

BOONE COUNTY PUBLIC PROPERTIES CORPORATION
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT,
BURLINGTON, KENTUCKY)

Fiscal Year Ended June 30, 2006

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

BOONE COUNTY PUBLIC PROPERTIES CORPORATION
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT, BURLINGTON, KENTUCKY)
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INDEPENDENT AUDITORS' REPORT

Judge Executive and Members
of the Boone County Fiscal Court
Burlington, Kentucky

We have audited the accompanying financial statements of the governmental activities of the Boone County Public Properties Corporation (a component unit of Boone County Fiscal Court) as of and for the year ended June 30, 2006, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities information of Boone County Public Properties Corporation as of June 30, 2006, and the respective changes in financial position thereof for the year 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 our report dated June 25, 2007, on our consideration of Boone County Public Properties Corporation'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 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 considered in assessing the results of our audit.

Boone County Public Properties Corporation has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
June 25, 2007

BOONE COUNTY PUBLIC PROPERTIES CORPORATION
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT, BURLINGTON, KENTUCKY)
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Investments	\$ 651
Due from Boone County Golf Course	<u>150,000</u>
Total Assets	<u>150,651</u>
LIABILITIES	
Current Liabilities	
Bonds Payable, Due Within One Year	540,000
Non-current Liabilities	
Bonds Payable, Due in More than One Year	<u>12,820,000</u>
Total Liabilities	<u>13,360,000</u>
Net Assets	
Unrestricted	<u>(13,209,349)</u>
Total Net Assets	<u>\$ (13,209,349)</u>

See accompanying notes.

BOONE COUNTY PUBLIC PROPERTIES CORPORATION
 (A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT, BURLINGTON, KENTUCKY)
 STATEMENT OF ACTIVITIES
 Year Ended June 30, 2006

Functions	Expenses	Program Revenues Received			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Administration	\$ 30,089	\$ 30,784	\$ -	\$ -	\$ 695
Capital Outlay	54,497	-	-	-	(54,497)
Interest on Long-Term Debt	648,719	-	1,171,220	-	522,501
Total Governmental Activities	\$ 733,305	\$ 30,784	\$ 1,171,220	\$ -	468,699
			General Revenues		
			Unrestricted Investment Earnings		2,484
			Change in Net Assets		471,183
			Net Assets July 1, 2005		(13,680,532)
			Net Assets June 30, 2006		\$ (13,209,349)

See accompanying notes.

BOONE COUNTY PUBLIC PROPERTIES CORPORATION
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT, BURLINGTON, KENTUCKY)
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006

	Public Properties Fund
Assets	
Investments	\$ 651
Due From Golf Course	<u>150,000</u>
Total Assets	<u>\$ 150,651</u>
Fund Balances	
Reserved for	
Debt Service	\$ 651
Unreserved	<u>150,000</u>
Total Liabilities and Fund Balances	<u>\$ 150,651</u>

See accompanying notes.

BOONE COUNTY PUBLIC PROPERTIES CORPORATION
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT, BURLINGTON, KENTUCKY)
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2006

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

Total Fund Balance - Governmental Funds	\$	150,651
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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

Bond Principal Payments, Due within One Year			
Due within One Year	\$	540,000	
Bond Principal Payments, Due in More than One Year		<u>12,820,000</u>	
			<u>(13,360,000)</u>
 Total Net Assets - Governmental Activities			 \$ <u>(13,209,349)</u>

See accompanying notes.

BOONE COUNTY PUBLIC PROPERTIES CORPORATION
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT, BURLINGTON, KENTUCKY)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	Public Properties Fund
Revenues	
Intergovernmental	\$ 1,202,004
Interest	2,484
	1,204,488
Total Revenues	
Expenditures	
Administration	30,089
Debt Service	1,168,719
	1,198,808
Total Expenditures	
Excess of Revenues	
Over Expenditures Before	
Transfers and Financing	
Uses	5,680
Other Financing Uses	
Transfers to Other Funds	(54,497)
Total Other Financing	(54,497)
Net Change in Fund Balances	(48,817)
Fund Balances July 1, 2005	199,468
Fund Balances June 30, 2006	\$ 150,651

See accompanying notes.

BOONE COUNTY PUBLIC PROPERTIES CORPORATION
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT, BURLINGTON, KENTUCKY)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

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

Total net change in fund balances - governmental funds	\$	(48,817)
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Repayment of bond 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.		520,000
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Total Change in Net Assets - Governmental Activities	\$	<u>471,183</u>
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See accompanying notes.

**BOONE COUNTY PUBLIC PROPERTIES CORPORATION
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT, BURLINGTON, KENTUCKY)
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting and reporting policies consistently applied in the preparation of the accompanying financial statements follows:

Reporting Entity

The Boone County Public Properties Corporation (the Corporation) is operated by the Boone County, Kentucky, Fiscal Court. 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. The BCPP is a blended component unit of the Boone County Fiscal Court 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 assets and the statement of activities) display information about all of the non-fiduciary activities of the Corporation.

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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Corporation and for each function or program of the Corporation'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 Corporation, 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 Corporation.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The corporation reports the following major government fund:

General Fund

This is the primary operating fund of the Corporation. It accounts for all financial resources of the Corporation.

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 state funds.

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.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE 2 – DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned. The Corporation's policy with regard to custodial credit risk is as follows: The Corporation must maintain deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit 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.

At June 30, 2006, the carrying amount of the Corporation's deposits with a financial institution was \$-0-. The Corporation, a blended component unit of the Boone County Fiscal Court "County" is covered under the County's collateral agreement with the depository institution. These requirements were met, as of June 30, 2006.

NOTE 3 – INVESTMENTS

Investments

The investment policy adopted for the Boone County Public Properties Corporation contains the following risk related policies:

Interest Rate Risk

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

Credit Risk

The policy limits investments to the following:

- Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. The investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky.
- Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.
- Obligations of any corporation of the United States government.
- Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institute which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized to the extent uninsured, by any obligations permitted by KRS 41.240(4).
- Banker's 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 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 banker's acceptances, commercial paper, or bonds or certificates of indebtedness of Kentucky shall not exceed twenty 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.
- With the exception of fully insured or fully collateralized investments, no more than ten percent of the county's total investment portfolio shall be invested in a single security type or with a single financial institution.

BOONE COUNTY PUBLIC PROPERTIES CORPORATION
(A COMPONENT UNIT OF BOONE COUNTY FISCAL COURT,
BURLINGTON, KENTUCKY)

NOTE 3 – INVESTMENTS (Continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has no formal policy on custodial credit risk. As of June 30, 2006, the County investments are neither insured nor registered, but are held by the County's counter party in the County's name.

At June 30, 2006, the Corporation's investment balances were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
U.S. Treasuries	\$ <u>651</u>	N/A	N/A

NOTE 4 – LONG-TERM DEBT

The following is a summary of the County's long term debt transactions for the year ended June 30, 2006:

	<u>Debt Outstanding July 1, 2005</u>	<u>Additions of New Debt</u>	<u>Repayments and Defeasance</u>	<u>Debt Outstanding June 30, 2006</u>	<u>Amount Expected to Be Paid Within One Year</u>
Revenue Bonds	\$ <u>13,880,000</u>	\$ <u>-</u>	\$ <u>520,000</u>	\$ <u>13,360,000</u>	\$ <u>540,000</u>

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, 2006, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Justice Center	4.00 – 5.125%	\$ <u>13,360,000</u>

The minimum obligations at June 30, 2006 for debt service of these bonds are as follows:

<u>Years Ending June 30,</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2007	\$ 627,519	\$ 540,000
2008	605,444	550,000
2009	582,094	575,000
2010	557,119	600,000
2011	530,219	640,000
2012-2016	2,177,064	3,635,000
2017-2021	1,169,331	4,625,000
2022-2023	<u>113,903</u>	<u>2,195,000</u>
Totals	\$ <u>6,362,692</u>	\$ <u>13,360,000</u>

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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**

Judge Executive and Members
of the Boone County Fiscal Court
Burlington, Kentucky

We have audited the financial statements of the governmental activities of the Boone County Public Properties Corporation as of and for the year ended June 30, 2006, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated June 25, 2007. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 an opinion 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 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 to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, county commissioners, Governor's Office for Local Development and others within the County and is not intended to be, and should not be, used by anyone other than these specified parties.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
June 25, 2007

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