

**BOONE COUNTY, KENTUCKY  
PUBLIC PROPERTIES CORPORATION**

**June 30, 2001**

*FINANCIAL STATEMENTS*



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

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

We have audited the accompanying general purpose financial statements of the Boone County, Kentucky Public Properties Corporation (a component unit of the Boone County Fiscal Court) as of and for the year ended June 30, 2001. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based upon 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 as of June 30, 2001, and the changes in its fund balance 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 Boone County, Kentucky Public Properties Corporation's internal control over financial reporting and our tests 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.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Boone County, Kentucky Public Properties Corporation. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
February 7, 2002

**BOONE COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION**  
**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS**  
**June 30, 2001**

	<u>Governmental Fund Types</u>		<u>Account Group</u>	<u>Totals (Memorandum Only)</u>
	<u>General Fund</u>	<u>Debt Service Funds</u>	<u>General Long-Term Debt</u>	
<b>Current Assets</b>				
Cash	\$ 33,997	\$ 122,935	\$ -	\$ 156,932
Investments	-	16,529,549	-	16,529,549
Accrued Interest Receivable	-	6,271	-	6,271
Accounts Receivable	2,562	140,490	-	143,052
Leases Receivable	26,880,000	-	-	26,880,000
Due From Boone County Golf Course	150,000	-	-	150,000
Amount Available in Debt Service Funds	-	-	16,799,245	16,799,245
Amount to Be Provided for Retirement of General Long-Term Debt	-	-	10,080,755	10,080,755
<b>Total Assets</b>	<b><u>\$ 27,066,559</u></b>	<b><u>\$ 16,799,245</u></b>	<b><u>\$ 26,880,000</u></b>	<b><u>\$ 70,745,804</u></b>
<b>Liabilities and Fund Equity</b>				
<b>Liabilities</b>				
Accounts Payable	2,535	-	-	2,535
Deferred Revenue	26,880,000	-	-	26,880,000
Special Obligation Bonds	-	-	12,020,000	12,020,000
Revenue Bonds Payable	-	-	14,860,000	14,860,000
Due to Boone County Fiscal Court	2,058	-	-	2,058
<b>Total Liabilities</b>	<b><u>26,884,593</u></b>	<b><u>-</u></b>	<b><u>26,880,000</u></b>	<b><u>53,764,593</u></b>
<b>Fund Equity</b>				
Fund Balance				
Reserved for Debt Service	-	16,799,245	-	16,799,245
Unreserved, Undesignated	181,966	-	-	181,966
<b>Total Fund Equity</b>	<b><u>181,966</u></b>	<b><u>16,799,245</u></b>	<b><u>-</u></b>	<b><u>16,981,211</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$ 27,066,559</u></b>	<b><u>\$ 16,799,245</u></b>	<b><u>\$ 26,880,000</u></b>	<b><u>\$ 70,745,804</u></b>

See accompanying notes.

**BOONE COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - ALL GOVERNMENT FUND TYPES**  
**Year Ended June 30, 2001**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General Fund</u>	<u>Debt Service Funds</u>	
<b>Revenues</b>			
Interest	\$ -	\$ 273,296	\$ 273,296
Miscellaneous	179,466	-	179,466
Bond Sale Proceeds	-	14,641,345	14,641,345
Sewer Charges	-	1,762,203	1,762,203
<b>Total Revenues</b>	<u>179,466</u>	<u>16,676,844</u>	<u>16,856,310</u>
<b>Expenditures</b>			
General Government	6,471	-	6,471
Capital Outlay	-	1,523,837	1,523,837
Cost of Issuance	-	149,020	149,020
Debt Service			
Principal Retirement	-	5,880,000	5,880,000
Interest and Fiscal Charges	-	910,097	910,097
<b>Total Expenditures</b>	<u>6,471</u>	<u>8,462,954</u>	<u>8,469,425</u>
<b>Excess of Revenues Over Expenditures</b>	<u>172,995</u>	<u>8,213,890</u>	<u>8,386,885</u>
<b>Other Financing Sources/(Uses)</b>			
Transfers In-Boone County Fiscal Court	5,648,187	-	5,648,187
Transfers In-Other Funds	801	5,642,517	5,643,318
Transfers Out-Other Funds	(5,642,517)	(801)	(5,643,318)
<b>Total Other Financing Sources</b>	<u>6,471</u>	<u>5,641,716</u>	<u>5,648,187</u>
<b>Excess of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>179,466</u>	<u>13,855,606</u>	<u>14,035,072</u>
<b>Fund Balances, Beginning of Year</b>	<u>2,500</u>	<u>2,943,639</u>	<u>2,946,139</u>
<b>Fund Balances, End of Year</b>	<u>\$ 181,966</u>	<u>\$ 16,799,245</u>	<u>\$ 16,981,211</u>

See accompanying notes.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

The Boone County, Kentucky, Public Properties Corporation is a component unit of Boone County Fiscal Court. The Corporation 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. Assets acquired by the Corporation are leased to the County for an amount sufficient to amortize the related debt. When a debt issue has been completely amortized, the title to the asset is transferred to the County.

**Fund Accounting**

The Corporation uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Governmental funds are used to account for the Corporation's general activities, including the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities not accounted for in some other fund.

**Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the combined balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Corporation considers revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or where amounts have been accumulated in the debt service fund for payments to be made early in the following year.

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

Those revenues susceptible to accrual are leases and interest revenue.

The Corporation reports deferred revenue on its combined balance sheet. Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the Corporation has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**Budgets**

Budgets are not prepared for Governmental Fund Types of accounts. These Funds are intended to be clearing accounts and, therefore, a budget would not be necessary or beneficial. Therefore, a combined statement of revenues, expenditures and changes in fund balances-budget and actual is not presented as a basic financial statement.

**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**

The County is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities.
2. Certificates of deposit.
3. Bankers acceptances.
4. Commercial paper.
5. Bonds of other state or local governments.
6. Mutual funds

**Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

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

**Memorandum Only-Total Columns**

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with U.S. generally accepted accounting principles. Neither are such data comparable to consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 2 - CASH**

The Corporation's deposits and investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits and investments that are insured or collateralized in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the entity's name. Category 3 includes investments uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Totals</u>
Cash	\$33,997	\$16,652,484	\$ -	\$16,686,481

**NOTE 3 - LEASES RECEIVABLE**

The Corporation is the lessor under direct financing leases with the Boone County Fiscal Court. The leases served as the financing instruments for the construction of the public buildings used by the lessees. The lease payments are equal to the debt service requirements on the bonds payable issued by the Corporation.

At June 30, 2001, minimum lease payments for each of the five succeeding fiscal years are as follows:

<u>Year</u>	<u>Amount</u>
2002	\$ 1,729,769
2003	\$ 1,844,405
2004	\$ 2,315,305
2005	\$ 2,314,705
2006	\$ 2,311,805

**NOTE 4 – OPERATING LEASES**

The Corporation leases buildings to the Boone County Health District. The lease payments are equal to the interest and principal payments due on the bonds and notes issued to finance construction of the buildings.

**BOONE COUNTY, KENTUCKY  
PUBLIC PROPERTIES CORPORATION**

**NOTE 5 – GENERAL LONG-TERM DEBT**

The Corporation has issued bonds where the Corporation pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2001, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Sewer System	4.50-5.15%	\$12,020,000
Justice Center	4.00-5.125%	<u>14,860,000</u>
		<u>\$26,880,000</u>

The minimum obligations of the funds at June 30, 2001 for debt service (principal and interest) are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2001-2002	\$ 550,000.00	\$ 1,179,768.56
2002-2003	575,000.00	1,269,405.02
2003-2004	1,085,000.00	1,230,305.02
2004-2005	1,135,000.00	1,179,705.02
2005-2006	1,185,000.00	1,126,805.02
2006-2007	1,240,000.00	1,071,130.02
2007-2008	1,285,000.00	1,012,462.52
2008-2009	1,350,000.00	950,607.52
2009-2010	1,415,000.00	884,985.64
2010-2011	1,500,000.00	815,163.76
2011-2012	1,570,000.00	740,843.76
2012-2013	1,645,000.00	662,086.26
2013-2014	1,750,000.00	578,191.26
2014-2015	1,835,000.00	488,850.01
2015-2016	1,940,000.00	393,973.76
2016-2017	835,000.00	324,143.76
2017-2018	880,000.00	281,268.76
2018-2019	920,000.00	236,268.76
2019-2020	970,000.00	189,018.76
2020-2021	1,020,000.00	138,631.26
2021-2022	1,070,000.00	85,075.01
2022-2023	<u>1,125,000.00</u>	<u>28,828.13</u>
Total	\$26,880,000.00	\$14,867,517.59

The following is a summary of the Board's long-term debt transactions for the year ended June 30, 2001:

	<u>Balance July 1, 2000</u>	<u>Additions of New Debt</u>	<u>Repayments and Defeasance</u>	<u>Balance June 30, 2001</u>
Revenue bonds	\$ 5,355,000	\$14,860,000	\$5,355,000	\$14,860,000
Special obligation bonds	<u>12,545,000</u>	<u>-</u>	<u>525,000</u>	<u>12,020,000</u>
	<u>\$17,900,000</u>	<u>\$14,860,000</u>	<u>\$5,880,000</u>	<u>\$26,880,000</u>

**BOONE COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION**  
**COMBINING BALANCE SHEET - ALL DEBT SERVICE FUNDS**  
**June 30, 2001**

	<u>2001</u> <u>Justice</u> <u>Center</u>	<u>1995</u> <u>Sewer</u> <u>Bond</u>	<u>1993</u> <u>Multiple</u> <u>Projects</u>	<u>1992</u> <u>Multiple</u> <u>Projects</u>	<u>Totals</u>
<b>Cash</b>					
Cash	\$ 1	\$ -	\$ -	\$ 122,934	\$ 122,935
Investments	13,007,943	3,521,606	-	-	16,529,549
Accrued Interest Receivable	-	6,271	-	-	6,271
Accounts Receivable	-	140,490	-	-	140,490
<b>Total Assets</b>	<u>13,007,944</u>	<u>3,668,367</u>	<u>-</u>	<u>122,934</u>	<u>16,799,245</u>
<b>Fund Equity</b>					
<b>Fund Equity</b>					
Fund Balance					
Reserved for Debt Service	<u>13,007,944</u>	<u>3,668,367</u>	<u>-</u>	<u>122,934</u>	<u>16,799,245</u>
<b>Total Fund Equity</b>	<u>13,007,944</u>	<u>3,668,367</u>	<u>-</u>	<u>122,934</u>	<u>16,799,245</u>
<b>Total Fund Equity</b>	<u>\$ 13,007,944</u>	<u>\$ 3,668,367</u>	<u>\$ -</u>	<u>\$ 122,934</u>	<u>\$ 16,799,245</u>

See accompanying notes.

**BOONE COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY - ALL DEBT SERVICE FUNDS**  
 Year Ended June 30, 2001

	2001 Justice Center	1995 Sewer Bonds	1993 Multiple Projects	1992 Multiple Projects	Totals
<b>Revenues</b>					
Bond Sale Proceeds	\$ 14,641,345	-	-	-	\$ 14,641,345
Sewer Charges	-	1,762,203	-	-	1,762,203
Interest	39,456	227,527	808	5,505	273,296
<b>Total Revenues</b>	<u>14,680,801</u>	<u>1,989,730</u>	<u>808</u>	<u>5,505</u>	<u>16,676,844</u>
<b>Expenditures</b>					
Capital Outlay	1,523,837	-	-	-	1,523,837
Cost of Issuance	149,020	-	-	-	149,020
Debt Service					
Principal	-	525,000	710,000	4,645,000	5,880,000
Interest and Fiscal Charges	-	622,024	15,975	272,098	910,097
<b>Total Expenditures</b>	<u>1,672,857</u>	<u>1,147,024</u>	<u>725,975</u>	<u>4,917,098</u>	<u>8,462,954</u>
<b>Excess/(Deficiency) of Revenues Over Expenditures</b>	<u>13,007,944</u>	<u>842,706</u>	<u>(725,167)</u>	<u>(4,911,593)</u>	<u>8,213,890</u>
<b>Other Financing Sources</b>					
Transfer In-General Fund	-	-	725,419	4,917,098	5,642,517
Transfer Out-General Fund	-	-	(801)	-	(801)
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>724,618</u>	<u>4,917,098</u>	<u>5,641,716</u>
<b>Excess/(Deficiency) of Revenues Over Other Sources Over Expenditures</b>	<u>13,007,944</u>	<u>842,706</u>	<u>(549)</u>	<u>5,505</u>	<u>13,855,606</u>
<b>Fund Balances, Beginning of Year</b>	<u>-</u>	<u>2,825,661</u>	<u>549</u>	<u>117,429</u>	<u>2,943,639</u>
<b>Fund Balances, End of Year</b>	<u>\$ 13,007,944</u>	<u>\$ 3,668,367</u>	<u>\$ -</u>	<u>\$ 122,934</u>	<u>\$ 16,799,245</u>

See accompanying notes.

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**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  
Burlington, Kentucky

We have audited the financial statements of the Boone County, Kentucky Public Properties Corporation as of and for the year ended June 30, 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'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'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

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