

This Preliminary Official Statement and the information contained herein are subject to completion and revision in a final Official Statement. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these Bonds in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration, qualification, or exemption under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT

Dated January 25, 2007

(Bonds to be sold February 1, 2007, 11:00 a.m. E.S.T.)

BOOK-ENTRY-ONLY-SYSTEM

Non Bank Qualified

Rating: Moody's " " (See Ratings herein)

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds is excludable from gross income for federal income tax purposes, and is not a specific item of tax preference under § 57 of the Internal Revenue Code of 1986, as amended, in computing the alternative minimum tax for individuals and corporations, upon the conditions and subject to the limitations set forth herein under "Tax Treatment". Receipt of interest on the Bonds may result in other federal income tax consequences to certain holders of the Bonds. Interest on the Bonds is exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

ELECTRONIC BIDDING VIA PARITY

\$11,000,000*

TAYLOR COUNTY, KENTUCKY GENERAL OBLIGATION BONDS, SERIES 2007 (DETENTION FACILITY PROJECT)

Dated: February 20, 2007

Due: September 1, as shown below

The Bonds will be issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds. Accordingly, principal, interest and premium, if any, on the Bonds will be paid by U.S. Bank National Association, Louisville, Kentucky, as Paying Agent and Registrar, directly to DTC or Cede & Co., its nominee. DTC will in turn remit such principal, interest or premium to the DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the Bonds. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof, and will bear interest payable on September 1, 2007 and thereafter semiannually on each March 1 and September 1.

SCHEDULE OF MATURITIES

<u>Due</u>	<u>Cusip #</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Due</u>	<u>Cusip #</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>
9/01/2008		\$265,000			9/01/2021		\$435,000		
9/01/2009		275,000			9/01/2022		455,000		
9/01/2010		285,000			9/01/2023		470,000		
9/01/2011		295,000			9/01/2024		495,000		
9/01/2012		305,000			9/01/2025		515,000		
9/01/2013		315,000			9/01/2026		535,000		
9/01/2014		330,000			9/01/2027		560,000		
9/01/2015		345,000			9/01/2028		585,000		
9/01/2016		355,000			9/01/2029		610,000		
9/01/2017		370,000			9/01/2030		635,000		
9/01/2018		385,000			9/01/2031		665,000		
9/01/2019		400,000			9/01/2032		695,000		
9/01/2020		420,000							

The Bonds are being issued by the County of Taylor, Kentucky (the "County"), a municipal corporation and political subdivision of the State of Kentucky.

The Bonds maturing on and after September 1, 2017, shall be subject to prior redemption at the option of the County on and after September 1, 2016, as discussed herein.

The County deems this Official Statement to be final for purposes of Securities and Exchange Commission Rule 15c2-12.

The Bonds are offered when, as and if issued, subject to the approval of legality and tax exemption by Stites & Harbison, PLLC, Louisville, Kentucky, Bond Counsel. Certain legal matters have been passed upon for the County by Craig Cox, Esq., County Attorney. The Bonds are expected to be available for delivery on or about February 20, 2007.

*Preliminary, Subject to Permitted Adjustment

FIRST KENTUCKY SECURITIES CORPORATION
Financial Advisor

TAYLOR COUNTY FISCAL COURT

Eddie Rogers, Judge/Executive
Marshall Caulk, Magistrate
John David Gaines, Magistrate
Ed Gorin, Magistrate
James E. Jones, Magistrate
Milford H. Lowe, Magistrate
Richard A. Phillips, Magistrate

Craig Cox, County Attorney
Mark Carney, Clerk
Melissa W. Williams, Treasurer

BOND COUNSEL

Stites & Harbison, PLLC
Louisville, Kentucky

FINANCIAL ADVISOR

First Kentucky Securities Corporation
Frankfort, Kentucky

PAYING AGENT/BOND REGISTRAR

U.S. Bank National Association
Louisville, Kentucky

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PRELIMINARY OFFICIAL STATEMENT

**Relating to the Issuance of
\$11,000,000***

TAYLOR COUNTY, KENTUCKY GENERAL OBLIGATION BONDS, SERIES 2007 (DETENTION FACILITY PROJECT)

Dated: February 20, 2007

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the \$11,000,000* Taylor County, Kentucky (the "County") General Obligation Bonds, Series 2007 (Detention Facility Project) (the "Bonds").

The County, acting by and through its Fiscal Court, adopted an Ordinance ("Bond Ordinance") to finance the acquisition, construction, installation and equipping of a one-story, approximately 32,500 square foot detention facility (the "Project"), authorizing the issuance of the Bonds in a principal amount of \$11,000,000 (plus or minus up to \$1,000,000) for the purpose of providing financing for (i) the costs of the Project; (ii) the cost of funding a capitalized interest fund; (iii) the cost of redeeming the \$1,310,000 County of Taylor, Kentucky Bond Anticipation Notes, Series 2006 (the "Notes"); (iv) the current refunding of a Kentucky Association of Counties lease obligation in the outstanding principal amount of \$950,000 (the "KACo Lease"), the proceeds of which were used to partially finance costs of the acquisition of land and site preparation for the Project; and (v) the costs of issuance of the Bonds, in accordance with Sections 65.7701 through 65.7721 of the Kentucky Revised Statutes.

The Bonds are a general obligation debt of the County. The basic security for the Bonds is the County's ability to levy an annual tax to pay the interest on and principal of the Bonds as and when the same become due and payable. (See "Security and Sources of Payment" herein).

THE COUNTY

The County of Taylor, Kentucky, is a county and political subdivision of the Commonwealth of Kentucky.

The County is governed by a Judge/Executive, elected to a four-year term, and a Fiscal Court consisting of six (6) magistrates who are also elected to four-year terms. There is no limitation for succession by any member of the Fiscal Court.

Financial, demographic and economic data for the County is included in Appendices B and C.

THE BONDS

General

The Bonds will be dated February 20, 2007, and will bear interest from such date, payable semi-annually on September 1 and March 1 of each year, commencing on September 1, 2007. The Bonds will mature on the date and in the principal amount as set forth on the cover page of this Official Statement.

Book Entry Only System

The following information regarding DTC and Cede & Co. will be applicable to the Bonds as long as a book entry system is utilized. The County does not assume any responsibility for the accuracy or completeness of the information set forth under this caption "Book Entry", and the County is not required to supervise, and will not supervise, the operation of the book entry system described herein.

*Preliminary, Subject to Permitted Adjustment

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing Corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need of physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants").

Upon issuance of the Bonds, DTC Participants shall receive a credit balance in the records of DTC. ***The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") will be recorded through the records of the applicable DTC Participant.*** Beneficial Owners will receive a written confirmation of their purchase provided by the applicable DTC Participant, providing details of the Bonds acquired. Transfers of ownership interests in the Bonds ("Beneficial Ownership Interests") will be accomplished by book entries made by DTC and, in turn, by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will **not** receive certificates representing their ownership interest in the Bonds.

The County has no responsibility or liability for any aspects of the records relative to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership.

Principal, sinking fund, and interest payments on the Bonds will be made to DTC or its nominee, as registered owner of the Bonds. Upon receipt of moneys, DTC's current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such DTC Participant or Indirect Participant and not of DTC or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its DTC Participant, to the Paying Agent and Registrar, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the DTC Participant's interest in the Beneficial Ownership Interests, on DTC's records, to the purchaser or the Paying Agent and Registrar, as appropriate. The requirements for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

The Paying Agent and Registrar, so long as a book entry method is used for the Bonds, will send only to DTC any notice of redemption or other notices required to be sent to Bondholders. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption or of any other action premised on such notice.

Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time.

The County and the Paying Agent and Registrar cannot and do not represent or give any assurances that DTC, the DTC Participants or Indirect Participants or others will distribute payments of debt service charges on the Bonds paid to DTC or its nominee, as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

The Bonds will be fully registered and may be transferred at the principal corporate trust office of the Paying Agent and Registrar (as hereinafter described), without cost for such exchange or transfer.

Registration, Payment and Transfer

The Bonds are issuable as fully registered Bonds in the denomination of \$5,000 and any authorized multiple thereof. The Bonds are transferable by the registered owner thereof in person or by his/her attorney duly authorized in writing at the main office of the Bond Registrar, but only in the manner and subject to the limitations provided in the Bond Ordinance, and upon surrender and cancellation of such Bonds, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his/her authorized representative. Upon such transfer being made, a new fully registered Bond of the same maturity and aggregate principal amount will be issued to the transferee in exchange for the Bond.

Interest due on the Bonds shall be paid by check or draft by mail postmarked no later than the due date thereof by the Payee Bank to the registered owner thereof as of the 15th day of the month preceding each interest payment date on the Bond register kept by the Bond Registrar.

Optional Redemption

The Bonds maturing on or after September 1, 2017, shall be subject to redemption at the option of the Issuer prior to their stated maturities on any date falling on or after September 1, 2016, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon terms of the face amount plus accrued interest without redemption premium upon notice of such prior redemption being given by the Paying Agent.

THE PROJECT

The County has determined that it is necessary and desirable to construct a new County Detention Center. It will be a full service, 217 bed fully Kentucky code compliant jail, housing both adult male and female inmates. It is a single level, 32,000 square foot, fully secure facility that allows incarceration of federal and state inmates in maximum, medium and minimum custody levels. Inmate supervision is indirect, with the facility control room centrally located for excellent viewing of major corridors, and with state of the art security technologies utilized throughout the building. The Jail, including all programming, support and administrative areas, was designed to handle expansion for an additional 80 inmates. The new Detention Center will be easily accessible to the new County Judicial Center thru a secure and staff controlled corridor. This will greatly enhance the safety and security of the public, staff and inmates, and will also save the county substantial costs in inmate transportation to and from judicial court hearings.

Estimated Sources and Uses of Funds

Sources

Principal Amount of Bonds
TOTAL

Uses

Project Costs
Capitalized Interest
Redeem Series 2006 BANS
Refund KACo Loan
Costs of Issuance
Underwriter's Discount
TOTAL

SECURITY AND SOURCES OF PAYMENT

General

The Bonds will be issued pursuant to the Bond Ordinance adopted on September 28, 2006 and pursuant to the provisions of Chapter 66 of the Kentucky Revised Statutes, as amended ("Chapter 66"). The Bonds, together with the interest thereon, will be general obligation bonds of the Issuer issued and designated under Chapter 66, secured by the full faith and credit of the Issuer. Payments of principal and interest on the Bonds will be made from the Issuer's general fund or other monies lawfully available to the Issuer for such purpose. The Issuer has covenanted to levy a tax sufficient to pay all debt charges on the Bonds as and when payable.

Funds and Accounts

The proceeds of the Bonds will be deposited with the Paying Agent, and the Paying Agent shall hold, treat and disburse the same, as follows:

Cost of Issuance Fund. The Bond Ordinance established a special and separate account which shall be designated as the “Series 2007 General Obligation Bond Cost of Issuance Fund” (the “Cost of Issuance Fund”). An amount shall be deposited in the Cost of Issuance Fund to cover all expenses incident to the authorization, issuance, sale and delivery of the said Bonds. Amounts remaining in the Cost of Issuance Fund after payment of all costs of issuance of the Bonds shall be transferred to the Construction Fund (defined below).

Capitalized Interest Fund. The Bond Ordinance established a special and separate account which shall be designated as the “Series 2007 General Obligation Bond Capitalized Interest Fund” (the “Capitalized Interest Fund”). An amount shall be deposited in the Capitalized Interest Fund, and used to pay interest on the Bonds. All proceeds of the Bonds, and investment earnings thereon, remaining in the Capitalized Interest Fund on March 2, 2008 shall be used to redeem the Bonds.

Sinking Fund. The Bond Ordinance established a special and separate account which shall be designated as the “Series 2007 General Obligation Bond Sinking Fund” (the “Sinking Fund”). Beginning March 1, 2007 and each month thereafter, the County shall deposit an amount equal to one-sixth (1/6th) of the next succeeding six-month interest installment to become due on the Bonds, and beginning September 1, 2007, and each month thereafter, an amount equal to one-twelfth (1/12th) of the principal of the Bonds maturing on the next succeeding September 1. All proceeds of the Bonds, and investment earnings thereon, remaining in the Sinking Fund shall be used to redeem, at maturity or otherwise.

Refunding Fund. The Bond Ordinance established a special and separate account, which shall be designated as the “Series 2007 General Obligation Bond Refunding Fund” (the “Refunding Fund”). The County shall cause to be deposited Bond proceeds in an amount equal to the outstanding principal of the Notes plus the outstanding principal of the KACo Lease.

Construction Fund. The Bond Ordinance established a special and separate account which shall be designated as the “Series 2007 General Obligation Bond Construction Fund” (the “Construction Fund”). The remaining proceeds of the Bonds shall be deposited in the Construction Fund and shall be applied to meet the Costs of the Detention Facility Project pending the delivery of the Bonds. Following the delivery of the Bonds, disbursements of monies on deposit in the Construction Fund shall be made only upon order of the County approving such disbursement. All proceeds of the Bonds, and investment earnings thereon, remaining in the Construction Fund on the maturity date of the Bonds shall be used to redeem Bonds.

Rebate Fund. The Bond Ordinance authorized the establishment of a special and separate account, which shall be designated as the “Series 2007 General Obligation Bond Rebate Fund” (the “Rebate Fund”). This Rebate Fund shall be used for the deposit of excess earnings, as defined in the Internal Revenue Code of 1986, as amended, (the “Code”), if any, for rebate to the U.S. Treasury.

Investment of Funds

The County is authorized to invest or reinvest Bond proceeds or funds in one or more of the following “Investment Obligations:”

- a. 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 and may be accomplished through repurchase agreements with sources including, but not limited to, national or state banks chartered in the Commonwealth of Kentucky;
- b. 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, including but not limited to:
 - (i) United States Treasury;
 - (ii) Export-Import Bank of the United States;
 - (iii) Farmers Home Administration;
 - (iv) Government National Mortgage Corporation; and
 - (v) U.S. Maritime Administration; and

c. Obligations of any corporation of the United States government, including but not limited to:

- (i) Senior debt obligations of Federal Home Loan Mortgage Corporation rated “Aaa” by Moody’s and “AAA” by Standard and Poor’s;
- (ii) Senior debt obligations of Federal Home Loan Banks; and
- (iii) Senior debt obligations of Federal National Mortgage Association rated “Aaa” by Moody’s and “AAA” by Standard and Poor’s.

Arbitrage Restrictions

The County has agreed to restrict the use of the proceeds of the Bonds in such manner and to such extent, and take, or direct the taking of, such other action as may be necessary, after taking into account reasonable expectations at the time the Bonds are issued, so none will constitute obligations the interest on which is subject to federal income taxation or “arbitrage bonds” under §§ 103(b)(2) and 148 of the Code, and the regulations prescribed thereunder.

LITIGATION

No litigation or administrative action or proceeding is pending or, to the best of the knowledge of the County, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the collection of amounts pledged to the payment of the Bonds, or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued or delivered, or the validity of the Bonds, or to prevent or restrict the operations of the County.

TAX TREATMENT

In the opinion of Bond Counsel for the Bonds, under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds is excludable from gross income for Federal income tax purposes, and interest on the Bonds will not be treated as a specific item of tax preference under Section 57(a)(5) of the Code in computing the alternative minimum tax for individuals and corporations. Furthermore, Bond Counsel for the Bonds is of the opinion that interest on the Bonds is exempt from income taxation by the Commonwealth of Kentucky, and exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the opinion of Bond Counsel for the Bonds is set forth in Appendix D, attached hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Bonds. The Issuer has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Bonds being includable in income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bond documents and other relevant documents may be changed and certain actions may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of Bond Counsel other than Stites & Harbison, PLLC.

Although Bond Counsel for the Bonds is of the opinion that interest on the Bonds will be excludable from gross income for Federal and Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing of the Bonds on the tax liabilities of the individual or entity.

For example, although Bond Counsel for the Bonds is of the opinion that interest on the Bonds will not be a specific item of tax preference for the alternative minimum tax, corporations are required to include all tax-exempt interest in determining "adjusted current earnings" under Section 56(c) of the Code, which may increase the amount of any alternative minimum tax owed. Receipt of tax-exempt interest, ownership or disposition of the Bonds may result in other collateral Federal, state or local tax consequence for certain taxpayers, including, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code and limiting the use of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky, may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

RATING

As noted on the cover page of this Official Statement, Moody's Investor's Service ("Moody's") has assigned its municipal bond rating of "___", to this issue of Bonds.

Such rating reflects only the view of said organization. Any explanation of the significance of such rating may only be obtained from Moody's, at the following address: Moody's Investors Service, 99 Church Street, New York, New York 10007.

There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by the rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability and/or market price of the Bonds.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule") and so long as the Bonds are outstanding the County (the "Obligated Person") will agree pursuant to a Continuing Disclosure Agreement dated as of February 1, 2007 (the "Disclosure Agreement") to be delivered on the date of delivery of the Bonds, to cause the following information to be provided:

(i) to each nationally recognized municipal securities information repository ("NRMSIR") and, if one is established for the Commonwealth, to its state information depository ("SID"), annual audited financial statements of the County, generally consistent with the information contained in "Appendix C" of the Official Statement; such information shall be provided within 9 months after the end of the fiscal year ending June 30, commencing with the fiscal year ending June 30, 2007; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the Obligated Person;

(ii) to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and to the SID, if any, notice of the occurrence of the following events, if material, with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (g) Modifications to rights of Bondholders;
- (h) Bond calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event;

- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the securities; and
- (k) Rating changes.

(iii) in a timely manner, to each NRMSIR or to the MSRB and to the SID, notice of a failure of any Obligated Person to provide the required annual financial information on or before the date specified in the Disclosure Agreement.

In the event of a failure of the County to comply with any provision of the Disclosure Agreement, the County may and, at the request of any Underwriter or any Registered or Beneficial Owner of Bonds, shall, or any Registered or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking, mandate or specific performance by court order, to cause the County to comply with its obligations under the Disclosure Agreement. The sole remedy under the Disclosure Agreement in the event of any failure of the County to comply with the Disclosure Agreement shall be an action to compel performance.

UNDERWRITING

The Bonds are being purchased for reoffering by _____ (the "Underwriter"). The Underwriter has agreed to purchase the Bonds at an aggregate purchase price of \$ _____ (reflecting the par amount of the Bonds, less original issue discount of \$ _____, less underwriter's discount of \$ _____, plus accrued interest of \$ _____). The initial public offering prices which produce the yields set forth on the cover page of this Official Statement may be changed by the Underwriter and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the cover page.

FINANCIAL ADVISOR

The Bonds will be sold by the solicitation and receipt of competitive bids. First Kentucky Securities Corporation, Frankfort, Kentucky, Financial Advisor to the County, has requested and received permission and approval of the County to bid, either alone or in conjunction with others, on the Bonds. The Financial Advisor has expressed its intent to so bid.

First Kentucky Securities Corporation will receive a fee, subject to sale and delivery of the Bonds, for its advisory services. Said fee is separate from and in addition to compensation received, if any, for underwriting of the Bonds.

MISCELLANEOUS

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the County from official and other sources and is believed by the County to be reliable, but such information other than that obtained from official records of the County has not been independently confirmed or verified by the County and its accuracy is not guaranteed. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds.

This Official Statement has been duly executed and delivered for and on behalf of Taylor County, by its Judge/Executive.

TAYLOR COUNTY

By: /s/ Eddie Rogers
County Judge/Executive

APPENDIX A

Estimated Debt Service Requirements for the Series 2007 Bonds

**TAYLOR COUNTY, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2007
(DETENTION FACILITY PROJECT)**

Estimated Debt Service Requirements

Maturity Date	Principal	Interest	Period Total	Fiscal Total
08/01/2007		\$224,130.00	\$224,130.00	
02/01/2008		224,130.00	224,130.00	\$448,260.00
08/01/2008	\$265,000	224,130.00	489,130.00	
02/01/2009		219,492.50	219,492.50	708,622.50
08/01/2009	275,000	219,492.50	494,492.50	
02/01/2010		214,611.25	214,611.25	709,103.75
08/01/2010	285,000	214,611.25	499,611.25	
02/01/2011		209,481.25	209,481.25	709,092.50
08/01/2011	295,000	209,481.25	504,481.25	
02/01/2012		204,097.50	204,097.50	708,578.75
08/01/2012	305,000	204,097.50	509,097.50	
02/01/2013		198,455.00	198,455.00	707,552.50
08/01/2013	315,000	198,455.00	513,455.00	
02/01/2014		192,548.75	192,548.75	706,003.75
08/01/2014	330,000	192,548.75	522,548.75	
02/01/2015		186,278.75	186,278.75	708,827.50
08/01/2015	345,000	186,278.75	531,278.75	
02/01/2016		179,637.50	179,637.50	710,916.25
08/01/2016	355,000	179,637.50	534,637.50	
02/01/2017		172,715.00	172,715.00	707,352.50
08/01/2017	370,000	172,715.00	542,715.00	
02/01/2018		165,407.50	165,407.50	708,122.50
08/01/2018	385,000	165,407.50	550,407.50	
02/01/2019		157,707.50	157,707.50	708,115.00
08/01/2019	400,000	157,707.50	557,707.50	
02/01/2020		149,707.50	149,707.50	707,415.00
08/01/2020	420,000	149,707.50	569,707.50	
02/01/2021		141,307.50	141,307.50	711,015.00
08/01/2021	435,000	141,307.50	576,307.50	
02/01/2022		132,390.00	132,390.00	708,697.50
08/01/2022	455,000	132,390.00	587,390.00	
02/01/2023		123,062.50	123,062.50	710,452.50
08/01/2023	470,000	123,062.50	593,062.50	
02/01/2024		113,192.50	113,192.50	706,255.00
08/01/2024	495,000	113,192.50	608,192.50	
02/01/2025		102,797.50	102,797.50	710,990.00
08/01/2025	515,000	102,797.50	617,797.50	
02/01/2026		91,853.75	91,853.75	709,651.25
08/01/2026	535,000	91,853.75	626,853.75	
02/01/2027		80,485.00	80,485.00	707,338.75
08/01/2027	560,000	80,485.00	640,485.00	
02/01/2028		68,585.00	68,585.00	709,070.00
08/01/2028	585,000	68,585.00	653,585.00	
02/01/2029		56,007.50	56,007.50	709,592.50
08/01/2029	610,000	56,007.50	666,007.50	
02/01/2030		42,892.50	42,892.50	708,900.00
08/01/2030	635,000	42,892.50	677,892.50	
02/01/2031		29,240.00	29,240.00	707,132.50
08/01/2031	665,000	29,240.00	694,240.00	
02/01/2032		14,942.50	14,942.50	709,182.50
08/01/2032	695,000	14,942.50	709,942.50	709,942.50
Totals	\$11,000,000	\$7,166,182.50	\$18,166,182.50	

APPENDIX B

County of Taylor Demographic, Economic and Financial Data

General Information

Taylor County was formed in 1848. It is located in the Pennyrile region of the state. The elevation in the county ranges from 570 to 1200 feet above sea level. In 2000 the county population was 22,927 in a land area of 269.83 square miles, an average of 85.0 people per square mile. The county seat is Campbellsville.

Total Population

	2001	2002	2003	2004	2005
Labor Market Area	164,729	165,497	166,264	167,503	168,071
Taylor County	23,034	23,202	23,347	23,479	23,726
Campbellsville	10,489	10,643	10,712	10,752	NA

Source: Applied Geographic Solutions, Simi Valley, CA (Labor Market Area and County, 2005 and later); U.S. Department of Commerce, Bureau of the Census (all other).

Population Projections

	2005	2010	2015	2020
Labor Market Area	168,025	173,162	178,919	183,991
Taylor County	23,727	24,262	24,995	25,609

Source: Kentucky State Data Center, University of Louisville and Kentucky Cabinet for Economic Development.

Population by Selected Age Groups, 2005

	Taylor County		Labor Market Area	
	Number	Percent	Number	Percent
Under 15	4,371	18.4	31,434	18.7
15-24	3,472	14.6	23,638	14.1
25-34	2,823	11.9	20,747	12.3
35-44	3,188	13.4	23,574	14.0
45-54	3,362	14.2	23,848	14.2
55-64	2,716	11.4	19,282	11.5
65-74	2,078	8.8	13,544	8.1
75 and older	1,716	7.2	12,004	7.1
Median Age	39.0		37.9	

Source: Applied Geographic Solutions, Simi Valley, CA

Population by Race and Hispanic Origin, 2005

	Taylor County		Labor Market Area	
	Number	Percent	Number	Percent
White	22,220	93.7	157,311	93.6
Black	1,176	5.0	7,873	4.7
Am. Indian & Alaska Native	34	0.1	401	0.2
Asian	43	0.2	450	0.3
Native Hawaiian & other Pacific Islander	6	0.0	35	0.0
Other/Multirace	247	1.0	2,001	1.2
Hispanic Origin	231	1.0	2,164	1.3

Bond: Hispanic is not a race category. A person can be white, black, etc. and be of hispanic origin.

Source: Applied Geographic Solutions, Semi Valley, CA

Personal Income

	1998	2003	Pct. Change
Taylor County	\$17,366	\$20,974	20.8%
Kentucky	\$22,043	\$26,575	20.6%
U.S.	\$26,883	\$31,472	17.1%
Labor Market Area Range	\$15,503 - \$22,590	\$18,050 - \$25,597	

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Households

	2005	2005	2005
	Number of Households	Persons Per Household	Median Household Income
Taylor County	8,969	2.57	\$30,359

Source: Applied Geographic Solutions, Simi Valley, CA

Summary of Recent Locations and Expansions, 2003-Present

	Companies	Jobs	Reported
			Investment
Manufacturing Location	0	0	\$0
Manufacturing Expansion	6	85	\$16,235,000
Supportive/Service Location	0	0	\$0
Supportive/Service Expansion	1	0	\$175,000

[Click here for detailed location and expansion information.](#)

Bond: Totals include announced locations and expansions.

Source: Kentucky Cabinet for Economic Development (05/16/2006).

Employment by Major Industry by Place of Work, 2004

	Taylor County		Labor Market Area	
	Employment	Percent	Employment	Percent
All Industries	9,653	100.0	55,136	100.0
Agriculture, Forestry, Fishing and Hunting	0	0.0	NA	NA
Mining	0	0.0	NA	NA
Construction	0	0.0	1,424	2.6
Manufacturing	2,015	20.9	14,009	25.4
Trade, Transportation, and Utilities	2,644	27.4	10,021	18.2
Information	122	1.3	906	1.6
Financial Activities	360	3.7	1,897	3.4
Services	1,497	15.5	11,189	20.3
Public Administration	140	1.5	1,870	3.4
Other	0	0.0	NA	NA

Source: U.S. Department of Labor, Bureau of Labor Statistics.

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Major Business & Industry

Firm	Product(s)/Service(s)	Emp.	Year Established
<i>Campbellsville</i>			
Adanta Human Development Services	Sheltered workshop: contract assembling & light bench woodworking; assemble screws and washers, count and package screws; count concrete nails and box.	21	1976
Airguard	Air filtration products	187	2000
Amazon.com	Fulfillment Center. Receive items available on the website into inventory and ship the customer orders from this facility.	600	1999
Campbellsville Apparel	Men's t-shirts & briefs	200	1999
Campbellsville Industries Inc	Ornamental metal & aluminum fabricating; steeples, cupolas, crosses, cornices, awnings, columns, louvers, shutters, railings & balusters	120	1955
Classic Kitchens Inc	Custom wooden cabinets, vanities & bookcases	32	1983
Cox Interior Inc	Hardwood moldings, trim, stair parts, interior doors & mantels	760	1983
Creation Sportswear Inc	Textile screen printing	20	1984
Farmer's Gate Co	Steel gates, coral panels, round bale feeders, walk-thrus	16	1997
Fleetwood Travel Trailers of Kentucky	Mfg of Travel Trailers	200	2000
Frost-Arnett Co	Collection agency	87	1999
Ingersoll-Rand Co	Vacuum pumps & air & gas compressors	195	1969
J & D Auto Electric Inc	Starter, alternator & generator rebuilding service	15	1983
Murakami Manufacturing USA	Motor vehicle parts & accessories, exterior mirrors	280	2001
National Data Questing Inc	Market Research Call Center	50	1999
Parker-Kalon	Threaded fasteners	90	1964
Poly Pro LLC	Interior & exterior molding components made of a polyurethane foam.	20	1999
Tec-Fab Inc	Custom sheet metal fabricating: bell towers, church steeples, cupolas, cornices, crosses & columns	15	1978
UpStream	Travel service - call center	245	1999
Whitney Lumber Inc	Hardwood lumber	25	1952
Wholesale Hardwood Interiors	Custom millwork, hardwood flooring, interior moldings, door & stair parts	80	1985

Source: Kentucky Cabinet for Economic Development (05/16/2006).

TAYLOR COUNTY STATISTICAL SUMMARY

Business Cost

Kentucky Index, 2002 (U.S. = 100.0)

Labor Cost	85.9
Energy Cost	66.1
Overall Business Cost	83.8

Kentucky has the 7th lowest overall business cost in the nation.

Gross State Product Per Wage, 2004

Kentucky	\$2.21
U.S.	\$2.17

Kentucky has the 23rd highest gross state product per wage (1.91% higher than the U.S.).

Industrial Electric Cost Per KWH, 2004

Kentucky	\$0.03
U.S.	\$0.05

*Kentucky is the **lowest** cost state for electrical industrial power.*

Population 2005

Taylor County 23,726

Labor Market Area 168,071

Taylor County

**Per Capita Income
2003** \$20,974

**Median Household
Income
2005** \$30,359

**Median Home Price
2004** \$61,300

Total Available Labor 2004

Taylor County 594

Labor Market Area 6,376

Unemployment Rate 2005

Taylor County 5.4

Labor Market Area 6.1

U.S. 5.1

Average Weekly Wage 2004

Taylor County \$475

Labor Market Area \$425

U.S. \$851

Tax Base Information

<u>Year</u>	<u>Real Estate</u>	<u>Tangible Personal</u>	<u>Real Estate Franchise</u>	<u>Tangible Franchise</u>	<u>Motor Vehicles</u>	<u>Watercraft</u>	<u>Total Assessed Value</u>
05/06	\$739,095,576	\$100,783,463	*	*	\$119,411,541	\$4,611,541	\$ 963,902,121
04/05	691,392,994	134,503,113	\$13,921,430	\$57,686,762	109,152,162	4,582,808	1,011,239,269
03/04	649,154,455	82,595,348	11,887,882	55,127,113	108,289,325	4,607,346	911,661,469
02/03	619,218,430	84,433,990	12,811,013	37,335,359	102,327,979	4,538,218	860,664,989
01/02	593,485,535	81,639,867	10,950,653	35,506,825	105,497,768	4,087,866	831,168,514
00/01	575,228,887	91,939,884	10,904,156	35,019,055	89,767,335	4,233,832	807,126,149

*Tax Rate has not been set

Assessment Rates

<u>Year</u>	<u>Real Estate</u>	<u>Tangible Personal</u>	<u>Real Estate Franchise</u>	<u>Tangible Franchise</u>	<u>Motor Vehicles</u>	<u>Watercraft</u>
05/06	7.00	9.30	*	*	9.10	9.10
04/05	7.20	8.00	7.20	8.00	9.10	9.10
03/04	7.50	7.99	7.50	7.99	9.10	9.10
02/03	7.70	7.86	7.70	7.86	9.10	9.10
01/02	7.90	7.90	7.90	7.90	9.10	9.10
00/01	8.00	8.00	8.00	8.00	9.10	9.10

*Tax Rate has not been set

County Tax Collections ⁽¹⁾

<u>Fiscal Year</u>	<u>Taxes Levied</u>	<u>Taxes Collected</u>	<u>Percent Collected</u>
2005-06 *	\$733,956.52	\$735,683.87	100%
2004-05	765,077.11	716,170.22	94
2003-04	708,557.96	706,573.49	99
2002-03	679,621.61	660,043.33	97
2001-02	669,773.40	647,812.11	97
2000-01	656,044.67	634,421.99	97

⁽¹⁾ Includes real estate, tangible, intangibles, and bank shares. Collections are net of delinquencies, collections, fees, and discounts.

* No franchise included in levied amount for fiscal year 2005-06.

Largest Corporate Taxpayers

<u>Name</u>	<u>Assessment Valuation</u>
Amazon.Com	\$28,390,097
Kentucky Alltel Inc.	27,630,802
Tennessee Gas Pipeline Co.	22,045,974
Istar HQ 2003 LP	17,417,000
Wal-Mart Real Estate Business	15,025,175
Lowe's Home Centers Inc	10,253,937
Murakami Manufacturing USA Inc	8,459,552
Excel Realty partners LP	8,050,000
Taylor County RECC	7,399,033
Cox Interior Inc.	6,855,950

APPENDIX C

County of Taylor Audited Financial Report for Fiscal Year Ended June 30, 2005

**REPORT OF THE AUDIT OF THE
TAYLOR COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2005**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

John R. Farris, Secretary

Finance and Administration Cabinet

Honorable Paul W. Patton, Taylor County Judge/Executive

Members of the Taylor County Fiscal Court

The enclosed report prepared by Percy and Gray, PSC, Certified Public Accountant, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements.

We engaged Percy and Gray, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Percy and Gray, PSC evaluated the Taylor County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE TAYLOR COUNTY FISCAL COURT

June 30, 2005

Peercy and Gray, PSC has completed the audit of the Taylor County Fiscal Court for fiscal year ended June 30, 2005.

The combined financial statements of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation (Hospital), a discretely presented component unit, and the Taylor County Airport Board (Airport), also a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Taylor County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on the discretely presented component units.

We have issued an unqualified opinion on the governmental activities, each major fund, and aggregate remaining fund information of Taylor County, Kentucky.

Financial Condition:

The fiscal court had unrestricted net assets of \$990,432 in its governmental activities as of June 30, 2005, with total net assets of \$4,800,136. The fiscal court's discretely presented component units had net assets of \$37,232,588 (Hospital), and \$355,471 (Airport) as of June 30, 2005. The discretely presented component units had net cash and cash equivalents of \$16,751,523 (Hospital), and \$67,207 (Airport). The fiscal court had total debt principal as of June 30, 2005 of \$559,890 with \$119,092 due within the next year. The discretely presented component units had total debt principal as of June 30, 2005 of \$9,789,339 with \$367,883 due within the next year (Hospital). No debt is related to the Taylor County Airport Board (Airport).

Deposits:

The fiscal court and component units' deposits were insured and collateralized by bank securities or bonds.

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PEERCY AND GRAY, PSC

Certified Public Accountants

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Louisville, Kentucky 40299

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FAX: (502) 493-7231

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Paul W. Patton, Taylor County Judge/Executive
Members of the Taylor County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Taylor County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Taylor County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the combined financial statements of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, a discretely presented component unit, which represents 90.0 percent and 87.6 percent, respectively, of the assets and revenues of the discretely presented component opinion unit. We also did not audit the financial statements of the Taylor County Airport Board, a discretely presented component unit, which represents 0.7 percent and 0.2 percent, respectively, of the assets and revenues of the discretely presented component opinion unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Taylor County Hospital District, Taylor County Hospital District Health Facility Corporation, and Taylor County Airport Board, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. 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 and the reports of other auditors provide a reasonable basis for our opinions.

As described in Note 1, Taylor County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The combined financial statements of the Taylor County Hospital District and Taylor Hospital District Health Facility Corporation and the Taylor County Airport Board, discretely presented component units, are presented according to accounting principles generally accepted in the United States of America. This basis of accounting is different from the modified cash basis of accounting in that certain accruals of assets, liabilities, and expenses are made to the financial statements of the discretely presented component units that are not recognized under the modified cash basis of accounting used in preparing the financial statements of Taylor County, Kentucky.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Paul W. Patton, Taylor County Judge/Executive
Members of the Taylor County Fiscal Court

In our opinion, based on our report and the reports of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation's combined financial statements and the Taylor County Airport Board's financial statements been prepared using the same basis of accounting as Taylor County, Kentucky, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Taylor County, Kentucky, as of June 30, 2005, and the changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

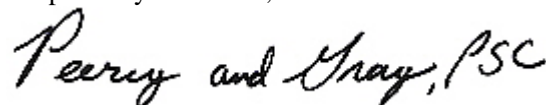
In addition, in our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor County, Kentucky, as of June 30, 2005, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Taylor County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated July 7, 2006, on our consideration of Taylor County, Kentucky'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.

Respectfully submitted,



Percy and Gray, PSC
Certified Public Accountants

Audit fieldwork completed -
July 7, 2006

TAYLOR COUNTY OFFICIALS

For The Year Ended June 30, 2005

Fiscal Court Members:

Paul W. Patton	County Judge/Executive
James Cochran	Magistrate
John Gaines	Magistrate
Steve Holt	Magistrate
James Jones	Magistrate
J. W. McFarland	Magistrate
Bobby Roots	Magistrate

Other Elected Officials:

Craig Cox	County Attorney
Rodney Burress	Jailer
Mark Carney	County Clerk
Sam Newcomb	Circuit Court Clerk
John Shipp	Sheriff
Julie Shields	Property Valuation Administrator
Terry Dabney	Coroner

Appointed Personnel:

Maxine White	County Treasurer
Sherry Kerr	Occupational Tax Collector

Paul W. Patton
Judge/Executive

Magistrates:

James Jones - 1st Dist.
John D. Gaines - 2nd Dist.
James Cochran - 3rd Dist.



Melissa W. Williams
Treasurer

Magistrates:

Steve Holt - 4th Dist.
Bobby Roots - 5th Dist.
J. W. McFarland - 6th Dist.

OFFICE OF THE JUDGE/EXECUTIVE
TAYLOR COUNTY
County Courthouse
203 N. Court St., Suite 4
Campbellsville, Kentucky 42718
270-465-7729 • 270-465-7117

Management's Discussion and Analysis
June 30, 2005

The financial management of Taylor County, Kentucky offers readers of Taylor County's financial statements this narrative overview and analysis of the financial activities of Taylor County for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights.

- Taylor County had net assets of \$4,800,136 as of June 30, 2005. The fiscal court had unrestricted net assets of \$990,432 in governmental activities as of June 30, 2005. Total debt for governmental activities principal as of June 30, 2005 was \$559,890 with \$119,092 due within one year.
- The governmental activities total net assets increased by \$297,512 from the prior year. This increase is primarily due to the inclusion of infrastructure (road and bridges) in capital assets.
- At the close of the current fiscal year, Taylor County governmental funds reported current assets of \$1,001,963. Of this amount, \$990,432 is available for spending at the government's discretion (unreserved fund balance).
- Taylor County's total indebtedness at the close of fiscal year June 30, 2005 was \$559,890. Debt additions were \$93,220, and debt reductions were \$131,239 for a net increase of \$38,019 for the year. This increase was due to Taylor County's financing obligations for road equipment and E911 equipment upgrade and vehicle during fiscal year 2005.

Overview of the Financial Statements.

This management discussion and analysis is intended to serve as an introduction to Taylor County's basic financial statements. Taylor County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Taylor County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Taylor County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on Taylor County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Taylor County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or significant portion of their costs through user fees and charges (*business-type activities*). Taylor County's governmental activities include general government, protection to persons and property, general health and sanitation, social services, recreation and culture, road facilities, roads, airports, and capital projects. Taylor County does not have a business type activity.

The government-wide financial statements include not only Taylor County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Taylor County has two such entities described as a major Discretely Presented Component Unit, which are the combined Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation and the Taylor County Airport Board.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Taylor County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Taylor County are *governmental funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

**Taylor County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Governmental Funds. (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Taylor County maintains (11) eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road Fund
- Jail Fund

Non-major Funds:

- Local Government Economic Assistance Fund
- Forest Fire Fund
- PRIDE Fund
- Tebbs Bend Fund
- Kentucky Agency On Substance Abuse Prevention Fund
- Title V Grant Fund
- Adanta Fund
- Special Fund

Taylor County adopts an annual appropriated budget. A budgetary comparison statement has been provided for the General Fund, Road Fund, and Jail fund to demonstrate compliance with their budgets.

Discretely Presented Component Units. Component Units are operations for which the County has some financial accountability, but also have certain independent qualities as well. Component Units operate similarly to private sector businesses. Taylor County has two discretely presented component units. These two component units' financial information is included on the government-wide financial statements of the statement of net assets and the statement of activities in two separate columns.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Taylor County
Management's Discussion and Analysis
June 30, 2005
(Continued)

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Table 1
Taylor County's Net Assets
Governmental Activities

	2004	2005
Assets		
Current and other assets	\$1,074,699	\$1,001,963
Capital assets	4,025,833	4,358,063
Total Assets	5,100,532	5,360,026
Liabilities		
Current and other liabilities	127,616	119,092
Long-term liabilities	470,293	440,798
Total Liabilities	597,909	559,890
Net Assets		
Invested in capital assets, net of related debt	3,427,924	3,798,173
Restricted	51,920	11,531
Unrestricted	1,022,779	990,432
Total Net Assets	\$4,502,623	\$4,800,136

**Taylor County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

**Table 2
Taylor County's Statement of Activities**

Governmental Activities

	<u>Total</u>	
	<u>2004</u>	<u>2005</u>
Program Revenues:		
Charges for Services	\$ 261,558	\$ 327,732
Operating Grants and Contributions	2,181,426	1,208,151
Capital Grants and Contributions	4,000	186,613
Total Program Revenues	<u>2,446,984</u>	<u>1,722,496</u>
General Revenues		
Taxes	3,294,096	3,801,593
Excess Fees	159,783	95,000
Unrestricted Investment Earnings	34,351	36,131
Miscellaneous Revenues	697,615	581,350
Total General Revenues	<u>4,185,845</u>	<u>4,514,074</u>
Total Revenues	6,632,829	6,236,570
Program Expenses:		
General Government	3,117,872	3,268,278
Protection to Persons and Property	1,420,186	1,141,999
General Health and Sanitation	253,642	330,814
Social Services	573,554	136,036
Recreation and Culture	109,081	167,282
Roads	18,042	790,476
Airports	648,339	73,584
Debt Service	70,588	23,789
Capital Projects	5,398	6,800
Total Expenses	<u>6,216,702</u>	<u>5,939,058</u>
Change in Net Assets	416,127	297,512
Net Assets-Beginning	<u>4,086,497</u>	<u>4,502,624</u>
Net Assets-Ending	<u><u>\$ 4,502,624</u></u>	<u><u>\$ 4,800,136</u></u>

**Taylor County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Changes in Net Assets.

Governmental Activities. Taylor County's net assets increased by \$297,512 in fiscal year 2005. Key elements of this are as follows:

- Current assets and cash decreased \$72,736 due to unexpected intergovernmental and miscellaneous expenses.
- Capital assets increased \$332,230, primarily due to the improvements.
- Investment in capital assets and infrastructure, net of related debt increased by \$370,249 primarily due to the improvement of infrastructure (roads and bridges) capital assets.
- Current and long-term liabilities decreased by \$38,019.

Financial Analysis of the County's Funds.

As noted earlier, Taylor County uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements.

Governmental Funds Overview. The focus of Taylor County governmental funds is to provide information on current inflows, outflows, and balances of spend able resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of June 2005 fiscal year, the combined ending fund balances of County governmental funds were \$1,001,963. Approximately 99% (\$990,432) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$11,531) is reserved to indicate that it is not available for new spending because it is committed for the various grant projects.

The County has (3) three major governmental, and (8) eight non-major funds.

Major Funds:

- General Fund
- Road Fund
- Jail Fund

Non-major Funds:

- Local Government Economic Assistance Fund
- Forest Fire Fund
- PRIDE Fund
- Tebbs Bend Fund
- Kentucky Agency On Substance Abuse Prevention Fund
- Title V Grant Fund
- Adanta Fund
- Special Fund

**Taylor County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Financial Analysis of the County's Funds. (Continued)

1. The General Fund is the chief operating fund of Taylor County. At the end of June 30, 2005 fiscal year, unreserved fund balance of the General Fund was \$695,471, while total fund balance was \$1,001,963. The County received \$3,658,406 in real property, motor vehicle, occupational, and other taxes for approximately 76% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 24% of revenues.
2. The Road Fund is the fund related to County road and bridge construction and maintenance. The Road and Bridge Fund had a \$28,894 fund balance at June 30, 2005. The fiscal year 2005 expenditures for Road and Bridge Fund were 1,371,215.
3. The Jail Fund is used to account for transporting and housing prisoners in other counties. The Jail Fund had a fund balance of \$239,867 at the end of June 30, 2005. The Jail Fund received \$99,386 for intergovernmental fees, primarily to house state prisoners in other counties. The General Fund contributed a total of \$829,928 to the Jail Fund during fiscal year 2005.
4. The Local Government Economic Assistance Fund had a fund balance of \$18,139 as of June 30, 2005, a increase of \$4,547 over the previous fiscal year end.
5. The Forest Fire Fund had a fund balance of \$390 as of June 30, 2005, a decrease of \$251 over the previous fiscal year end.
6. The PRIDE Fund had a reserved fund balance of \$0 as of June 30, 2005. This fund is used to account for a federal Personal Responsibility In a Desirable Environment Grant (PRIDE).
7. The Tebbs Bend Fund had a reserved fund balance of \$11,531 as of June 30, 2005, a decrease of \$33,892 over the previous fiscal year end. This fund is used to account for a state Kentucky Heritage Land Conservation Fund grant administered by the Kentucky Department of Natural Resources for the purpose of funding the Tebbs Bend Nature and Recreation Area in Taylor County.
8. The Kentucky Agency On Substance Abuse Prevention Fund (ASAP) had a fund balance of \$5,873 as of June 30, 2005, a decrease of \$18,352 over the previous fiscal year end.
9. The Title V Grant Fund had a reserved fund balance of \$264 as of June 30, 2005. This fund is used to account for a federal Title V Juvenile Delinquency Prevention Program grant. These funds are restricted for debt service.
10. The Adanta Fund had a reserved fund balance of \$0 as of June 30, 2005. This fund is used to account for a major federal Target Expansion Capacity grant to the purpose of funding the Abuse Treatment Women's Recovery Project administered by Team Taylor County and Adanta.
11. The Special Fund had a reserved fund balance of \$1,534 as of June 30, 2005, a decrease of \$320 over the previous fiscal year end. This fund is used to account for a federal Juvenile Accountability Incentive Block Grant (JAIBG).

**Taylor County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

General Fund Budgetary Highlights.

Taylor County's General Fund budget was amended during the fiscal year increasing the budgeted amount by \$738,024. Budget amendments were made to various revenues and expenditures due to grants awarded in the fiscal year, intergovernmental revenues, miscellaneous medical enhancement revenue, surplus cash carried forward.

Capital Assets and Debt Administration.

Capital Assets. Taylor County's investment in capital assets for its governmental activities as of June 30, 2005, amount to \$4,358,063 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, other equipment, vehicles and equipment, infrastructure (roads and bridges).

Taylor County purchased land during the year and also incurred significant increases in infrastructure of \$336,423.

Additional information of the County's capital assets can be found in Note 3 of this report.

**Table 3
Taylor County's Capital Assets, Net of Accumulated Depreciation**

Governmental Activities		
	2004	2005
Infrastructure Assets	\$ 306,771	\$ 617,613
Land	1,077,129	1,104,629
Buildings	1,679,240	1,656,708
Other Equip.	379,111	367,452
Vehicles & Equip.	583,582	611,661
Total Net Capital Assets	\$4,025,833	\$4,358,063

Long-Term Debt. At the end of the 2005 fiscal year, Taylor County had total debt outstanding of \$559,890, which consists of eleven other financing obligations for various equipment and vehicles. Additional information on the County's long-term debt can be found in Note 5 of this report.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2006 fiscal year budget:

- The 2006 fiscal year adopted budget continues most services at current levels.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, may have a negative impact on funding for county programs.
- Economic factors indicate continued growth for Taylor County.

**Taylor County
Management's Discussion and Analysis
June 30, 2005
(Continued)**

Requests For Information.

This financial report is designed to provide a general overview of Taylor County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Taylor County Treasurer, 203 N. Court Street, Suite 4, Campbellsville, Kentucky 42718.

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TAYLOR COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

TAYLOR COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Component Unit</u>
		Taylor County Hospital District/Health Facility Corporation	Taylor County Airport Board
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,001,963	\$ 16,751,523	\$ 67,207
Investment in JHHN Regional Service Center		371,721	
Accounts Receivable		7,880,511	1,020
Supplies and Inventory		613,889	23,695
Prepaid Expenses and Other Assets		1,730,673	6,570
Total Current Assets	<u>\$ 1,001,963</u>	<u>\$ 27,348,317</u>	<u>\$ 98,492</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	\$ 1,104,629	\$ 392,025	\$ 13,000
Construction In Progress		2,250,097	
Buildings and Improvements	1,656,708		231,582
Other Equipment	367,452		30,175
Vehicles and Equipment	611,661		
Hospital Buildings and Equipment - Net of Accumulated Depreciation		21,676,679	
Infrastructure Assets - Net of Depreciation	617,613		
Total Noncurrent Assets	<u>4,358,063</u>	<u>24,318,801</u>	<u>274,757</u>
Total Assets	<u>\$ 5,360,026</u>	<u>\$ 51,667,118</u>	<u>\$ 373,249</u>
LIABILITIES			
Current Liabilities:			
Financing Obligations Payable	\$ 119,092	\$	\$
Accounts Payable		2,556,182	17,776
Accrued Payroll Payable		1,182,164	
Accrued Compensated Absences		906,845	
Estimated Medicare and Medicaid Payable			
Hospital Current Portion of Long Term Obligations Payable		367,883	
Total Current Liabilities	<u>\$ 119,092</u>	<u>\$ 5,013,074</u>	<u>\$ 17,776</u>
Noncurrent Liabilities:			
Financing Obligations Payable	\$ 440,798	\$	\$
Hospital Long Term Obligations Payable		9,421,456	
Total Noncurrent Liabilities	<u>440,798</u>	<u>9,421,456</u>	
Total Liabilities	<u>\$ 559,890</u>	<u>\$ 14,434,530</u>	<u>\$ 17,776</u>

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

TAYLOR COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2005
(Continued)

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Component Unit</u>
		Taylor County Hospital District/Health Facility Corporation	Taylor County Airport Board
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 3,798,173	\$ 9,884,271	\$ 274,757
Restricted For:			
Grant Projects	11,531		
Investment in JHHN Regional Service Center		371,721	
Hospital Depreciation Reserve		12,829,845	
Hospital Retirement Funds and Unemployment Compensation		243,169	
Unrestricted	990,432	13,903,582	80,714
Total Net Assets	<u>\$ 4,800,136</u>	<u>\$ 37,232,588</u>	<u>\$ 355,471</u>

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

TAYLOR COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005

TAYLOR COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,268,278	\$	\$ 190,359	\$
Protection to Persons and Property	1,141,999	50,827	99,386	186,613
General Health and Sanitation	330,814			
Social Services	136,036			
Recreation and Culture	167,282	87,095		
Roads	790,476	189,810	918,406	
Airports	73,584			
Capital Projects	6,800			
Debt Service	23,789			
Total Governmental Activities	5,939,058	327,732	1,208,151	186,613
Total Primary Government	\$ 5,939,058	\$ 327,732	\$ 1,208,151	\$ 186,613
Component Units:				
Taylor County Hospital District/Health Facility Corp.	\$ 42,068,952	\$ 43,402,688	\$	\$
Taylor County Airport Board	142,762	76,523		
Total Component Units	\$ 42,211,714	\$ 43,479,211	\$ 0	\$ 0

General Revenues:

Taxes:
Real Property Taxes
Motor Vehicle Taxes
Occupational Taxes
Ad valorem Taxes
Other Taxes
Excess Fees
Unrestricted Investment Earnings
Equity Gains of JHHN Regional Service Center
Contributions for Capital Equipment
Miscellaneous Revenues

Total General Revenues
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

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

TAYLOR COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government	Component Unit	Component Unit
Governmental Activities	Taylor County Hospital District/Health Facility Corporation	Taylor County Airport Board
(3,077,919)		
(805,173)		
(330,814)		
(136,036)		
(80,187)		
317,740		
(73,584)		
(6,800)		
(23,789)		
<u>(4,216,562)</u>		
(4,216,562)		
	\$ 1,333,736	\$ (66,239)
3,659,382		
109,712		
32,499	769,443	
95,000		
36,131		1,173
	83,133	
	116,584	
581,350	418,727	34,500
<u>4,514,074</u>	<u>2,721,623</u>	<u>(30,566)</u>
297,512	2,721,623	(30,566)
<u>4,502,624</u>	<u>34,510,965</u>	<u>386,037</u>
<u>\$ 4,800,136</u>	<u>\$ 37,232,588</u>	<u>\$ 355,471</u>

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

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TAYLOR COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

TAYLOR COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 695,471	\$ 28,894	\$ 239,867	\$ 37,731	\$ 1,001,963
Total Assets	<u>\$ 695,471</u>	<u>\$ 28,894</u>	<u>\$ 239,867</u>	<u>\$ 37,731</u>	<u>\$ 1,001,963</u>
FUND BALANCES					
Unreserved:					
General Fund	\$ 695,471	\$	\$	\$	\$ 695,471
Special Revenue Funds		28,894	239,867	26,200	294,961
Reserved for:					
Tebbs Bend Project Grant				11,531	11,531
Total Fund Balances	<u>\$ 695,471</u>	<u>\$ 28,894</u>	<u>\$ 239,867</u>	<u>\$ 37,731</u>	<u>\$ 1,001,963</u>

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets

Total Fund Balances	\$ 1,001,963
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	5,585,389
Accumulated Depreciation	(1,227,326)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	<u>(559,890)</u>
Net Assets Of Governmental Activities	<u>\$ 4,800,136</u>

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

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TAYLOR COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

TAYLOR COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Non-Major Governmental Funds</u>
REVENUES				
Taxes	\$ 3,658,406	\$	\$	\$ 976
In Lieu Tax Payments	32,499			
Excess Fees	95,000			
Licenses and Permits	109,712			
Intergovernmental	190,359	918,406	99,386	186,613
Charges for Services	137,922	189,810		
Miscellaneous	568,314	13,036		
Interest	24,850	5,579	5,210	492
Total Revenues	<u>4,817,062</u>	<u>1,126,831</u>	<u>104,596</u>	<u>188,081</u>
EXPENDITURES				
General Government	884,370	14,462		
Protection to Persons and Property	335,276		787,343	4,114
General Health and Sanitation	217,255	25,137		83,770
Social Services	13,089			120,856
Recreation and Culture	164,588			
Roads		690,783		15,253
Airports	62,925			
Debt Service	86,423	68,604		
Capital Projects	47,119	434,852	6,800	4,997
Administration	2,147,295	137,377	8,773	41,065
Total Expenditures	<u>3,958,340</u>	<u>1,371,215</u>	<u>802,916</u>	<u>270,055</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>858,722</u>	<u>(244,384)</u>	<u>(698,320)</u>	<u>(81,974)</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds	21,000	72,220		
Transfers From Other Funds			829,928	24,962
Transfers To Other Funds	(854,890)			
Total Other Financing Sources (Uses)	<u>(833,890)</u>	<u>72,220</u>	<u>829,928</u>	<u>24,962</u>
Net Change in Fund Balances	24,832	(172,164)	131,608	(57,012)
Fund Balances - Beginning	670,639	201,058	108,259	94,743
Fund Balances - Ending	<u>\$ 695,471</u>	<u>\$ 28,894</u>	<u>\$ 239,867</u>	<u>\$ 37,731</u>

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

TAYLOR COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2005
(Continued)

Total Governmental Funds
\$ 3,659,382
32,499
95,000
109,712
1,394,764
327,732
581,350
36,131
6,236,570
898,832
1,126,733
326,162
133,945
164,588
706,036
62,925
155,027
493,768
2,334,510
6,402,526
(165,956)
93,220
854,890
(854,890)
93,220
(72,736)
1,074,699
\$ 1,001,963

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

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**TAYLOR COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2005

**TAYLOR COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2005

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ (72,736)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	486,968
Depreciation Expense	(154,738)
The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. These transactions however, have no effect on net assets.	
Financing Obligation Proceeds	(93,220)
Financing Obligations Principal Payment	<u>131,238</u>
Change in Net Assets of Governmental Activities	<u>\$ 297,512</u>

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

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TO THE FINANCIAL STATEMENTS**

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TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements of the primary government. However, the combined financial statements of Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, a discretely presented component unit, and the Taylor County Airport Board, a discretely presented component unit, are prepared on the accrual basis, in accordance with accounting principles generally accepted in the United States of America. The financial information of the discretely presented component units is included in the government-wide statement of net assets and statement of activities.

The State Local Finance Officer does not require the primary government to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Taylor County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Discretely Presented Component Units

The two component unit columns in the government-wide financial statements include the combined data of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation and the data of the Taylor County Airport Board. They are reported on the Statement of Net Assets and the Statement of Activities in two separate columns that are labeled as "Component Unit" to emphasize these organizations' separateness from the fiscal court's primary government.

Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation

The Taylor County Fiscal Court (Fiscal Court) appoints a voting majority of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation's (Hospital) governing board. The Hospital is a legally separate entity. The Fiscal Court is able to impose its will on the Hospital's governing body and is entitled to any assets if the Hospital is sold. Financial information for the Hospital is presented discretely within Taylor County's financial statements.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Audited combined financial statements for the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, a discretely presented component unit, may be requested by contacting the Taylor Regional Hospital, 1700 Old Lebanon Road, Campbellsville, Kentucky 42718.

Taylor County Airport Board

The Taylor County Fiscal Court appoints a voting majority of the Taylor County Airport's (Airport) governing board. The Airport is a legally separate entity. The Fiscal Court is able to impose its will on the Airport's governing body and is entitled to any assets if the Airport is sold. Financial information for the Airport is presented discretely within Taylor County's financial statements.

Audited financial statements for the Taylor County Airport Board, a discretely presented component unit, may be requested by contacting the Taylor County Airport Board, 360 Airport Road, Campbellsville, Kentucky, 42718.

Kentucky law provides for election of the officials below from the geographic area constituting Taylor County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

C. Government-wide and Fund Financial Statements

The primary government reports the governmental activities using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities. The discretely presented component units are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when used, regardless of the timing of the cash flows.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Taylor County did not have any business-type activities during the fiscal year.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements. The governmental funds are accounted for on the modified cash basis and focus on the flow of current financial resources. Revenues are recognized when received and expenditures are recognized when paid.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Forest Fire Fund, Special Fund, PRIDE Fund, Adanta Fund, Tebbs Bend Fund, Kentucky Agency on Substance Abuse Prevention Fund, and Title V Grant Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Forest Fire Fund, Special Fund, PRIDE Fund, Adanta Fund, Tebbs Bend Fund, Kentucky Agency on Substance Abuse Prevention Fund, and Title V Grant Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Presentation of Component Units

The financial statements present the following major discretely presented component units: Combined Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, and Taylor County Airport Board.

These component units are presented on the Statement of Net Assets and the Statement of Activities in a two separate columns that are labeled as "Component Unit" to emphasize these organizations' separateness from the fiscal court's primary government.

D. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and 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 which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-25
Infrastructure	\$ 20,000	10-50

F. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of capital leases and financing obligations are reported.

In the fund financial statements, governmental fund types, the principal amount of the debt and interest is reported as expenditures and debt proceeds are reported as other financing sources.

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances (if any) are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation (discretely presented component unit), and the Taylor County Airport Board (discretely presented component unit) Funds are not budgeted by the County Treasurer. The Governor’s Office for Local Development does not require the Fiscal Court to report or budget these funds.

I. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, there were no related organizations of Taylor County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Taylor County Fiscal Court:

Campbellsville-Taylor County Industrial Development Authority
 Campbellsville-Taylor County Recreation Board.

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. Based upon these criteria, the following is considered a jointly governed organization of the Taylor County Fiscal Court:
 Emergency 911 Board.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 2. Deposits and Investments

Primary Government

A. Deposits

The primary government (County) and component units (Hospital & Airport) maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC), in accordance with KRS 66.480(1)(d). According to 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. These requirements were met.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a depository institution's failure, the County and its component units may not be returned to it. The county does not have a written deposit policy but rather follows the requirements of KRS 41.240 (4). As of June 30, 2005, all deposits of the County and its component units were covered by FDIC insurance or a properly executed collateral security agreement.

Discretely Presented Component Unit-Taylor County Hospital District/Health Facility Corporation

B. Investments in JHHN Regional Service Center

During fiscal year 2000, the Hospital acquired a 5% interest in JHHN Regional Service Center (the RCS) through a cash payment of \$161,000 and a commitment to transfer inventory with a value of approximately \$172,000 in the future. During fiscal 2001, the Hospital transferred inventory with a book value of approximately \$189,000 and was reimbursed by the RSC for the difference between the actual value of the inventory transferred and the amount committed which amounted to approximately \$12,000. The RSC is a partnership that operates as a regional warehouse and distribution center. The Hospital's investment in the RSC is accounted for on the equity method as it is operated for the mutual benefit of the members of the joint venture. The Hospital purchased supplies from the RSC totaling \$2,125,000 in fiscal year 2005.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 3. Capital Assets

Primary Government capital asset activity for the year ended June 30, 2005 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,077,129	\$ 27,500	\$	\$ 1,104,629
Total Capital Assets Not Being Depreciated	1,077,129	27,500		1,104,629
Capital Assets, Being Depreciated:				
Buildings	1,933,186			1,933,186
Other Equipment	618,283	15,206		633,489
Vehicles and Equipment	1,145,862	107,839		1,253,701
Infrastructure	323,961	336,423		660,384
Total Capital Assets Being Depreciated	4,021,292	459,468		4,480,760
Less Accumulated Depreciation For:				
Buildings	(253,946)	(22,532)		(276,478)
Other Equipment	(239,172)	(26,865)		(266,037)
Vehicles and Equipment	(562,280)	(79,760)		(642,040)
Infrastructure	(17,190)	(25,581)		(42,771)
Total Accumulated Depreciation	(1,072,588)	(154,738)		(1,227,326)
Total Capital Assets, Being Depreciated, Net	2,948,704	304,730		3,253,434
Government Activities Capital Assets, Net	\$ 4,025,833	\$ 332,230	\$ 0	\$ 4,358,063

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 34,936
Protection to Persons and Property	15,266
General Health and Sanitation	4,652
Social Services	2,091
Recreation and Culture	2,694
Roads, Including Depreciation of General Infrastructure Assets	84,440
Airport	<u>10,659</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 154,738</u></u>

Capital asset activity for discretely presented component units (Hospital and Airport) for the year ended June 30, 2005.

Discretely Presented Component Unit
Taylor County Hospital District/Health Facility Corporation
(Hospital) (in thousands)

(in thousands)	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending</u> <u>Balance</u>
Capital Assets Not Being Depreciated:					
Land and Improvements	\$ 392	\$	\$	\$	\$ 392
Construction in Progress	<u>507</u>	<u>5,443</u>		<u>(3,700)</u>	<u>2,250</u>
Total Capital Assets Not Being Depreciated	<u>899</u>	<u>5,443</u>		<u>(3,700)</u>	<u>2,642</u>
Capital Assets, Being Depreciated:					
Buildings	23,588	12		3,700	27,300
Equipment	<u>17,944</u>	<u>1,336</u>	<u>(1,054)</u>		<u>18,226</u>
Total Capital Assets Being Depreciated	41,532	1,348	(1,054)	3,700	45,526
Less Accumulated Depreciation For:					
Buildings and Equipment	<u>(22,146)</u>	<u>(2,722)</u>	<u>1,018</u>		<u>(23,850)</u>
Total Accumulated Depreciation	<u>(22,146)</u>	<u>(2,722)</u>	<u>1,018</u>		<u>(23,850)</u>
Total Capital Assets, Being Depreciated, Net	<u>19,386</u>	<u>(1,374)</u>	<u>(36)</u>	<u>3,700</u>	<u>21,676</u>
Capital Assets, Net	<u><u>\$ 20,285</u></u>	<u><u>\$ 4,069</u></u>	<u><u>\$ (36)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 24,318</u></u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 3. Capital Assets (Continued)

	Discretely Presented Component Unit			Ending
	Taylor County Airport Board			
	<u>Beginning</u>		<u>Decreases</u>	<u>Balance</u>
	<u>Balance</u>	<u>Increases</u>		
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 13,000	\$	\$	\$ 13,000
Total Capital Assets Not Being Depreciated	<u>13,000</u>			<u>13,000</u>
Capital Assets, Being Depreciated:				
Buildings and improvements	390,955	20,301		411,256
Equipment	271,454			271,454
Total Capital Assets Being Depreciated	662,409	20,301		682,710
Less Accumulated Depreciation For:				
Buildings and Improvements	(166,411)	(13,263)		(179,674)
Equipment	(235,571)	(5,708)		(241,279)
Total Accumulated Depreciation	<u>(401,982)</u>	<u>(18,971)</u>		<u>(420,953)</u>
Total Capital Assets, Being Depreciated, Net	<u>260,427</u>	<u>1,330</u>		<u>261,757</u>
Capital Assets, Net	<u>\$ 273,427</u>	<u>\$ 1,330</u>	<u>\$ 0</u>	<u>\$ 274,757</u>

Depreciation expense was charged to functions of the discretely presented major component units as follows:

Taylor County Hospital District/Health Facility Corporation	\$ 2,722,135
Taylor County Airport Board	<u>18,971</u>
Total Depreciation Expense - Component Units	<u>\$ 2,741,106</u>

Note 4. Short-term Debt

In July 2004, Taylor County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$2,562,400, with principal being due in January 2005. Of the funds, \$2,480,600 was allocated to the General Fund and \$81,800 was allocated to the Road Fund. While the county did not use the borrowed funds in order to meet current General Fund and Road Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$7,618 and \$251 in the General Fund and Road Fund, respectively.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt

Primary Government

A. 911 Equipment

On April 4, 2001, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of equipment for 911. The principal was \$81,000 at a variable percent interest rate for a period of 5 years, interest and principal paid monthly. Principal outstanding as of June 30, 2005 was \$17,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 17,000	\$ 448
Totals	<u>\$ 17,000</u>	<u>\$ 448</u>

B. Fire Truck

On April 4, 2001, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a fire truck. The principal was \$215,138 at a variable percent interest rate for a period of 10 years, interest and principal paid monthly. Principal outstanding as of June 30, 2005 was \$140,138. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 21,000	\$ 6,558
2007	22,000	5,489
2008	23,000	4,370
2009	24,000	3,202
2010	25,000	2,715
2011	25,138	
Totals	<u>\$ 140,138</u>	<u>\$ 22,334</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

Primary Government (Continued)

C. Backhoe

On December 13, 2002, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a backhoe. The principal was \$51,957 at a variable percent interest rate for a period of 5 years, principal is paid semi-annually with interest paid monthly. Principal outstanding as of June 30, 2005 was \$21,632. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 10,669	\$ 599
2007	10,963	223
Totals	<u>\$ 21,632</u>	<u>\$ 822</u>

D. Tractor/Mower

On November 26, 2002, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a tractor and mower. The principal was \$71,183 at a variable percent interest rate for a period of 5 years, principal is paid semi-annually with interest paid monthly. Principal outstanding as of June 30, 2005 was \$29,950. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 14,717	\$ 599
2007	15,233	223
Totals	<u>\$ 29,950</u>	<u>\$ 822</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

Primary Government (Continued)

E. Animal Shelter Vehicle

On November 1, 2002, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of an animal shelter vehicle. The principal was \$19,949 at a variable percent interest rate for a period of 5 years, principal is paid annually on January 20th with interest paid monthly. Principal outstanding as of June 30, 2005 was \$8,353. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 4,112	\$ 220
2007	4,241	82
Totals	<u>\$ 8,353</u>	<u>\$ 302</u>

F. Land Acquisition

On June 16, 2003, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of land. The principal was \$175,000 at a fixed 3.08 percent interest rate for a period of 10 years; principal is paid annually on January 20th with interest paid monthly. Principal outstanding as of June 30, 2005 was \$144,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 16,000	\$ 5,311
2007	17,000	4,677
2008	17,000	4,026
2009	18,000	3,341
2010	18,000	2,164
2010-2013	58,000	4,085
Totals	<u>\$ 144,000</u>	<u>\$ 23,604</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

Primary Government (Continued)

G. Dump Truck

On October 9, 2003, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a dump truck. The principal was \$67,917 at a fixed 2.97 percent interest rate for a period of 5 years; principal is paid annually on January 20th with interest paid monthly. Principal outstanding as of June 30, 2005 was \$41,877. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 13,573	\$ 1,363
2007	13,956	847
2008	14,348	317
Totals	<u>\$ 41,877</u>	<u>\$ 2,527</u>

H. E911 Upgrade

On March 23, 2004, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of an E911 upgrade. The principal was \$61,949 at a variable interest rate for a period of 15 years; principal and interest is paid monthly. Principal outstanding as of June 30, 2005 was \$58,069. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 3,436	\$ 1,999
2007	3,541	1,876
2008	3,649	1,753
2009	3,761	1,621
2010	3,875	1,489
2011-2015	21,227	5,288
2016-2019	18,580	1,371
Totals	<u>\$ 58,069</u>	<u>\$ 15,397</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

Primary Government (Continued)

I. 911 Mapping Vehicle

On November 10, 2003, the Taylor County Fiscal Court entered into an agreement with the Ford Motor Credit Company for the purchase of a 911 mapping vehicle. The principal was \$18,572 at a fixed 5.20 percent interest rate for a period of 4 years; principal and interest is paid annually. Principal outstanding as of June 30, 2005 was \$9,274. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 4,520	\$ 482
2007	4,754	247
Totals	<u>\$ 9,274</u>	<u>\$ 729</u>

J. Animal Shelter Vehicle

On July 9, 2004, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of an animal shelter vehicle. The principal was \$21,000 at a variable interest rate for a period of 5 years, principal and interest is paid monthly. Principal outstanding as of June 30, 2005 was \$17,377. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 4,065	\$ 462
2007	4,186	341
2008	4,311	217
2009	4,440	87
2010	375	2
Totals	<u>\$ 17,377</u>	<u>\$ 1,109</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

Primary Government (Continued)

K. Dump Truck

On November 24, 2004, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a dump truck. The principal was \$72,220 at a variable interest rate for a period of 6.5 years; principal is paid annually on July 20th with interest paid monthly. Principal outstanding as of June 30, 2005 was \$72,220. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 10,000	\$ 1,892
2007	10,000	1,594
2008	10,000	1,300
2009	10,000	1,003
2010	10,000	707
2010-2012	22,220	443
Totals	<u>\$ 72,220</u>	<u>\$ 6,939</u>

L. Changes in Long-Term Debt - Primary Government

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations	<u>\$ 597,909</u>	<u>\$ 93,220</u>	<u>\$ 131,239</u>	<u>\$ 559,890</u>	<u>\$ 119,092</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 597,909</u>	<u>\$ 93,220</u>	<u>\$ 131,239</u>	<u>\$ 559,890</u>	<u>\$ 119,092</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 5. Long-term Debt (Continued)

Discretely Presented Component Units:

M. Taylor County Hospital District/Health Facility Corporation - Note Payable and Capital Lease

In November 2002, the Taylor County Hospital District/Health Facility Corporation (Hospital) entered into a Loan Agreement with Taylor County Fiscal Court (Issuer) and Community Trust Bank (Lender), to borrow an amount not to exceed \$10,000,000. The draws on the loan have been and will continue to be used for the construction of a Hospital expansion, which includes an ER renovation, an ICU addition, a wing two and three addition, a central plant addition, and a helipad relocation. The amount drawn on the loan equaled \$9,777,544 with interest rates ranging from 3.018 percent to 4.100 percent. Interest only payments are required until November 30, 2004, at which point principal payments began being paid and will continue through November 15, 2022. Interest expense on the note payable totaled \$361,222 for fiscal year 2005. The Hospital is required to maintain a debt coverage ratio of 1.25:1.00. Note payable outstanding for the Hospital as of June 30, 2005, was \$9,777,544.

The Hospital's outstanding capital leases as of June 30, 2005 were \$11,795.

Principal payments on all Hospital long-term debt for the next five years and thereafter are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2006	\$ 367,883	\$ 409,827
2007	408,542	400,479
2008	421,457	382,489
2009	440,160	363,785
2010	459,693	344,252
2011-2022	7,691,604	2,252,138
Totals	<u>\$ 9,789,339</u>	<u>\$ 4,152,970</u>

N. Changes in Long-Term Debt - Discretely Presented Component Units

Hospital	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Note Payable	\$ 9,642,384	\$ 135,160	\$	\$ 9,777,544	\$ 361,357
Capital Lease	18,321		6,526	11,795	6,526
Governmental Activities Long-term Liabilities	<u>\$ 9,660,705</u>	<u>\$ 135,160</u>	<u>\$ 6,526</u>	<u>\$ 9,789,339</u>	<u>\$ 367,883</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 6. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report. This report may be obtained by writing the Kentucky Retirements System, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 7. Insurance

For the fiscal year ended June 30, 2005, Taylor County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Accounts Receivable (Discretely Presented Component Units)

A. Taylor County Hospital District/Health Facility Corporation

The Hospital provides services on account without collateral from its patients, most of whom are local residents. The mix of receivables from patients and third party payers at June 30, 2005 was as follows:

Medicare	13%
Medicaid	9%
Anthem/Blue Cross	16%
Private Pay	37%
Other	<u>25%</u>
Total	<u><u>100%</u></u>

In April 2004, the Hospital began allowing prompt pay discount reductions to patient billings in order to encourage timely payment of self-pay receivables. The Hospital allowed reductions in 2005 of \$79,000, which is reported as reductions of gross patient service revenue.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2005
(Continued)

Note 8. Accounts Receivable (Discretely Presented Component Units-Continued)

B. Taylor County Airport Board

The entity extends short-term credit to its established customers as a convenience. Based on management's review of accounts receivable, no allowance for doubtful accounts is considered necessary.

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TAYLOR COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2005

TAYLOR COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2005

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 3,168,400	\$ 3,468,400	\$ 3,658,406	\$ 190,006
In Lieu Tax Payments	23,000	23,000	32,499	9,499
Excess Fees	97,663	97,663	95,000	(2,663)
Licenses and Permits	90,000	90,000	109,712	19,712
Intergovernmental Revenue	168,899	250,774	190,359	(60,415)
Charges for Services	31,000	120,500	137,922	17,422
Miscellaneous	310,967	577,616	568,314	(9,302)
Interest	22,500	22,500	24,850	2,350
Total Revenues	<u>3,912,429</u>	<u>4,650,453</u>	<u>4,817,062</u>	<u>166,609</u>
EXPENDITURES				
General Government	949,332	1,002,289	884,370	117,919
Protection to Persons and Property	438,587	463,528	335,276	128,252
General Health and Sanitation	195,801	305,589	217,255	88,334
Social Services	12,500	17,500	13,089	4,411
Recreation and Culture	127,000	199,381	164,588	34,793
Airports	62,929	62,929	62,925	4
Debt Service			86,423	(86,423)
Capital Projects			47,119	(47,119)
Administration	1,806,352	2,326,271	2,147,295	178,976
Total Expenditures	<u>3,592,501</u>	<u>4,377,487</u>	<u>3,958,340</u>	<u>419,147</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>319,928</u>	<u>272,966</u>	<u>858,722</u>	<u>585,756</u>
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds			21,000	21,000
Transfers From Other Funds				
Transfers To Other Funds	(829,928)	(829,928)	(854,890)	(24,962)
Total Other Financing Sources (Uses)	<u>(829,928)</u>	<u>(829,928)</u>	<u>(833,890)</u>	<u>(3,962)</u>
Net Changes in Fund Balance	(510,000)	(556,962)	24,832	581,794
Fund Balance - Beginning	510,000	556,962	670,639	113,677
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 695,471</u>	<u>\$ 695,471</u>

TAYLOR COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 826,578	\$ 1,026,578	\$ 918,406	\$ (108,172)
Charges for Services	165,000	165,000	189,810	24,810
Miscellaneous	500	12,044	13,036	992
Interest	8,050	8,050	5,579	(2,471)
Total Revenues	<u>1,000,128</u>	<u>1,211,672</u>	<u>1,126,831</u>	<u>(84,841)</u>
EXPENDITURES				
General Government	14,900	14,900	14,462	438
General Health and Sanitation	26,000	26,000	25,137	863
Roads	814,128	1,239,235	690,783	548,452
Debt Service			68,604	(68,604)
Capital Projects			434,852	(434,852)
Administration	145,100	173,757	137,377	36,380
Total Expenditures	<u>1,000,128</u>	<u>1,453,892</u>	<u>1,371,215</u>	<u>82,677</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		<u>(242,220)</u>	<u>(244,384)</u>	<u>(2,164)</u>
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds		72,220	72,220	
Total Other Financing Sources (Uses)		<u>72,220</u>	<u>72,220</u>	
Net Changes in Fund Balance		(170,000)	(172,164)	(2,164)
Fund Balance - Beginning		<u>170,000</u>	<u>201,058</u>	<u>31,058</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,894</u>	<u>\$ 28,894</u>

TAYLOR COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 67,382	\$ 67,382	\$ 99,386	\$ 32,004
Interest	3,000	3,000	5,210	2,210
Total Revenues	<u>70,382</u>	<u>70,382</u>	<u>104,596</u>	<u>34,214</u>
EXPENDITURES				
Protection to Persons and Property	836,735	857,004	787,343	69,661
Social Services	2,000	2,000		2,000
Capital Projects		6,800	6,800	
Administration	61,575	34,506	8,773	25,733
Total Expenditures	<u>900,310</u>	<u>900,310</u>	<u>802,916</u>	<u>97,394</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(829,928)</u>	<u>(829,928)</u>	<u>(698,320)</u>	<u>131,608</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	829,928	829,928	829,928	
Total Other Financing Sources (Uses)	<u>829,928</u>	<u>829,928</u>	<u>829,928</u>	
Net Changes in Fund Balance			131,608	131,608
Fund Balance - Beginning			<u>108,259</u>	<u>108,259</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 239,867</u>	<u>\$ 239,867</u>

TAYLOR COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Reconciliation of General Fund

Total Debt Service-Budgetary Basis	86,423
Less: Debt Service Budgeted in Protections to Persons and Property	(77,895)
Less: Debt Service Budgeted in General Health and Sanitation	<u>(8,528)</u>
Total Debt Service-Final Budgeted Amounts	<u><u>0</u></u>

Total Capital Projects-Budgetary Basis	47,119
Less: Capital Projects Budgeted in General Health and Sanitation	(19,619)
Less: Capital Projects Budgeted in Recreation and Culture	<u>(27,500)</u>
Total Capital Projects-Final Budgeted Amounts	<u><u>0</u></u>

Reconciliation of Road Fund

Total Debt Service-Budgetary Basis	68,604
Less: Debt Service Budgeted in Roads	<u>(68,604)</u>
Total Debt Service-Final Budgeted Amounts	<u><u>0</u></u>

Total Capital Projects-Budgetary Basis	434,852
Less: Capital Projects Budgeted in Roads	<u>(434,852)</u>
Total Capital Projects-Final Budgeted Amounts	<u><u>0</u></u>

**TAYLOR COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2005

TAYLOR COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2005

	Local Government Economic Assistance Fund	Forest Fire Fund	Special Fund	PRIDE Fund
ASSETS				
Cash and Cash Equivalents	\$ 18,139	\$ 390	\$ 1,534	\$
Total Assets	<u>\$ 18,139</u>	<u>\$ 390</u>	<u>\$ 1,534</u>	<u>\$ 0</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	\$ 18,139	\$ 390	\$ 1,534	\$
Reserved for:				
Tebbs Bend Project Grant				
Total Fund Balances	<u>\$ 18,139</u>	<u>\$ 390</u>	<u>\$ 1,534</u>	<u>\$ 0</u>

TAYLOR COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2005
(Continued)

<u>Adanta Fund</u>	<u>Tebbs Bend Fund</u>	<u>Kentucky Agency On Substance Abuse Prevention Fund</u>	<u>Title V Grant Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$	\$ 11,531	\$ 5,873	\$ 264	\$ 37,731
<u>\$ 0</u>	<u>\$ 11,531</u>	<u>\$ 5,873</u>	<u>\$ 264</u>	<u>\$ 37,731</u>
\$	\$	\$ 5,873	\$ 264	\$ 26,200
	<u>11,531</u>			<u>11,531</u>
<u>\$ 0</u>	<u>\$ 11,531</u>	<u>\$ 5,873</u>	<u>\$ 264</u>	<u>\$ 37,731</u>

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TAYLOR COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005

TAYLOR COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2005

	Local Government Economic Assistance Fund	Forest Fire Fund	Special Fund	PRIDE Fund
REVENUES				
Taxes	\$	\$ 976	\$	\$
Intergovernmental	22,195		40,745	2,845
Interest	471	21		
Total Revenues	<u>22,666</u>	<u>997</u>	<u>40,745</u>	<u>2,845</u>
EXPENDITURES				
Protection to Persons and Property	2,866	1,248		
General Health and Sanitation				28,750
Social Services				
Roads	15,253			
Capital Projects				4,997
Administration			41,065	
Total Expenditures	<u>18,119</u>	<u>1,248</u>	<u>41,065</u>	<u>33,747</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>4,547</u>	<u>(251)</u>	<u>(320)</u>	<u>(30,902)</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds				
Transfers From Other Funds				24,962
Total Other Financing Sources (Uses)				<u>24,962</u>
Net Change in Fund Balances	4,547	(251)	(320)	(5,940)
Fund Balances - Beginning	13,592	641	1,854	5,940
Fund Balances - Ending	<u>\$ 18,139</u>	<u>\$ 390</u>	<u>\$ 1,534</u>	<u>\$ 0</u>

TAYLOR COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2005
(Continued)

Adanta Fund	Tebbs Bend Fund	Kentucky Agency On Substance Abuse Prevention Fund	Title V Grant Fund	Total Non-Major Governmental Funds
\$ 66,612	\$	\$	\$ 54,216	\$ 976
				186,613
				492
<u>66,612</u>			<u>54,216</u>	<u>188,081</u>
				4,114
			55,020	83,770
68,612	33,892	18,352		120,856
				15,253
				4,997
				41,065
<u>68,612</u>	<u>33,892</u>	<u>18,352</u>	<u>55,020</u>	<u>270,055</u>
<u>(2,000)</u>	<u>(33,892)</u>	<u>(18,352)</u>	<u>(804)</u>	<u>(81,974)</u>
				24,962
				<u>24,962</u>
(2,000)	(33,892)	(18,352)	(804)	(57,012)
2,000	45,423	24,225	1,068	94,743
<u>\$ 0</u>	<u>\$ 11,531</u>	<u>\$ 5,873</u>	<u>\$ 264</u>	<u>\$ 37,731</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**



PEERCY AND GRAY, PSC

Certified Public Accountants

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Paul W. Patton, Taylor County Judge/Executive
Members of the Taylor County Fiscal Court

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Taylor County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated July 7, 2006, wherein we issued a qualified opinion on the aggregate discretely presented component units. Taylor County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Taylor County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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 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 of 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 Taylor County'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.

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
(Continued)

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

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC
Certified Public Accountants

Audit fieldwork completed -
July 7, 2006

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

TAYLOR COUNTY FISCAL COURT

**For The Year Ended
June 30, 2005**

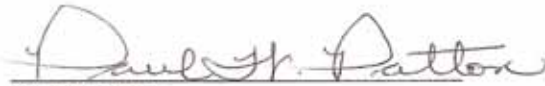
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

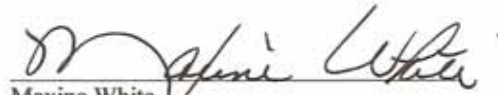
TAYLOR COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2005

The Taylor County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Paul W. Patton
County Judge/Executive



Maxine White
County Treasurer

APPENDIX D

Form of Final Approving Legal Opinion of Bond Counsel

February ___, 2007

County of Taylor, Kentucky
Campbellsville, Kentucky

**Re: \$11,000,000 County of Taylor, Kentucky General Obligations Bonds
(Detention Center Project), Series 2007 (the "Bonds")**

Ladies and Gentlemen:

We have examined the transcript of proceedings, including a specimen bond (the "Transcript") relating to the issuance of the Bonds by the County of Taylor, Kentucky, a political subdivision duly authorized and validly existing under the laws of the Commonwealth of Kentucky (the "County"). The Bonds are being issued for the purpose of financing (i) the costs of the acquisition, construction, improvement and equipping of a one-story approximately 32,500 square foot detention center (the "Detention Center Project"), and the reimbursement to the County of the costs thereof; (ii) the cost of funding a capitalized interest fund; (iii) the costs of redeeming the \$1,310,000 County of Taylor, Kentucky Bond Anticipation Notes, Series 2006; (iv) the current refunding of a Kentucky Association of Counties lease obligation in the outstanding principal amount of \$950,000, the proceeds of which were used to partially finance the costs of the acquisition of land and site preparation for the Detention Center Project; and (v) the costs of issuance of the Bonds.

As to questions of fact material to our opinion, we have relied upon representations of the County contained in the Transcript and other certifications of public officials, without undertaking to verify the same by independent investigation. We have assumed the due execution and delivery, pursuant to due authorization by all parties thereto, of the agreements, documents, instruments and certifications that constitute the Transcript. Based upon the foregoing, we are of the opinion that:

1. The Bonds are legal, valid, binding and enforceable in accordance with their terms.
2. The Bonds constitute general obligations of the County payable from County taxes, and are secured by a pledge of the full faith and credit and taxing power of the County.
3. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, the interest on the Bonds is excludable from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, we have assumed continuing compliance by the County with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds.

4. The interest on the Bonds is exempt from income taxation under the laws of the Commonwealth of Kentucky, and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and by any political subdivision thereof.

Our opinions set forth above are subject to the qualification that the enforceability of the Bonds and agreements relating thereto are limited by bankruptcy, reorganization, moratorium, insolvency or other similar laws relating to or affecting the enforcement of creditors' rights, and to the exercise of judicial discretion in accordance with general equitable principles.

Very truly yours,

STITES & HARBISON, PLLC

OFFICIAL TERMS AND CONDITIONS OF SALE OF BONDS

COUNTY OF TAYLOR, KENTUCKY GENERAL OBLIGATION BONDS
(DETENTION CENTER PROJECT), SERIES 2007
IN THE PRINCIPAL AMOUNT OF \$11,000,000

DATE AND HOUR OF SALE

Sealed bids will be received by the County of Taylor, Kentucky (the “Issuer”) at the office of the Judge Executive of Taylor County, Kentucky, 203 N. Court Street, Suite 4, Campbellsville, Kentucky 42718, fax number (270) 465-0380 (address mailed bids c/o the undersigned), and via **PARITY** electronic bidding, until 11:00 A.M., E.S.T., on February 1, 2007 for the purchase of \$11,000,000 (plus or minus up to \$1,000,000) principal amount of the County of Taylor, Kentucky General Obligation Bonds (Detention Center Project), Series 2007 (the “Bonds”).

1. DESCRIPTION AND MATURITY OF BONDS

The Bonds will be dated February 20, 2007, will bear interest from that date, payable beginning on September 1, 2007 and semiannually thereafter on March 1 and September 1 of each year, at the rates specified in the accepted bid, and will be issued as fully registered bonds.

The Bonds maturing on or after September 1, 2017, shall be subject to redemption at the option of the Issuer prior to their stated maturities on any date falling on or after September 1, 2016, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon terms of the face amount plus accrued interest without redemption premium upon notice of such prior redemption being given by the Paying Agent.

Principal maturities of the Bonds shall be as reflected below.

<u>Maturity Date</u> <u>September 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Maturity Date</u> <u>September 1</u>	<u>Principal</u> <u>Amount*</u>
2008	\$265,000	2021	\$435,000
2009	275,000	2022	455,000
2010	285,000	2023	470,000
2011	295,000	2024	495,000
2012	305,000	2025	515,000
2013	315,000	2026	535,000
2014	330,000	2027	560,000
2015	345,000	2028	585,000
2016	355,000	2029	610,000
2017	370,000	2030	635,000
2018	385,000	2031	665,000
2019	400,000	2032	695,000
2020	420,000		

* Subject to permitted adjustment.

2. SECURITY

The Bonds will be issued pursuant to an Ordinance of the Issuer (the "Bond Ordinance") adopted on September 28, 2006 and pursuant to the provisions of Chapter 66 of the Kentucky Revised Statutes, as amended ("Chapter 66"). The Bonds, together with the interest thereon, will be general obligation bonds of the Issuer issued and designated under Chapter 66, secured by the full faith and credit of the Issuer. Payments of principal and interest on the Bonds will be made from the Issuer's general fund or other monies lawfully available to the Issuer for such purpose. The Issuer has covenanted to levy a tax sufficient to pay all debt charges on the Bonds as and when payable. A copy of the Bond Ordinance and the Preliminary Official Statement are available from the Fiscal Court Clerk or the Financial Advisor, First Kentucky Securities Corporation, 305 Ann Street, Suite 400, Frankfort, Kentucky 40601.

3. AUTHORITY AND PURPOSE

The Bonds have been authorized by the Bond Ordinance pursuant to the authority of Chapter 66 for the purpose of financing (i) the costs of the acquisition of one or more parcels of real property and the construction, improvement and equipping thereon of a one- story, approximately 32,500 square foot detention center (the "Detention Center Project"), and the reimbursement to the County of the costs thereof; (ii) the cost of funding a capitalized interest fund; (iii) the cost of redeeming the \$1,310,000 County of Taylor, Kentucky Bond Anticipation Notes, Series 2006 (the "Notes"); (iv) the current refunding of a Kentucky Association of Counties lease obligation in the outstanding principal amount of \$950,000, the proceeds of which were used to partially finance costs of the acquisition of land and site preparation for the Detention Center Project; and (v) the costs of issuance of the Bonds.

4. CONTINUING DISCLOSURE

In order to assist bidders in complying with the requirements of SEC Rule 15c2-12(b)(5), the Issuer intends to enter into a Continuing Disclosure Agreement dated as of February 20, 2007 (the "Continuing Disclosure Agreement"), setting forth the undertaking of the County to provide certain annual reports and notices of certain events. A description of this undertaking, including certain limitations thereon, is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

5. LEGAL OPINION

The Issuer will provide the printed Bonds and the approving legal opinion of Stites & Harbison, PLLC, Louisville, Kentucky ("Bond Counsel"), together with the customary No-Litigation Certificate, which Opinion and Certificate will accompany the Bonds when delivered, without expense to the purchaser.

Under the laws, regulations, rulings and judicial decisions in effect as of the date of its final opinion, interest payable with respect to the Bonds will be excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds, will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. Such Legal Opinion of Bond Counsel will be issued based on the assumption by Bond Counsel that the Issuer complies with certain covenants made by the Issuer

designed to meet the requirements of Section 103 of the Code. It is the opinion of Bond Counsel that interest payable with respect to the Bonds is exempt from Kentucky income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions on the date of delivery of the Bonds to the successful purchaser.

If, prior to the delivery of the Bonds, any event shall occur which alters the tax-exempt status of the Bonds, the purchaser shall have the privilege of voiding the purchase contract by giving immediate written notice to the Issuer, whereupon the amount of the good faith deposit of the purchaser will be returned to the purchaser, and all respective obligations of the parties will be terminated.

6. TERMS OF SALE

The Bonds shall be sold at public sale, after public advertisement as required by law, informing prospective bidders that they may obtain from the Fiscal Court Clerk or the Financial Advisor, First Kentucky Securities Corporation, 305 Ann Street, Suite 400, Frankfort, Kentucky 40601, Attn. Stan Kramer, a copy of the Official Terms and Conditions of Sale of Bonds, the Official Statement relating to the sale of the Bonds and a Bid Form, setting out the following specific terms and conditions:

- A. Bids will be considered only for the entire \$11,000,000 (plus or minus up to \$1,000,000) of Bonds, at a minimum price of \$10,780,000 (98% of par).
- B. The successful bidder will be required to deposit with U.S. Bank National Association, Louisville, Kentucky, for the account of the Issuer immediately available funds in the amount of two percent (2%) of the principal amount of Bonds awarded, representing the good faith deposit, by the close of business on the next succeeding business day. The amount of said good faith deposit will be deducted from the purchase price at the time of delivery of the Bonds.
- C. Bidders must state an interest rate in a multiple of 1/8, 1/10 or 1/20 of 1%. **There is a maximum interest rate of 12%.** The maximum difference in quoted interest rates from the lowest to the highest may not exceed 3%.
- D. The right to reject bids for any reason deemed advisable by the Issuer, and the right to waive any possible informalities, irregularities or defects in any bid which, in the judgment of the Issuer, with the advice of the Financial Advisor, shall be minor or immaterial, is expressly reserved.
- E. Except as set forth in F below, bids are required to be made on the official Bid Form in order to provide for uniformity in submission of bids and ready determination of best bid. Except as set forth in F below, bids must be marked "Proposal for County of Taylor, Kentucky General Obligation Bonds (Detention Center Project), Series 2007" and bids must be received in the Judge Executive's office prior to the date and hour set for the sale.
- F. Bids may alternatively be submitted electronically via PARITY®. Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The

Issuer will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of these Official Terms and Conditions of Sale of Bonds, these Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Issuer. The Issuer shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102.

- G. The purchaser of the Bonds will pay the CUSIP Service Bureau charge for the assignment of CUSIP numbers, which numbers will be printed on the Bonds at no expense or cost to the purchaser. Neither the failure to print a CUSIP number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of the sale.
- H. Upon wrongful refusal of the purchaser to take delivery of and pay for the Bonds when tendered for delivery, the amount of the good faith check or wired payment shall be forfeited by such purchaser, and such amount shall be deemed liquidated damages for such default, provided, however, if said Bonds are not ready for delivery and payment within forty-five (45) days from the date of sale herein provided for, said purchaser shall be relieved of any liability to accept the Bonds hereunder.
- I. As required by the Code, the purchaser will be required to certify to the Issuer (i) the reoffering price of the Bonds at which price a substantial amount (at least 10%) has been sold to members of the public (excluding bond houses, brokers and other intermediaries), and (ii) the principal amount sold to the public of the Bonds on the reoffering date. This information shall also be made available to the Financial Advisor immediately after the sale of the Bonds.
- J. Unless the successful bidder notifies the Issuer in writing within twenty-four hours of the award of the Bonds that it has elected (at such purchaser's expense) to take physical delivery of the Bonds, The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. If issued in the book-entry only system, they will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued in the aggregate principal amount and will be deposited with DTC. Purchases of the Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to

be recorded on the records of Direct Participants or securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

- L. At the election and cost of the purchaser of the Bonds, the Bonds may be insured under a municipal bond insurance policy. In such event, the Issuer agrees to cooperate with the purchaser to qualify the Bonds for bond insurance; however, the Issuer will not assume any of the expenses incident to the issuance of such a bond insurance policy, other than the costs for securing a rating of the Bonds from Moody's Investors Service, Inc.
- M. The Purchaser of the Bonds may specify to the Financial Advisor that any of the Bonds may be combined with immediately succeeding sequential maturities into a Term Bond or Term Bonds, bearing a single rate of interest, with the maturities set forth herein (or as may be adjusted as provided herein) comprising mandatory sinking fund redemption amounts for such Term Bond(s).

The Issuer shall provide to the successful purchaser a final Official Statement in accordance with SEC Rule 15c2-12.

Concurrently with the delivery of the Bonds, the Judge Executive will certify on behalf of the Issuer that, to the best of its knowledge, the Official Statement (not including the information under the caption "UNDERWRITING") does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

First Kentucky Securities Corporation, Frankfort, Kentucky, has been employed as Financial Advisor to the Issuer in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor may submit a bid for the purchase of the Bonds at the time of the advertised public sale of the Bonds, either independently or as a member of a syndicate organized to submit a bid for the purchase of the Bonds.

Mark Carney, Fiscal Court Clerk

BID FORM

Subject to the terms and conditions set forth in an Ordinance of the County of Taylor, Kentucky providing for the sale of \$11,000,000 (plus or minus up to \$1,000,000) of the County of Taylor, Kentucky General Obligation Bonds (Detention Center Project), Series 2007 (the "Bonds") expected to be dated February 20, 2007, and in accordance with the Notice of Bond Sale as advertised, and in accordance with the Official Terms and Conditions of Sale of Bonds, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase said Bonds.

We hereby bid for said \$11,000,000 principal amount of Bonds the sum of \$_____ (not less than \$10,780,000), such Bonds to bear interest, payable commencing September 1, 2007 and semiannually thereafter on each March 1 and September 1, at the following annual rates:

<u>Maturity Date</u> <u>September 1</u>	<u>Principal</u> <u>Maturity*</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity Date</u> <u>September 1</u>	<u>Principal</u> <u>Maturity</u>	<u>Interest</u> <u>Rate</u>
2008	\$265,000	_____ %	2021	\$435,000	_____ %
2009	275,000	_____ %	2022	455,000	_____ %
2010	285,000	_____ %	2023	470,000	_____ %
2011	295,000	_____ %	2024	495,000	_____ %
2012	305,000	_____ %	2025	515,000	_____ %
2013	315,000	_____ %	2026	535,000	_____ %
2014	330,000	_____ %	2027	560,000	_____ %
2015	345,000	_____ %	2028	585,000	_____ %
2016	355,000	_____ %	2029	610,000	_____ %
2017	370,000	_____ %	2030	635,000	_____ %
2018	385,000	_____ %	2031	665,000	_____ %
2019	400,000	_____ %	2032	695,000	_____ %
2020	420,000	_____ %			_____ %

We understand that this bid may be accepted for as much as \$11,000,000 of Bonds and for as little as \$9,000,000 of Bonds, at the same price per \$1,000 of Bonds, as the price bid per \$1,000 of Bonds by the undersigned with the variation in such amount being adjusted over the term of the Bonds, as determined at the time of acceptance of the best bid.

We understand that the Issuer will furnish the final, approving legal opinion of Stites & Harbison, PLLC of Louisville, Kentucky. If we are the successful bidder, we will cause to be deposited by wire transfer to U.S. Bank National Association for the account of the Issuer, immediately available funds in the amount of 2% of the principal amount of the awarded Bonds, representing the good faith deposit, prior to the close of business on February 2, 2007, which

* Subject to permitted adjustment.

amount, without interest, will be deducted from the purchase price of the Bonds when tendered to us for delivery. If we are the successful bidder, we agree to accept and make payment for the Bonds in accordance with the terms of sale.

Respectfully submitted,

Bidder

Address

Telephone Number

Signature

Total interest cost to final maturity	\$ _____
Plus discount	\$ _____
Net interest cost (Total interest cost plus discount)	\$ _____
Average interest rate (i.e. T.I.C.)	_____ %

The above computation of total interest cost and of total interest rate is submitted for information only and is not a part of this Bid.

Accepted by the Issuer this ____ day of February, 2007

COUNTY OF TAYLOR, KENTUCKY

Eddie Rogers, County Judge/Executive