

**KENTUCKY HIGH SCHOOL  
ATHLETIC ASSOCIATION**

**Report on Audited Financial Statements**

For the Years Ended June 30, 2006 and 2005

## **C O N T E N T S**

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MILLER, MAYER, SULLIVAN & STEVENS LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
"INNOVATORS OF SOLUTION TECHNOLOGY"<sup>SM</sup>

**INDEPENDENT AUDITORS' REPORT**

Commissioners and Board of Control  
Kentucky High School Athletic Association  
Lexington, Kentucky

We have audited the accompanying statements of financial position of Kentucky High School Athletic Association (a nonprofit organization) as of June 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Association'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. Those standards require that we plan and perform the audits 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 Kentucky High School Athletic Association as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses on page 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Miller, Mayer, Sullivan, & Stevens, LLP*

Lexington, Kentucky  
August 31, 2006

**KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2006 and 2005**

	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Cash:		
Operating accounts	\$ 626,402	\$ 604,620
Cash balance allocated for Dawahares Hall of Fame Project	110,205	152,669
Investments	256,410	400,000
Investments designated for debt repayment	231,322	225,491
Accounts receivable	56,690	65,928
Land, buildings, and equipment, net of accumulated depreciation	2,666,322	2,686,232
Debt issuance cost, net of amortization	14,239	23,732
 Total assets	 \$ 3,961,590	 \$ 4,158,672
<b>Liabilities</b>		
Accounts payable	\$ 188,908	\$ 227,075
Accrued wages		13,962
Deferred revenues	283,160	273,563
Accrued sick leave	109,470	91,379
Notes payable	300,746	516,825
 Total Liabilities	 882,284	 1,122,804
<b>Net Assets</b>		
Unrestricted:		
Operating	2,278,637	2,313,710
Board designated	528,539	466,158
Debt service reserve	224,000	224,000
 Total unrestricted	 3,031,176	 3,003,868
Temporarily restricted	48,130	32,000
 Total net assets	 3,079,306	 3,035,868
 Total liabilities and net assets	 \$ 3,961,590	 \$ 4,158,672

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

**KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION**  
**STATEMENTS OF ACTIVITIES**  
For the Years Ended June 30, 2006 and 2005

	2006	2005
<b>Changes in unrestricted net assets:</b>		
<b>Revenues, gains and support:</b>		
Boys state basketball tournament	\$ 1,635,616	\$ 1,484,624
Member fees	489,600	487,615
Girls state basketball tournament	317,873	311,852
Football playoffs	305,254	250,115
Other tournaments	455,518	418,611
Interest earned	30,858	18,388
Hall of fame events	42,790	51,928
Public and other support	566,695	380,140
Advertising and publications	16,706	18,833
Total unrestricted revenues, gains and support	3,860,910	3,422,106
 <b>Expenses and losses:</b>		
General and administrative	2,568,752	2,453,945
Boys state basketball tournament	553,043	507,563
Other tournaments	371,530	363,788
Girls state basketball tournament	152,537	151,447
Football playoffs	111,167	80,701
Hall of fame events	47,626	56,436
Fundraising	28,947	29,055
Total expenses and losses	3,833,602	3,642,935
Increase (decrease) in unrestricted net assets	27,308	(220,829)
 <b>Changes in temporarily restricted net assets:</b>		
Contributions	46,880	32,000
Net assets released from restrictions	(30,750)	(16,000)
Increase in temporarily restricted net assets	16,130	16,000
Increase (decrease) in net assets	43,438	(204,829)
Net assets, beginning of year	3,035,868	3,240,697
Net assets, end of year	\$ 3,079,306	\$ 3,035,868

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

**KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2006 and 2005

	2006	2005
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets:	\$ 43,438	\$ (204,829)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation and amortization	104,344	109,473
Change in:		
Accounts receivable	9,238	35,373
Accounts payable	(38,373)	51,420
Unearned revenues	9,597	27,551
Accrued expenses	4,129	2,999
Net cash provided by operating activities	132,373	21,987
<b>Cash flows from investing activities:</b>		
Purchase of building improvements and equipment	(74,735)	(24,036)
Transfer to account for Dawahares Hall of Fame Project	(4,590)	(975)
Transfer from account for Dawahares Hall of Fame Project	47,054	
Purchase of investments		(21,450)
Maturity of investments	137,759	43,184
Net cash provided (used) by investing activities	105,488	(3,277)
<b>Cash flows from financing activities:</b>		
Reduction of debt	(216,079)	(208,448)
Change in cash and cash equivalents	21,782	(189,738)
Cash and cash equivalents, beginning of year	604,620	794,358
Cash and cash equivalents, end of year	\$ 626,402	\$ 604,620
<b>Supplemental Data:</b>		
Cash paid for interest during the year	\$ 22,515	\$ 34,218
<b>Supplemental Schedule of Noncash Activity:</b>		
Purchase of Fixed Assets Included in Accounts Payable	\$ 3,606	\$ 3,400
Non cash interest expense	\$ 7,808	\$ 7,266

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

**KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2006 and 2005**

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**1. Nature of Activities and Summary of Significant Accounting Policies**

**Nature of Activities.** Kentucky High School Athletic Association (Association) is a nonprofit Association organized for the purpose of development, regulation and purification of high school athletic activities in the Commonwealth of Kentucky.

**Basis of Accounting.** The financial statements of the Association have been prepared on the accrual basis of accounting.

**Cash and Cash Equivalents.** Cash and cash equivalents consist of operating cash in bank accounts and certificates of deposit with original maturities of three months or less.

**Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Accounts Receivable.** Receivable balances are stated at their unpaid balance. Management evaluates the collectibility of accounts receivable on an individual account basis and, using the specific write-off method, charges to expense the balance of accounts that are deemed not collectible. Generally accepted accounting principles requires that an allowance for uncollectible account balances be established for uncollectible account balances, and write-offs charged to the allowance account when collection efforts have been exhausted. The difference in accounting treatment is not material to these financial statements.

**Investments.** Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses, if any, are included in the change in net assets.

**Property and Equipment.** The Association reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Assets with useful lives of more than one year and a cost greater than \$500 are capitalized and depreciated over their useful life.

Property and equipment are stated at cost and are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Furniture and equipment	3-10
Building	40

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**Income Taxes.** The Association is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Financial Statement Presentation.** These financial statements are presented in accordance with established standards for external financial reporting by not-for profit organizations, which requires resources be classified for accounting and reporting purposes into three classes of net asset categories according to externally (donor) imposed restrictions:

- a. Unrestricted net assets encompass the portion of net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.
- b. Temporarily restricted net assets are the net assets resulting from contributions and other inflows whose use by the Association is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Association pursuant to those stipulations.
- c. Permanently restricted net assets are the net assets resulting from contributions and other inflows whose use by the Association is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Association.

**Contributions.** Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of the donor restrictions.

**Recognition of Donor Restrictions.** The Association reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**2. Cash on Deposit with Banks**

As of June 30, 2006 and 2005, the carrying amount of the Associations' cash deposits with banks was \$736,607 and \$757,289, respectively. Of the balances at June 30, 2006 and 2005, amounts totaling \$292,256 and \$198,646, respectively, were covered by federal depository insurance, and \$589,913 and \$613,582, respectively, were collateralized in conjunction with other public service accounts by designated funds at Fifth Third Bank.

**3. Investments**

Investments at June 30, 2006 and 2005 are summarized as follows:

Type of Investment	2006	2005
Money market account - Board designated funding	\$ 256,410	\$ 400,000
Money market account - Debt service repayment	231,322	225,491
Totals	<u>\$ 487,732</u>	<u>\$ 625,491</u>



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**For the Years Ended June 30, 2006 and 2005**

Total investment return for the years ended June 30, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Interest earned on money market accounts	\$ 18,260	\$ 11,171
Interest earned on checking accounts	<u>12,598</u>	<u>7,217</u>
	<u>\$ 30,858</u>	<u>\$ 18,388</u>

The Association has a repurchase agreement with Fifth Third Bank. Under this agreement, the Bank does not segregate the securities to be sold and repurchased. However, the Association's interest in the underlying securities was noted in the Bank's records. The securities were held as collateral for the Association's investment. The Association cannot resell, pledge, assign, or otherwise dispose of the securities so purchased.

**4. Land, Buildings, & Equipment**

Land, buildings, and equipment for the years ended June 30, 2006 and 2005 consist of the following:

	<u>2006</u>	<u>2005</u>
Land	\$ 431,341	\$ 431,341
Building	3,202,839	3,192,225
Equipment	<u>483,740</u>	<u>419,413</u>
	4,117,920	4,042,979
Accumulated depreciation	<u>(1,451,598)</u>	<u>(1,356,747)</u>
	<u>\$ 2,666,322</u>	<u>\$ 2,686,232</u>

Depreciation expense for the years ended June 30, 2006 and 2005 was \$94,851 and \$99,980, respectively.

**5. Deferred Revenues**

Deferred revenues for the years ended June 30, 2006 and 2005 consist of the following:

	<u>2006</u>	<u>2005</u>
Unearned dues paid by member schools	\$ 64,400	\$ 65,800
Unearned registration fees paid by officials	122,090	101,195
Unearned registration fees paid for coaches' clinics	2,294	
Unearned portion of Dawahares Hall of Fame Support	<u>94,376</u>	<u>106,568</u>
	<u>\$ 283,160</u>	<u>\$ 273,563</u>

In 2003, the Association entered into an agreement with Dawahares to ensure the long-term financial success of the Hall of Fame projects. Under the Agreement, the premium amount paid by Dawahares

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**For the Years Ended June 30, 2006 and 2005**

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for the sponsorship is \$20,000 per year for ten years, with the option of pre-payment in three consecutive \$50,000 payments. Dawahares elected the sponsorship prepayment, which reduced the amount by 25% to a total of \$150,000. Deferred revenue on the Dawahares' contract for the years ended June 30, 2006 and 2005 totaled \$94,376 and \$106,568, respectively. In return, Dawahares receives a variety of advertising at various tournaments, which is recognized as advertising revenue at year-end against the unearned portion. Interest expense on the Dawahares contract for the years ended June 30, 2006 and 2005 totaled \$7,808 and \$7,266, respectively.

**6. Accrued Sick Leave**

Association employees are granted sick leave in accordance with administrative policy. Employees earn one day per month with unlimited accumulation. Employees are compensated for 30% of unused accumulated sick leave upon retirement. Compensation shall be the daily rate of pay being received at the time of retirement, based upon 260 work days per year. KERS members receive a retirement service credit while KTRS members have a choice between retirement service credit and a lump sum settlement.

As of June 30, 2006 and 2005, the estimated accrued sick leave liability is \$109,470 and \$91,379, respectively.

**7. Notes Payable**

On February 1, 1994, the Association entered into a loan agreement with the Lexington-Fayette Urban County Government relating to the Industrial Building Revenue Refunding Bonds (KHSAA PROJECT) of 1994. The Lexington-Fayette Urban County Government issued Industrial Building Revenue Bonds that were sold in a private sale to The Fifth Third Bank of Central Kentucky, Inc. The Association signed a 15 year promissory note with the Lexington-Fayette Urban County Government. Interest on the note was 5.1% through and including January 31, 1999, to be adjusted each fifth year. Effective February 1, 1999, the rate was renegotiated to 5.4% fixed through the remaining life of the loan. Payments on the promissory note have been irrevocably assigned to The Fifth Third Bank as trustee. The balance of the loan was \$300,746 and \$516,825 at June 30, 2006 and 2005, respectively.

The terms of the loan agreement require, among other covenants, the following:

- Annual audited financial statements,
- Prior written consent before assets, applicable to the loan, are transferred, pledged or encumbered,
- Maintenance of nonprofit and tax exempt status,
- Prior approval of additional indebtedness greater than \$50,000,
- Cash flow coverage of 1.2 to 1, and
- Maintenance of a debt service reserve fund.

Cash flow coverage is defined as the ratio of the sum of the increase in net assets plus depreciation plus interest expense to the sum of current maturities of long-term debt plus interest expense, as such appear on the audited financial statement. The Association had a cash flow coverage ratio of .69 for the year ended June 30, 2006 and no cash flow for the year ended June 30, 2005.

**KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2006 and 2005**

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Subsequent to June 30, 2006, the Association received a waiver of non-compliance with the "Cash Flow Coverage" covenant of the bond indenture for the year ending June 30, 2006. This waiver releases the Association from call provisions on its debt to Fifth-Third Bank of Central Kentucky, Inc. only as it pertains to the year ended June 30, 2006.

The debt service reserve fund is required to be "the least of (i) maximum annual debt service on the Bonds, (ii) 125% of average annual debt service on the Bonds or (iii) 10% of the principal amount of the Bonds, provided that in no event shall any portion of the Debt Service Reserve Fund funded with proceeds from the sale of the bonds exceed 10% of the sale proceeds of the Bonds." At June 30, 2006 and 2005, the debt service reserve was \$224,000. The required debt service reserve using option (iii) at June 30, 2006 and 2005 was \$30,075 and \$51,683, respectively.

The expected principal payments over the next five year period and thereafter are as follows:

<u>Fiscal Year</u>	<u>Principal Obligation</u>
2007	\$ 212,797
2008	87,949
2009	-0-
2010	-0-
2011	-0-
	<u>\$ 300,746</u>

Interest expense on this note for the years ended June 30, 2006 and 2005 totaled \$22,515 and \$34,218, respectively. Debt issuance costs of \$120,331 associated with the issuance of the debt are amortized over the life of the loan (15 years) and are presented on the balance sheet net of amortization. The balance for the years ended June 30, 2006 and 2005 is \$14,239 and \$23,732, respectively.

**8. Pensions**

- a. **Kentucky Teachers' Retirement System.** Eligible employees of the Association participate in the Statewide Kentucky Teachers' Retirement System (System), a cost sharing multi-employer public employee retirement system established and administered by the Commonwealth of Kentucky to provide benefit pension plan coverage for local school districts and other public educational agencies within the state.

Chapter 161 Section 220 of the Kentucky Revised Statutes stipulates who may become a member of the Kentucky Teachers' Retirement System. Generally, eligible persons are employed by local boards of education, the State Department of Education, some state universities, and some non-state supported organizations. The payroll for the Association's employees covered by the System for the years ended June 30, 2006 and 2005 was \$374,649 and \$347,695, respectively.

**KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2006 and 2005**

**Normal Retirement Date.** Employees are entitled to an annual retirement benefit, payable monthly for life, if they either attain the age of fifty-five (55) and complete five (5) years of Kentucky service or complete twenty-seven (27) years of Kentucky service.

**Normal Retirement Benefits.** Non-university employees receive monthly payments equal to either two (2) percent (service prior to July 1, 1983) or two and one half (2½) percent (service after July 1, 1983) of their final average salary for each year of credited service. The final average salary for employees retiring under the age of fifty-five is the average of the employee's five (5) highest annual salaries, and for employees retiring at the age of fifty-five or over, it is the average of the employee's three (3) highest annual salaries. New members (including second retirement accounts started) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than ten years. New members after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, members who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. The system also provides disability benefits for vested members at the rate of sixty (60) percent of the final average salary.

**Early Retirement Benefits.** Employees with less than twenty-seven (27) years of service may retire and receive reduced benefits.

**Other Benefits.** A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing members and \$5,000 for retired or disabled members. Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases, and any other benefit amendments must be authorized by the General Assembly. Members' retirement benefits become vested when they complete five (5) years of credited service.

Members are required by statute to contribute 9.855% of their salaries to the System. The Association contributes the remaining amounts necessary to finance the participation of employees in the System. Employer contributions are determined as a level percentage of payroll. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee contributions plus interest earned are refunded to the employee upon his or her request.

**Schedule of Contributions**

	<b>Required Employee Contribution</b>	<b>Required Employer Contribution</b>	<b>Required Total Contribution</b>	<b>Percentage of Required Contribution Actually Made</b>
2006	\$ 38,361	\$ 50,961	\$ 89,322	100%
2005	34,283	45,078	79,361	100%
2004	33,321	44,286	77,607	100%

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of

**KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION**  
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**For the Years Ended June 30, 2006 and 2005**

credited projected benefits and is intended to help users assess KTRS funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems.

A copy of the Kentucky Teachers' Retirement System's audited financial statements can be obtained from the Kentucky Teachers Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601.

- b. **Kentucky Employees' Retirement System.** Certain other eligible employees participate in the Statewide Kentucky Employees' Retirement System (Plan), a cost-sharing multi-employer public employee retirement system, established and administered by the Commonwealth of Kentucky.

The System is a defined benefit plan which covers substantially all regular full-time employees of any state department, board, or agency directed by Executive Order to participate in the System. The payroll for employees covered by the System for the years ended June 30, 2006 and 2005 was \$187,543 and \$173,723, respectively.

**Normal Retirement Date.** Eligible members of the Kentucky Retirement Systems are entitled to an annual retirement benefit, payable monthly for life, if they either attain the age of 65 and have 48 or more months of service or accumulate 27 years of service credit.

**Normal Retirement Benefits.** The monthly retirement allowance is equal to 1.97% of the average annual salary of the members' five highest earnings years multiplied by the number of years of service credit divided by twelve. Members' retirement benefits become fully vested when they complete sixty months of service, twelve of which are current service. For the years ended June 30, 2006 and 2005, participating employees contributed 5% of creditable compensation to the System. Employer contribution rates are intended to fund the System's normal cost on a current basis plus one percent (1%) of unfunded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. Participating employers contributed at 10.29% and 7.53% of members' non-hazardous compensation for the years ended June 30, 2006 and 2005, respectively.

**Early Retirement Benefits.** Members retiring at less than 55 years of age with 25 or more years of service credit are entitled to reduced benefits.

**Other Benefits.** In addition to normal and retirement benefits provided by the System, disability, death, and medical insurance benefits are available.

**Schedule of Contributions**

	<u>Required Employee Contribution</u>	<u>Required Employer Contribution</u>	<u>Required Total Contribution</u>	<u>Percentage of Required Contribution Actually Made</u>
2006	\$ 11,276	\$ 11,697	\$ 22,973	100%
2005	9,731	9,790	19,521	100%
2004	8,722	9,922	18,644	100%

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A copy of the Kentucky Employees' Retirement System's audited financial statements can be obtained from the Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601 or on the Internet at [www.kyret.com](http://www.kyret.com).

**9. Temporarily Restricted and Board Designated Net Assets**

Temporarily restricted net assets are restricted for the following purposes:

	<u>2006</u>	<u>2005</u>
Museum development	\$ 10,640	\$
National City Bank scholarships	33,250	32,000
Fifth-Third Baseball scholarships	2,120	
Fifth-Third Tennis scholarships	<u>2,120</u>	
	<u>\$ 48,130</u>	<u>\$ 32,000</u>

Unrestricted net assets have been designated by the Board of Control for the following purposes:

	<u>2006</u>	<u>2005</u>
Museum development	\$ 162,130	105,276
Trademark/novelty reserve	49,881	51,615
Officials division	22,547	18,164
Plant emergencies	124,153	101,562
Equipment replacement	91,800	75,735
Training/development reserve	7,651	10,381
Title IX Project	62,660	81,363
Sportsmanship scholarships		12,009
Sportsmanship awards	<u>7,717</u>	<u>10,053</u>
	<u>\$ 528,539</u>	<u>\$ 466,158</u>

**10. In-Kind Support and Expenditures**

The Association receives donated services from a variety of unpaid vendors. These non-cash benefits are traded out for tickets or admission to various tournaments. The fair market value of these benefits are included as revenue and expenses to program activities. Donated services that are recognized in the basic financial statements for the years ended June 30, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Vehicles	\$ 23,000	\$ 14,650
Phones	<u>14,397</u>	<u>12,878</u>
	<u>\$ 37,397</u>	<u>\$ 27,528</u>

**KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2006 and 2005**

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**11. Concentrations of Credit Risk**

**Major Activities.** The Association earned \$1,635,616 and \$1,484,624 in gross revenue from the Boys State Basketball Tournament for the years ended June 30, 2006 and 2005, respectively. This represents approximately 43% of the Association's total gross revenues and support for 2006 and 2005, respectively.

The Association earned \$489,600 and \$487,615 in fees from member schools and officials for the years ended June 30, 2006 and 2005, respectively. These fees represent approximately 13% and 14% of the Association's total gross revenues and support for 2006 and 2005, respectively.

**SUPPLEMENTAL DATA**



**KENTUCKY HIGH SCHOOL ATHLETIC ASSOCIATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2006  
With Comparative Totals for the Year Ended June 30, 2005

	Boys State		Other Tournaments										2006		2005		
	General & Administrative	Basketball Tournament	Baseball	Track	Soccer	Softball	Tennis	Country	Other Sports	Basketball Tournament	Girls State	Football Playoffs	Hall of Fame Events	Fund Raising	Total Expenses	Total Expenses	Total Expenses
Personnel	\$ 816,515	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 816,515	\$	\$ 748,356
Professional fees	408,758														408,758		437,073
Other event costs	183,682	20,031	22,237	3,167	3,527	1,374	5,776	5,330	8,450	7,441	7,795	47,626	169		316,605		380,991
Tournament facility rental	199,804	1,420	14,481	13,775	1,200	300	6,114	10,781	7,967	7,967	32,542				288,384		268,160
Printing and publications	153,069	39,243	2,511	5,611	2,168	2,534	1,077	1,984	12,800	22,422	18,659				262,078		267,333
Insurance	254,743														254,743		204,090
Team expenses and awards	49,031	16,885	15,992	11,150	11,150	20,688	6,789	6,201	26,037	51,185	16,814				220,772		217,716
Tournament workers	23,302	18,564	19,537	15,235	10,532	4,369	6,309	34,137	25,103	25,103	15,303				172,391		164,707
Sponsorship expense	118,177	16,295				6,126		7,362		8,558					156,518		106,897
Radio network	95,804	2,244								28,102	3,750				129,900		108,657
Miscellaneous	114,493														114,493		105,601
Depreciation	94,851														94,851		99,980
Clinics and officials' expenses	90,100														90,100		68,774
Board of Control	75,957														75,957		63,705
Utilities and telephone	75,346														75,346		59,317
Repairs and maintenance	68,192														68,192		63,690
Dues	52,481														52,481		43,130
Postage	51,183														51,183		50,886
Auto usage	37,397														37,397		27,528
Sales commissions	4,704			114	200	84		50		1,136	1,783		28,778		36,849		36,616
Interest expense	30,323														30,323		41,484
Professional development	29,798														29,798		37,001
Administrative travel	22,371														22,371		21,480
Audio visual expense		2,947	13							623	14,521				18,104		10,270
Amortization of debt cost	9,493														9,493		9,493
<b>Total expenses</b>	<b>\$ 2,568,752</b>	<b>\$ 553,043</b>	<b>\$ 80,169</b>	<b>\$ 58,902</b>	<b>\$ 46,055</b>	<b>\$ 36,412</b>	<b>\$ 24,437</b>	<b>\$ 25,288</b>	<b>\$ 99,567</b>	<b>\$ 152,537</b>	<b>\$ 111,167</b>	<b>\$ 47,626</b>	<b>\$ 28,947</b>	<b>\$ 3,833,602</b>	<b>\$ 3,642,915</b>	<b>\$ 3,642,915</b>	<b>\$ 3,642,915</b>