <u>\$ 9,295</u> | <u>\$ 60,499</u> | <u>\$ 14,669</u> |

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

NOTE 5 – CAPITAL LEASE PURCHASE AGREEMENTS (Continued)

The following is a schedule of future minimum lease payments as of June 30, 2006:

| <u>Years Ending June 30,</u> | <u>2006</u> | <u>2005</u> |
|--|------------------|------------------|
| 2007 | \$ 17,165 | |
| 2008 | 21,877 | |
| 2009 | 11,019 | |
| 2010 | 10,541 | |
| 2011 | <u>6,116</u> | |
| Total Minimum Lease Payments | 66,718 | \$ 31,380 |
| Less Interest | <u>6,219</u> | <u>2,660</u> |
| Present Value of Minimum Lease Payments | <u>\$ 60,499</u> | <u>\$ 28,720</u> |

NOTE 6 – EMPLOYEES' RETIREMENT PLAN

Employees who work an average of 100 hours per month or more participate in the County Employees Retirement System of Kentucky ("CERS") which is a cost sharing multiple-employer public employees retirement system created by and operating under Kentucky Law.

CERS covers substantially all regular non-certified full-time employees of each county and school board, and any additional local agencies electing to participate. The plan provides for retirement, disability and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

Participating employees contribute 5% of the creditable compensation. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. The Golf Course contributed 10.98%, 8.48% and 7.34% of employees' compensation during the fiscal years ended June 30, 2006, 2005 and 2004, respectively.

The Golf Course's required contribution for pension obligations to CERS for the fiscal years ended June 30, 2006, 2005 and 2004 were \$72,588, \$57,034 and \$71,090, respectively; 100% has been contributed for fiscal years 2006, 2005 and 2004.

NOTE 7 – RISK MANAGEMENT

The Golf Course is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Golf Course is covered by Boone County Fiscal Court's commercial general liability insurance against these risks and all other risks of loss, including Workers' Compensation and employee health and accident insurance.

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

NOTE 8 – OPERATING LEASE

The Golf Course leases approximately 169 Club DS Gasoline Golf Carts on a 24 month lease ending November, 2006 at an annual rental of \$117,598. 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:

Year Ending
June 30,

2007

\$ 73,397

SUPPLEMENTAL INFORMATION

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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**

Members of Boone County Fiscal Court

We have audited the financial statements of the Boone County, Kentucky Public Properties Corporation Golf Course (a component unit of the Boone County Fiscal Court) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 3, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits combined in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 reportable 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 caused by error or fraud 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 material weaknesses.

Compliance and Other Matters

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 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 that are required to be reported under *Government Auditing Standards*.

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
September 3, 2007

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