

PRELIMINARY OFFICIAL STATEMENT

Dated May 03, 2010

(Bonds to be sold May 13, 2010, 11:00 a.m. E.D.S.T.)

BOOK-ENTRY-ONLY-SYSTEM

Bank Qualified

Rating: Standard and Poor's "A+"
See "Ratings" herein

In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludable from gross income of the holders thereof for purposes of federal income taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, all subject to the qualifications described herein under the heading "TAX EXEMPTION." Interest on the Bonds is also exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and its political subdivisions.

ELECTRONIC BIDDING VIA PARITY

\$3,625,000*

COUNTY OF SIMPSON, KENTUCKY GENERAL OBLIGATION PUBLIC PROJECT REFUNDING BONDS SERIES 2010

Dated: Date of Delivery (expected June 3, 2010)

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 The Bank of New York Mellon, 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, 2010 and thereafter semiannually on each March 1 and September 1.

The Bonds maturing on and after September 1, 2021, shall be subject to prior redemption at the option of the County on and after September 1, 2020, as discussed herein.

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>
09/01/10		\$290,000			09/01/16		\$300,000		
09/01/11		270,000			09/01/17		305,000		
09/01/12		275,000			09/01/18		315,000		
09/01/13		275,000			09/01/19		330,000		
09/01/14		285,000			09/01/20		340,000		
09/01/15		290,000			09/01/21		350,000		

(Plus accrued interest-when issued)

Purchaser's Option - The Purchaser of the Bonds may specify to the Financial Advisor that any 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 above (or as may be adjusted as provided herein being subject to mandatory redemption in such maturities for such Term Bond(s).

The County deems this Official Statement to be final for purposes of Security 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 Peck, Shaffer & Williams LLP, Bond Counsel, Covington, Kentucky. Certain legal matters have been passed upon for the County by Sam Phillips, Esq., County Attorney. The Bonds are expected to be available for delivery on or about June 3, 2010.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

*Preliminary, Subject to Permitted Adjustment

FIRST KENTUCKY SECURITIES CORPORATION
Financial Advisor

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 Series 2010 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.

COUNTY OF SIMPSON, KENTUCKY

Judge/Executive

Jim Henderson

Fiscal Court

Charles McCutchen, Jr.

Larry Randolph

Kelly Banton

Marty Chandler

Fiscal Court Clerk

Pam Rohrs

County Clerk

Bobby “Chip” Phillips

Treasurer

Julie Freeman

Finance Officer

Nicole Law

Attorney

Sam Phillips

BOND COUNSEL

Peck, Shaffer & Williams LLP

Covington, Kentucky

FINANCIAL ADVISOR

First Kentucky Securities Corporation

Frankfort, Kentucky

PAYING AGENT/BOND REGISTRAR

The Bank of New York Mellon

Louisville, Kentucky

REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the County. No dealer, broker, salesman or other person has been authorized by the County to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

Upon issuance, the Bonds will not be registered by the County under any federal or state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity or agency except the County will have, at the request of the County, passed upon the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

All financial and other information presented in this Official Statement has been provided by the County from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the County. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, no representation is made that any of such statements have been or will be realized, and such statements should be regarded as suggesting independent investigation or consultation of other sources prior to the making of investment decisions. Certain information may not be current; however, attempts were made to date and document sources of information. Neither this Official Statement nor any oral or written representations by or on behalf of the County preliminary to sale of the Bonds should be regarded as part of the County's contract with the successful bidder or the holders from time to time of the Bonds.

References herein to provisions of Kentucky law, whether codified in the Kentucky Revised Statutes ("KRS") or uncodified, or to the provisions of the Kentucky Constitution or the County's ordinances or resolutions, are references to such provisions as they presently exist. Any of these provisions may from time to time be amended, repealed or supplemented.

As used in this Official Statement, "debt service" means principal of, interest and any premium on, the obligations referred to; "County" means the County of Simpson; and "State" or "Kentucky" means the Commonwealth of Kentucky.

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Official Terms and Conditions of Bond Sale
 Official Bid Form

PRELIMINARY OFFICIAL STATEMENT

\$3,625,000*

**COUNTY OF SIMPSON, KENTUCKY
GENERAL OBLIGATION PUBLIC PROJECT REFUNDING BONDS
SERIES 2010**

Dated Date: Date of Delivery

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information with respect to the issuance of \$3,625,000* aggregate principal amount of General Obligation Public Project Refunding Bonds, Series 2010 (the "Bonds") of the County of Simpson, Kentucky (the "County") as specified on the cover hereof.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Bonds to potential investors is made only by means of the entire Official Statement.

The Issuer

The Bonds are being issued by the County of Simpson, Kentucky, a political subdivision of the State of Kentucky.

Sources of Payment for the Bonds

The Bonds are 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 Source of Payment for the Bonds," herein).

Purpose of the Bonds

The Bonds are being issued for the purpose of (i) the current refunding of all of the outstanding County of Simpson, Kentucky General Obligation Improvement Bonds (Detention Facilities Project), Series 2000, dated September 1, 2000 (the "Prior Bonds") (see "THE PROJECT" for more detail), and (ii) paying the associated costs of issuing the Bonds.

Description of the Bonds

The Bonds mature as indicated on the cover page hereof. The Bonds are being offered in fully registered form in denominations of \$5,000 or any integral multiple thereof (within the same maturity).

Redemption

The Bonds maturing on and after September 1, 2021 are subject to optional redemption prior to maturity, commencing September 1, 2020 (see "DESCRIPTION OF THE BONDS - Optional Redemption", herein).

In the event any Bonds are called for redemption, notice shall be given by mailing a copy of the redemption notice at least thirty (30) days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed (see "DESCRIPTION OF THE BONDS - Notice of Redemption", herein).

Book Entry

Unless the successful purchaser notifies the County 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 and the Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by DTC. So long as such book-entry system

Preliminary, Subject to Adjustment

is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to Beneficial Owners (as defined below) of beneficial ownership interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Resolution.

The following information about the book-entry only system applicable to the Bonds has been supplied by DTC. Neither the County nor the Paying Agent and Registrar make any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for in the aggregate principal amount of the Bonds and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, 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. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, 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 Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For

example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Paying Agent and Registrar as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Paying Agent and Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Paying Agent and Registrar or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent and Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Remarketing Agent and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Remarketing Agent's DTC account.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable but neither the County nor the Paying Agent and Registrar take any responsibility for the accuracy thereof.

NEITHER THE COUNTY NOR THE PAYING AGENT AND REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE PAYING AGENT AND REGISTRAR AS BEING A HOLDER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption, elections to tender Bonds or other communications to or by DTC which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Bonds.

The County and the Paying Agent and Registrar cannot and do not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Bonds made 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, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

DTC may determine to discontinue providing its service as securities depository with respect to the Bonds at any time by giving notice to the County and discharging its responsibilities with respect thereto under applicable law. In such event, the Resolution provides for issuance of fully registered Bonds ("Replacement Bonds") directly to the Beneficial Owners of Bonds, other than DTC or its nominee, only in the event that DTC resigns or is removed as the securities depository for the Bonds. Upon the occurrence of this event, the County and the Paying Agent and Registrar may appoint another qualified depository. If the County and the Paying Agent and Registrar fail to appoint a successor depository, the Bonds shall be withdrawn from DTC and issued in fully registered form, whereupon the County shall execute and the Paying Agent and Registrar, as authenticating agent, shall authenticate and deliver Replacement Bonds in the denomination of \$5,000 or integral multiples thereof. The County will pay for all costs and expenses of printing, executing and authenticating the Replacement Bonds. Transfer and exchange of such Replacement Bonds shall be made as provided in the Resolution.

Tax Exemption

Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest, including original issue discount, if any, 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, Bond Counsel has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds. Interest on the Bonds is also exempt from income taxation and the bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The County has designated the Bonds as "qualified tax-exempt obligations" with respect to certain financial institutions under Section 265 of the Internal Revenue Code of 1986, as amended.

See Appendix E hereto for the form of the opinion Bond Counsel proposes to deliver in connection with the Bonds.

Parties to the Issuance of the Bonds

The Registrar and Paying Agent is The Bank of New York Mellon, Louisville, Kentucky. Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest thereon are subject to the approving legal opinion of Peck, Shaffer & Williams LLP, Covington, Kentucky, Bond Counsel. The Financial Advisor to the County is First Kentucky Securities Corporation.

Authority for Issuance

Authority for the issuance of the Bonds is provided by Sections 66.011 through 66.171 of the Kentucky Revised Statutes and an ordinance (the "Ordinance") adopted by the Fiscal Court of the County on October 20, 2009.

Disclosure Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and continuing disclosure documents of the County are intended to be made available through one or more repositories. Copies of the basic documentation relating to the Bonds, including the Ordinance and the bond forms, are available from the County.

The County deems this Preliminary Official Statement to be final for the purposes of Securities and Exchange Commission Rule 15c2-12(b)(1), except for certain information on the cover page hereof, and certain pages herein which have been omitted in accordance with the Rule and will be provided with the final Official Statement.

Additional Information

Additional information concerning this Official Statement, as well as copies of the basic documentation relating to the Bonds, is available from First Kentucky Securities Corporation, Financial Advisor to the County of Simpson, 305 Ann Street, Suite 400, Frankfort, Kentucky 40602, telephone (502) 875-4611 Attn: Stan Kramer.

DESCRIPTION OF THE BONDS

The Bonds are dated the date of delivery (expected June 3, 2010) and bear interest from such date at the rates set forth on the cover page of this Official Statement. The Bonds are being issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

Interest on the Bonds is payable semi-annually on March 1 and September 1, commencing September 1, 2010.

Optional Redemption

The Bonds maturing on and after September 1, 2021, shall be subject to redemption by the County prior to maturity, in whole or in part, in any order of their maturities selected by the County (less than all of a single maturity to be selected by lot), on any date, on or after September 1, 2020, at a redemption price equal to the principal amount of the Bonds called for redemption, plus unpaid interest accrued to the date of redemption, without premium.

Notice of Redemption

If less than all Bonds which are payable by their terms on the same date are to be called, the particular Bonds or portions of Bonds payable on such same date and to be redeemed from such series shall be selected by lot by the Registrar and Paying Agent, in such manner as the Registrar and Paying Agent in its discretion may determine; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some multiple thereof, and that, in selecting Bonds for redemption, the Registrar and Paying Agent shall treat each bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

At least thirty (30) days before the redemption date of any Bonds the Registrar and Paying Agent shall cause a notice of such redemption either in whole or in part, signed by the Registrar and Paying Agent, to be mailed, postage prepaid, to all registered owners of Bonds to be redeemed in whole or in part at their addresses as they appear on the registration books kept by the Registrar and Paying Agent, but failure so to mail any such notice shall not affect the validity of the proceedings for such redemption. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive numbers or letters, if any, of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. In case any Bond is to be redeemed in part only, the notice of redemption which relates to such Bond shall state also that on or after the redemption date upon surrender of such Bonds, a new Bond in principal amount equal to the unredeemed portion of such Bonds will be issued.

On the date so designated for redemption, notice having been sent in the manner and under the conditions hereinabove provided and moneys for payment of the redemption price being held in separate accounts by the Registrar and Paying Agent for the holders of the Bonds or portions thereof to be redeemed, the Bonds or portions of Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, and the holders or registered owners of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof and to receive Bonds for any unredeemed portions of Bonds.

In case part but not all of an outstanding Bond shall be selected for redemption, the registered owner thereof or his attorney or legal representative shall present and surrender such Bond to the Registrar and Paying Agent for payment of the principal amount hereof so called for redemption, and the County shall execute and the Registrar and Paying Agent shall authenticate and deliver to or upon the order of such registered owner or his legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered a Bond of the same series and maturity and bearing interest at the same rate.

Security and Source of Payment for Bonds

The Bonds are general obligations of the County and the full faith, credit and taxing power of the County is irrevocably pledged to the payment of principal of and interest on the Bonds when due.

The basic security for the general obligation debt of the County, including the Bonds, is the County's ability to levy, and its pledge to levy, an annual tax to pay the interest on and principal of the Bonds as and when the same become due and payable. The tax must be levied in sufficient amount to pay, as the same become due, the principal of and interest on the Bonds as well as the principal of and interest on all outstanding general obligation bonds and bond anticipation notes of the County. The Constitution of the State mandates the collection of a tax sufficient to pay the interest on an authorized indebtedness and the creation of a sinking fund for the payment of the principal thereof. The Ordinance levies such annual tax which shall be collected to the extent other lawfully available moneys of the County are not provided. The Ordinance also creates a sinking fund into which the proceeds of such tax or other lawfully available moneys of the County are to be deposited for payment of the interest on and principal of the Bonds and shall not be used for any other purpose.

Chapter 9 of the Federal Bankruptcy Code contains provisions relating to the adjustment of debts of a State's political subdivisions, public agencies and instrumentalities ("eligible entity"), such as the County. Under the Bankruptcy Code and in certain circumstances described therein, an eligible entity may be authorized to initiate Chapter 9 proceedings without prior notice to or consent of its creditors, which proceedings may result in material and adverse modification or alteration of the rights of its secured and unsecured creditors, including holders of its bonds and notes.

Section 66.400 of the Kentucky Revised Statutes permits a political subdivision, such as the County, for the purpose of enabling such subdivision to take advantage of the provisions of the Bankruptcy Code, and for that purpose only, to file a petition stating that the subdivision is insolvent or unable to meet its debts as they mature, and that it desires to effect a plan for the composition or readjustment of its debts, and to take such further proceedings as are set forth in the Bankruptcy Code as they relate to such subdivision. No taxing subdivision is permitted, in availing itself of the provisions of the Bankruptcy Code, to scale down, cut down or reduce the principal sum of its securities except that interest thereon may be reduced in whole or in part.

THE PROJECT AND PLAN OF REFUNDING

The proceeds of the Bonds will be applied to the complete redemption and retirement on September 1, 2010 of all of the County's outstanding General Obligation Improvement Bonds, Series of 2000, dated September 1, 2000 (the "Prior Bonds"). Upon delivery of the Bonds sufficient proceeds shall be deposited in the Sinking Fund for the Prior Bonds and invested only in U.S. Government Obligations in order to provide for the refunding of the Prior Bonds on a current basis.

The Prior Bonds were issued to provide funding for construction of a County detention facility.

Estimated Sources and Uses of Funds

Sources of Funds

Par Amount of Bonds

Total

Uses of Funds

Deposit for Redemption of Prior Bonds

Underwriter's Discount

Costs of Issuance

Rounding Amount

Total

INVESTMENT CONSIDERATIONS

The Bonds, like all obligations of state and local government, are subject to changes in value due to changes in the condition of the tax-exempt bond market and/or changes in the financial condition of the County.

Prospective purchasers of the Bonds may need to consult their own tax advisors prior to any purchase of the Bonds as to the impact of the Internal Revenue Code of 1986, as amended, upon their acquisition, holding or disposition of the Bonds.

It is possible under certain market conditions, or if the financial condition of the County should change, that the market price of the Bonds could be adversely affected.

With regard to the risk involved in a lowering of the County's bond rating, see "RATINGS" herein. With regard to creditors' rights, see "SECURITY AND SOURCE OF PAYMENT FOR BONDS" herein.

PROFILE OF THE COUNTY AND SURROUNDING AREA

Demographic, economic and financial information with respect to the County and the surrounding area is set forth in Appendix A hereto.

COUNTY GOVERNMENT

Organization and Major Offices

The County operates pursuant to the general statutes of the Commonwealth of Kentucky governing municipalities.

Elected and Appointed Officials

The County is governed by a Fiscal Court, consisting of an elected County Judge/Executive and four (4) elected County Magistrates. These five members comprise the Fiscal Court. The County Treasurer is appointed by and serves at the pleasure of the Fiscal Court. The County Clerk is an elected official of the County.

The County Treasurer is the chief fiscal officer of the County, and is appointed by and serves at the pleasure of the Fiscal Court. The County Treasurer is responsible for the accounting, custody and disbursement of the funds of the County.

The County's fiscal year commences July 1 and ends the following June 30.

Certain administrative functions of the County are performed by or under the supervision of the following:

1. Establishment of overall financial policy: the Fiscal Court.
2. Planning and development: the Fiscal Court.
3. Assessment of real and personal property: the Simpson County Property Valuation Administrator.
4. Financial control functions: the County Treasurer.
5. Inspection and supervision of the accounts and reports of the County as required by law: the Auditor of Public Accountants and by independent certified public accountants.

Financial Management

The Fiscal Court is responsible for appropriating the funds used to support the various County activities. The Fiscal Court exercises its legislative powers by budgeting, appropriating, levying taxes, issuing bonds and notes, and letting contracts for public works and services to provide this financial management.

Financial Reports and Examinations of Accounts

Each County in the State is required to record, keep and maintain its accounting records and render financial reports in such a way as to: (a) determine compliance with statutory provisions; (b) determine fairly and with full disclosure the financial operations of consistent funds and account groups of the County in conformity with generally accepted governmental accounting principles; and (c) readily provide such financial data as may be required by the federal revenue sharing program.

Municipal accounting systems are required to be organized and operated on a fund basis. The County maintains its accounts and other fiscal records on a cash basis in accordance with the procedures established and prescribed by the Kentucky Department for Local Government.

As required by law, financial reports are prepared annually by the County and filed with the Kentucky Department of Local Government.

The accounting procedures prescribed by the Kentucky Department of Local Government are generally applicable to all counties in Kentucky and may be different from generally accepted government accounting principles as presented and recommended in the National Council on Governmental Accounting publication "Governmental Accounting Auditing and Financial Reporting," and the Industry Audit Guide of the American Institute of Certified Public Accountants, entitled "Audits of State and Local Governmental Units." Those publications, among other things, provide for a modified accrual basis of accounting for the general fund, all special revenue funds and the debt service fund, and for a full accrual basis of accounting for all other funds, and further provide for the preparation for each fund of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances.

Budgeting and Appropriations Procedures

Detailed provisions for County budgeting, tax levies and appropriations are set forth and mandated by the Kentucky Revised Statutes. Counties are required to operate under an annual budget ordinance and no County may expend any moneys from a governmental or proprietary fund except in accordance with such budget. A budget proposal must be submitted to the County's legislative body no later than 30 days prior to the beginning of the fiscal year covered by the budget. Upon approval of the proposed budget, counties are required to submit the proposed budget to the State Local Debt Officer of the Commonwealth of Kentucky for approval. A proposed budget that has been approved by the State Local Debt Officer is required to be adopted by the fiscal court of the county no later than July 1 of each year or within ten days after receipt of the certified assessment from the Commonwealth of Kentucky, whichever is later. No budget ordinance may be adopted which provides for appropriations to exceed revenues in a fiscal year. The full amount estimated to be required for debt service during the budget year must be appropriated. The State Local Debt Officer is authorized to initiate proceedings to compel compliance by the county officials with the requirements imposed by Kentucky law on counties for the administration of their financial affairs.

Investment Policies

Section 66.480 of the Kentucky Revised Statutes sets forth the requirements and limitations for investments of the state's political subdivisions, including the County. Under that Section, the County must adopt an investment policy and may invest its funds only in the classifications of obligations which are eligible for investment, which are as follows:

- (a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in 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 governmental agency, including but not limited to:
 - 1. United States Treasury;
 - 2. Export-Import Bank of the United States;
 - 3. Farmers Home Administration;
 - 4. Governmental National Mortgage corporation; and
 - 5. Merchant Marine bonds;

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

1. Federal Home Loan Mortgage Corporation;
2. Federal Farm Credit Banks;
3. Bank for Cooperatives;
4. Federal Intermediate Credit Banks;
5. Federal Land Banks;
6. Federal Home Loan Banks;
7. Federal National Mortgage Association; and
8. Tennessee Valley Authority;

(d) 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 or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(d);

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institutions rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(g) Commercial paper rated in the highest category by a nationally recognized rating agency;

(h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three highest categories by a nationally recognized rating agency; and

(j) Shares of mutual funds, each of which shall have the following characteristics;

1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
2. The management company of the investment company shall have been in operation for at least five (5) years; and
3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

(i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three highest categories by a nationally recognized rating agency; and

(j) Shares of mutual funds, each of which shall have the following characteristics;

- (1) The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
- (2) The management company of the investment company shall have been in operation for at least five (5) years; and
- (3) All of the securities in the mutual fund shall be eligible investments pursuant to this section.

Debt Limitation

Kentucky Constitution Section 158 provides that counties shall not incur indebtedness in an amount exceeding two percent (2%) of the value of the taxable property therein, as estimated by the last assessment previous to the incurring of the indebtedness.

Nothing shall prevent the issue of renewal bonds, or bonds to fund the floating indebtedness of any city, county, or taxing district. Subject to the limits and conditions set forth in that section and elsewhere in the Constitution, the General Assembly has the power to establish additional limits on indebtedness and conditions under which debt may be incurred by counties.

KRS 66.041 provides the same limitations as are set forth in the Constitution except that the limitations apply to "net indebtedness". In calculating "net indebtedness," KRS 66.031 provides that certain obligations of a County are not to be considered in the calculation, including self-supporting obligations, revenue bonds, and special assessment debt. (For a complete list of exempt debt see the Statement of Indebtedness attached as Appendix D.)

Appendix D of this Official Statement is a Statement of Indebtedness for the County, certified by the County, calculating the amount of the outstanding obligations of the County (including the Bonds) which are subject to the total direct debt limit (2% limit). The total principal amount of general obligation debt that could be issued by the County, subject to the 2% total direct debt limitation is \$23,687,779 and the County's net debt subject to such limitation presently outstanding (including the estimated Bonds) is \$3,775,000 leaving a balance of approximately \$19,912,779 borrowing capacity issuable within such limitation.

Future Borrowings of the County

At this time, the County does not anticipate any future borrowings.

LEGAL MATTERS

General Information

Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status thereof are subject to the approving legal opinion of Peck, Shaffer & Williams LLP, Bond Counsel. Upon delivery of the Bonds of the County to the successful bidder therefor, the Bonds will be accompanied by an approving opinion dated the date of such delivery, rendered by Peck, Shaffer & Williams LLP. A draft of such legal opinion for the Bonds is attached as Appendix E.

Said firm as Bond Counsel has performed certain functions to assist the County in the preparation by the County of its Official Statement. However, said firm assumes no responsibility for, and will express no opinion regarding the accuracy or completeness of this Official Statement or any other information relating to the County or the Bonds that may be made available by the County or others to the bidders or holders of the Bonds or others.

The engagement of said firm as Bond Counsel is limited to the preparation of certain of the documents contained in the transcript of proceedings with regard to the Bonds, and an examination of such transcript proceedings incident to rendering its legal opinion. In its capacity as Bond Counsel, said firm has reviewed the information in this Official Statement under Sections entitled "General Information" as to legal matters, "Authority for Issuance", "Security and Source of Payment for Bonds", "Debt Limitation", "Tax Limitation" and "Tax Exemption", which review did not include any independent verification of financial statements and statistical data included therein, if any.

Transcript and Closing Certificates

A complete transcript of proceedings, a no-litigation certificate and other appropriate closing documents will be delivered by the County when the Bonds are delivered to the original purchaser. The County will also provide to the original purchaser, at the time of such delivery, a certificate from the County's Judge/Executive and or Clerk addressed to such purchaser relating to the accuracy and completeness of this Official Statement.

Litigation

To the knowledge of the County, no litigation or administrative action or proceeding is pending or threatened directly affecting the Bonds, the security for the Bonds or the improvements being refinanced from the proceeds of the Bonds. A No-Litigation Certificate to that effect will be delivered to the purchaser at the time of the delivery of the Bonds.

Tax Exemption

General

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds will be excludible from gross income for Federal income tax purposes. Bond Counsel for the Bonds is also of the opinion that interest on the Bonds will not be a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal individual or corporate alternative minimum taxes nor be includable in "adjusted current earnings" under Section 56(c) of the Code for purposes of the corporate

alternative minimum tax. Furthermore, Bond Counsel for the Bonds is of the opinion that 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.

A copy of the form of opinion of Bond Counsel for the Bonds is set forth in Appendix E, 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 County 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 (including, without limitation, defeasance of the Bonds) 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 Peck, Shaffer & Williams LLP.

Although Bond Counsel for the Bonds is of the opinion that interest on the Bonds will be excludable from gross income for Federal income tax purposes and that interest on the Bonds is excludable from gross income for 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 the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership or disposition of the Bonds may result in other collateral federal, state or local tax consequences for certain taxpayers. Such effects may include, 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 the Railroad Retirement benefits under Section 86 of the Code and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the 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 the 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.

The County has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

Original Issue Premium

"Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Bonds that bear an interest rate that is higher than the yield (as shown on the cover page hereof), are being initially offered and sold to the public at an Acquisition Premium (the "Premium Bonds"). For federal income tax purposes, the amount of Acquisition Premium on each bond the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt bonds") must be amortized and will reduce the bondholder's adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Bonds, that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Bonds, including any Premium Bonds, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

Original Issue Discount

The Bonds having a yield that is higher than the interest rate (as shown on the cover page hereof) are being offered and sold to the public at an original issue discount ("OID") from the amounts payable at maturity thereon (the "Discount Bonds"). OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond, and for the Discount Bonds, the amount of accretion will be based on a single rate of interest, compounded semiannually (the "yield to maturity"). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns the Discount Bond is added to such purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Discount Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

Holders of Discount Bonds should consult their own tax advisors as to the treatment of OID and the tax consequences of the purchase of such Discount Bonds other than at the issue price during the initial public offering and as to the treatment of OID for state tax purposes.

RATING

As noted on the cover page of this Official Statement, Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned its municipal bond rating of "____" to the Bonds. Such rating reflects only the view of said organization. Any explanation of the significance of such rating may only be obtained from the rating agency at the following address: Standard & Poor's Rating Services at 55 Water Street, New York, New York 10041-0003, (212) 438-2124. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The County presently expects to furnish such rating agency with information and material that it may request on future general obligation bond issues. However, the County assumes no obligation to furnish requested information and materials, and may issue debt for which a rating is not requested. Failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of the rating agency's ratings on outstanding general obligation bonds.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule") the County (the "Obligated Person") will agree pursuant to a Continuing Disclosure Undertaking to be dated as of the date of issuance and delivery of the Bonds (the "Disclosure Undertaking"), to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board ("MSRB"), certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles as applied to governmental units, generally consistent with the information contained in "Appendix A," "Appendix B," "Appendix C," and "Appendix D" of the Official Statement ("Financial Data"); such information shall be provided within 365 days after the end of the fiscal year ending June 30, commencing with the fiscal year ended June 30, 2010; 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 the MSRB, 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 security holders;
 - (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;
 - (k) Rating changes; and
 - (l) The cure, in the manner provided in the Bond Ordinance, of any payment or nonpayment related default under the Bond Ordinance; and
- (iii) in a timely manner, to the MSRB, notice of a failure (of which the Obligated Persons have knowledge) of an Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

The Disclosure Undertaking provides bondholders, including beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Bond Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

For purposes of this transaction with respect to material events as defined under the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds;
- (b) there are no liquidity providers applicable to the Bonds; and
- (c) there is no property securing the Bonds.

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 \$_____). 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 the County of Simpson, Kentucky, by its Judge/Executive.

COUNTY OF SIMPSON, KENTUCKY

By: /s/ Jim Henderson
Judge/Executive

APPENDIX A

County of Simpson Demographic, Economic and Financial Data

General Information

Simpson county was formed in 1819. It is located in the Pennyrile region of Kentucky. The elevation in the county ranges from 490 to 928 feet above sea level. The county seat is Franklin. The county is named for Captain John Simpson, a Kentucky militia officer who fought in Battle of Fallen Timbers in the Northwest Indian War, and was killed in the Battle of River Raisin during the War of 1812.

It is a limited dry county; sales of alcoholic beverages are prohibited except by the drink in restaurants in the city of Franklin that seat at least 100 diners and derive at least 70% of total revenues from food.

Simpson County is a progressive community where good things are happening. Job growth has continued over the last decade and our agricultural economy remains strong, upholding our rural heritage.

Being located between Bowling Green & Nashville, Simpson County is strategically located for the right kind of economic growth. It offers a great alternative to the big city life but is still conveniently located to everything you could want in a metropolitan area.

Total Population

	2005	2006	2007	2008	2009
Labor Market Area	1,026,782	1,044,294	1,059,512	1,073,864	1,087,970
Simpson County	16,897	16,997	17,055	17,037	17,019
Franklin	8,079	8,110	8,019	7,997	N/A

Source: U.S. Department of Commerce, Bureau of the Census.

Population by Selected Age Groups, 2008

	Simpson County		Labor Market Area	
	Number	Percent	Number	Percent
Under 16	3,604	21.2	229,027	21.4
16-24	1,746	10.3	126,178	11.8
25-44	4,825	28.4	312,250	29.2
45-64	4,469	26.3	278,451	26.0
65-84	2,014	11.8	107,694	10.1
85 and older	361	2.1	16,846	1.6
Median Age	38.3		36.5	

Source: U.S. Department of Commerce, Bureau of the Census.

Population Projections

	2010	2015	2020	2025
Simpson County	17,271	17,816	18,345	18,799

Source: Kentucky State Data Center, University of Louisville.

Personal Income

	2002	2007	Pct. Change
Simpson County	\$22,450	\$28,476	26.8 %
Kentucky	\$25,777	\$30,824	19.6 %
U.S.	\$30,804	\$38,615	25.4 %
Labor Market Area Range	\$18,325- \$36,754	\$21,214- \$43,394	

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

Households

	2005		2008
	Number of Households	Persons Per Household	Median Household Income
Simpson County	6,621	2.50	\$44,959

Source: U.S. Department of Commerce, Bureau of the Census. (Median Household Income)

Kentucky State Data Center, University of Louisville (Number of Households, Persons Per Household).

Summary of Recent Locations and Expansions, 2007-Present

	Reported		
	Companies	Jobs	Investment
Manufacturing Location	1	460	\$26,580,000
Manufacturing Expansion	6	215	\$39,751,583
Supportive/Service Location	3	79	\$5,029,553
Supportive/Service Expansion	2	10	\$150,000

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

Note: Totals include announced locations and expansions.

Source: Kentucky Cabinet for Economic Development (1/10/2010).

Employment by Major Industry by Place of Work, 2008

	Simpson County		Labor Market Area	
	Employment	Percent	Employment	Percent
All Industries	8,743	100.0	595,281	100.0
Agriculture, Forestry, Fishing and Hunting	73	0.8	495	0.1
Mining	N/A	N/A	N/A	N/A
Construction	248	2.8	28,203	4.7
Manufacturing	3,773	43.2	56,955	9.6
Trade, Transportation, and Utilities	1,474	16.9	115,262	19.4
Information	0	0.0	14,653	2.5
Financial Activities	258	3.0	32,060	5.4
Services	1,779	20.3	247,651	41.6
Public Administration	191	2.2	45,230	7.6
Other	0	0.0	N/A	N/A

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

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Major Business & Industry in Franklin, Kentucky (Manufacturing & Supportive Service Firms Only)

Firm	Product(s)/Service(s)	Emp.	Year Established
Arvinmeritor Industries	Braking systems for heavy vehicles	50	1996
Berry Plastics	Pipeline coatings; industrial, athletic & consumer adhesive tapes & bandages	675	1957
Camping World East Coast Distribution Center	Distribution center	45	2005
Danafilms Inc	Polyethylene films	29	2000
Equity Group - Kentucky Division LLC	Poultry hatchery / feed mill	120	N/A
Franklin Favorite WFKN LLC	Commercial offset printing & newspaper publishing	20	1857
Franklin Precision Industry Inc	Assembly of automotive throttle bodies & charcoal canisters, injection molding, fuel delivery components.	375	1990
HBAS Manufacturing Inc	Digital and analog audio automotive equipment	300	2000
Integrated Pharmaceutical Packaging LLC	Packaging of pharmaceutical products	27	2008
Keystops LLC	Corporate office & warehouse	75	1969
Luvata Franklin Inc	Welded copper tubes	150	1966
Mahle Engine Components	Piston rings and transmission sealing rings	103	1972
New Mather Metals	Stabilizer bars for the North American OEM Automobile Manufacturers	304	2002
Packaging Unlimited of Southern Kentucky	Corrugated boxes, corrugated pallets, foam fabrication, thermoforming, contract packaging	45	1997
Philmo Industries Inc	Adhesive tapes eco friendly duct tape	40	1998
Silgan Plastics Corp	Plastic bottles	90	1978
Toyo Automotive Parts	Automotive anti-vibration rubber parts: engine mounting, strut mounting, bush, member mounting, insulator, damper, boot for CVJ	205	2001
Vermont Thread Gage LLC	Manufacturers threaded gage products for industries such as aerospace, automotive, electrical, fastener, and medical tooling	60	2001
Worldcolor (USA) LLC	Catalog & retail insert rotogravure printing; saddle stitch binding	500	1979
Worldwide Technologies	2d and 3d die sets and die forms to primarily service automotive market	45	2010

Source: Kentucky Cabinet for Economic Development (1/10/2010).

State Property Tax Rates Per \$100 Valuation, 2009

Selected Class of Property	State Rate	Local Taxation Permitted
Real Estate	\$0.1220	Yes
Manufacturing Machinery	\$0.1500	No
Pollution Control Equipment	\$0.1500	No
Inventories:		
Raw Materials	\$0.0500	No
Goods in Process	\$0.0500	No
Finished Goods	\$0.0500	Yes
Goods-In-Transit	Exempt	Limited
Motor Vehicles	\$0.4500	Yes
Other Tangible Personal Property	\$0.4500	Yes

Source: Kentucky Department of Revenue.

Local Property Tax Rates Per \$100 Valuation, 2009

Taxing Jurisdiction	Property Taxes Per \$100 Valuation			Notes
	Real Estate	Tangibles	Motor Vehicles	
County				
Simpson	\$0.2010	\$0.2863	\$0.2590	
City				
Franklin	\$0.1180	\$0.1380	\$0.1871	
School District				
Simpson County Schools	\$0.4170	\$0.4170	\$0.5460	

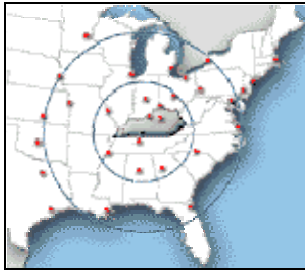
Source: Kentucky Revenue Cabinet.

Local Occupational License Taxes, 2010

Cities, counties and school districts may levy an occupational license tax on the net profits of businesses and/or on the salaries and wages of employees earned in the jurisdiction. Rates can vary between the two types of occupational license taxes. Occupational license taxes may be levied on businesses as either a flat rate schedule or as a percentage of apportioned net profits or gross receipts. Where both the city and county levy an occupational license tax, a credit may be given, at the option of the local governments, for the amount paid to the city against the occupational license tax of the county. (Consult local jurisdictions for further details.)

Taxing Jurisdiction	Tax Rate on Salaries/Wages	Tax Rate on Net Profits/Receipts
County		
Simpson	0.75%	No tax
City		
Franklin	1.00%	1.00% (on gross receipts)
School District		
Simpson County Schools	No tax	No tax

Source: Kentucky Society of Certified Public Accountants.



Business Cost

	Kentucky Index, 2007 (U.S. = 100)
Labor Cost	95
Energy Cost	70
Overall Business Cost	90

Kentucky is tied for the 12th lowest overall business cost in the nation.

	Gross Domestic Product Per Wage, 2008
Kentucky	\$2.16
U.S.	\$2.17

	Industrial Electric Cost Per KWH, 2008
Kentucky	\$0.0482
U.S.	\$0.0683

Kentucky has the 8th lowest cost for industrial electrical power amongst the 50 states.

Simpson County Statistical Summary

	Population 2009
Simpson County	17,019
Labor Market Area	1,087,970

	Simpson County
Per Capita Income 2007	\$28,476
Median Household Income 2008	\$44,959
Median Home Price 2008	\$85,250

	Total Available Labor 2008
Simpson County	613
Labor Market Area	32,645

	Unemployment Rate 2008
Simpson County	6.5
Labor Market Area	5.5
U.S.	5.8

	Average Weekly Wage 2008
Simpson County	\$624
Labor Market Area	\$830
U.S.	\$876

Assessments

<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>Electric Plant Board</u>	<u>Total Assessed Value</u>
2009	\$959,341,953	\$98,702,507	\$8,864,734	\$23,322,456	\$87,632,537	\$2,241,319	\$4,283,464	\$1,184,388,970
2008	953,183,875	105,574,073	8,864,734	22,432,269	99,670,830	2,192,724	4,953,966	1,197,606,971
2007	873,195,084	87,539,453	8,810,150	23,665,454	93,904,504	2,030,175	3,953,681	1,093,098,501
2006	827,806,472	104,521,855	9,657,964	19,973,106	92,873,104	1,915,799	3,910,952	1,060,659,252
2005	760,417,317	84,196,965	12,260,083	30,406,460	86,216,124	2,105,546	3,925,805	979,528,300

Source: Kentucky Department of Revenue

Property Tax Rates

<u>Tax Year</u>	<u>Real Estate Rate</u>	<u>Tangible Rate</u>	<u>Bank Deposit Rate</u>	<u>Motor Vehicle Rate</u>
2009	10.1	15.9	0.0002	16.1
2008	10.1	15.9	0.0002	16.1
2007	10.7	15.9	0.0002	16.1
2006	10.2	12.6	0.0002	16.1

Source: Simpson County

Real Estate Property Taxes

<u>Year</u>	<u>Amount Billed</u>	<u>Amount Collected</u>	<u>Percent Collected</u>
2008	\$6,805,621	\$6,632,687	97.5
2007	6,263,548	6,162,806	98.4
2006	5,817,895	5,683,289	97.6
2005	5,475,837	5,369,790	98.1

* Information not available for 2009.

Source: Simpson County

Ten Largest Property Taxpayers

<u>Name</u>	<u>Assessment</u>
BC Racing Group LLC	\$12,000,000
New Mather Metals	11,454,000
Outokumpu Copper	8,562,500
Covalence Specialty Adhesives LLC	8,465,023
Franklin Precision Industries	7,467,108
Toyo Automotive Parts USA Inc	7,195,500
Lowe's Home Center	6,936,000
Wal-Mart Stores	6,345,000
Lansco Kentucky Holdings LLC	6,338,000
World Color (USA) LLC	5,488,500

Source: Simpson County

APPENDIX B

Estimated Debt Service Requirements for the Series 2010 Bonds

**COUNTY OF SIMPSON, KENTUCKY
GENERAL OBLIGATION PUBLIC PROJECT REFUNDING BONDS
SERIES 2010**

Estimated Debt Service Requirements

Maturity Date	Principal	Interest	Principal and Interest Total	Fiscal Year Total
09/01/2010	\$290,000	20,788.17	310,788.17	
03/01/2011		41,506.25	41,506.25	352,294.42
09/01/2011	270,000	41,506.25	311,506.25	
03/01/2012		40,156.25	40,156.25	351,662.50
09/01/2012	275,000	40,156.25	315,156.25	
03/01/2013		38,506.25	38,506.25	353,662.50
09/01/2013	275,000	38,506.25	313,506.25	
03/01/2014		36,443.75	36,443.75	349,950.00
09/01/2014	285,000	36,443.75	321,443.75	
03/01/2015		33,807.50	33,807.50	355,251.25
09/01/2015	290,000	33,807.50	323,807.50	
03/01/2016		30,472.50	30,472.50	354,280.00
09/01/2016	300,000	30,472.50	330,472.50	
03/01/2017		26,572.50	26,572.50	357,045.00
09/01/2017	305,000	26,572.50	331,572.50	
03/01/2018		22,150.00	22,150.00	353,722.50
09/01/2018	315,000	22,150.00	337,150.00	
03/01/2019		17,267.50	17,267.50	354,417.50
09/01/2019	330,000	17,267.50	347,267.50	
03/01/2020		11,905.00	11,905.00	359,172.50
09/01/2020	340,000	11,905.00	351,905.00	
03/01/2021		6,125.00	6,125.00	358,030.00
09/01/2022	350,000	6,125.00	356,125.00	356,125.00
Totals	\$3,625,000	\$630,613.17	\$4,255,613.17	

Source: Fiscal Agent

APPENDIX C

Audit of the Simpson County Court for the Year Ended June 30, 2009

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

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administrative Cabinet
Honorable Jim Henderson, Simpson County Judge/Executive
Members of the Simpson County Fiscal Court

The enclosed report prepared by Tichenor & Associates, LLP, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Simpson County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Tichenor & Associates, LLP to perform the audit of these financial statements. We worked closely with the firm during our report review process; Tichenor & Associates, LLP evaluated Simpson County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script that reads "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE SIMPSON COUNTY FISCAL COURT

June 30, 2009

Tichenor & Associates, LLP has completed the audit of the Simpson County Fiscal Court for fiscal year ended June 30, 2009. We have issued unqualified opinions, based on our audit and the report of the other auditors, on the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Simpson County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$8,158,658 as of June 30, 2009. The fiscal court had unrestricted net assets of \$2,492,823 in its governmental activities as of June 30, 2009, with total net assets of \$8,124,461. In its business-type activities, total net cash and cash equivalents were \$34,197 with total net assets of \$34,197. The fiscal court's discretely presented component unit had unrestricted net assets of \$174,167 as of June 30, 2009, with total net assets of \$426,769. The fiscal court had total debt principal as of June 30, 2009 of \$10,629,137 with \$618,026 due within the next year.

Report Comment:

- The Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll

Deposits:

The fiscal court's deposits as of August 31, 2008 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$574

As of June 30, 2009, all deposits of the discretely presented component unit were covered by FDIC insurance.

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TICHENOR & ASSOCIATES, LLP
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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Jim Henderson, Simpson County Judge/Executive

Members of the Simpson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Simpson County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Simpson County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Simpson County Tourism Commission, a discretely presented component unit, which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Simpson County Tourism Commission, is based on the report 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 report of the other auditors provide a reasonable basis for our opinions.

As described in Note 1, Simpson County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Simpson County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Jim Henderson, Simpson County Judge/Executive
Members of the Simpson County Fiscal Court

The Simpson County Fiscal Court has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison schedules. 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 Simpson County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for purposes of 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 to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 10, 2010 on our consideration of Simpson 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.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

February 10, 2010

SIMPSON COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Jim Henderson	County Judge/Executive
Kelly Banton	Magistrate
Larry Randolph	Magistrate
Marty Chandler	Magistrate
Charles McCutchen, Sr.	Magistrate

Other Elected Officials:

Sam Phillips	County Attorney
Robert Huber	Jailer
Bobby C. Phillips, Jr.	County Clerk
Jan J. Murphree	Circuit Court Clerk
Gene Starks	Sheriff
Pam Womack	Property Valuation Administrator
Thomas Crafton	Coroner

Appointed Personnel:

Julie Freeman	County Treasurer
Nicole Wilson Law	Finance Officer/Occupational Tax Administrator
Mary Beth Farley	Jail Administrative Assistant/Bookkeeper

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SIMPSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

SIMPSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Simpson County Tourism Commission
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 2,495,090	\$ 34,197	\$ 2,529,287	\$ 153,558
Receivable				22,178
Total Current Assets	<u>2,495,090</u>	<u>34,197</u>	<u>2,529,287</u>	<u>175,736</u>
Noncurrent Assets:				
Capital Assets - Net of Accumulated Depreciation:				
Land and Land Improvements	1,507,463		1,507,463	74,500
Buildings	11,316,305		11,316,305	122,847
Other Equipment	695,492		695,492	48,299
Vehicles and Equipment	546,925		546,925	6,956
Infrastructure	2,192,323		2,192,323	
Total Noncurrent Assets	<u>16,258,508</u>		<u>16,258,508</u>	<u>252,602</u>
Total Assets	<u>18,753,598</u>	<u>34,197</u>	<u>18,787,795</u>	<u>428,338</u>
LIABILITIES				
Current Liabilities:				
Financing Obligations Payable	93,663		93,663	
Payroll Taxes Payable				1,569
Bonds Payable	524,363		524,363	
Total Current Liabilities	<u>618,026</u>		<u>618,026</u>	<u>1,569</u>
Noncurrent Liabilities:				
Financing Obligations Payable	963,619		963,619	
Bonds Payable	9,047,492		9,047,492	
Total Noncurrent Liabilities	<u>10,011,111</u>		<u>10,011,111</u>	
Total Liabilities	<u>10,629,137</u>		<u>10,629,137</u>	<u>1,569</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	5,629,371		5,629,371	252,602
Restricted for:				
Debt Service	38		38	
Encumbrances	2,229		2,229	
Unrestricted	2,492,823	34,197	2,527,020	174,167
Total Net Assets	<u>\$ 8,124,461</u>	<u>\$ 34,197</u>	<u>\$ 8,158,658</u>	<u>\$ 426,769</u>

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

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**SIMPSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

SIMPSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

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	\$ 3,185,399	\$ 283,346	\$ 908,945	\$ 93,673
Protection to Persons and Property	2,930,299	1,841,831	339,373	
General Health and Sanitation	331,406	10,470		
Social Services	16,722			
Recreation and Culture	399,956			
Roads	598,192		1,049,382	
Interest and Fees on Debt Service	530,469			
Capital Projects	90,694			
Total Governmental Activities	8,083,137	2,135,647	2,297,700	93,673
Business-Type Activities:				
Jail Canteen	235,616	210,982		
Total Business-Type Activities	235,616	210,982		
Total Primary Government	\$ 8,318,753	\$ 2,346,629	\$ 2,297,700	\$ 93,673
Component Unit:				
Simpson County Tourism Commission	\$ 157,472	\$	\$	\$
Total Component Unit	\$ 157,472	\$	\$	\$

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Occupational License Tax
Other Taxes

Excess Fees

Gain on Sale of Assets

Miscellaneous Revenues

Interest Earned

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

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

SIMPSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Totals	Simpson County Tourism Commission
\$ (1,899,435)	\$	\$ (1,899,435)	\$
(749,095)		(749,095)	
(320,936)		(320,936)	
(16,722)		(16,722)	
(399,956)		(399,956)	
451,190		451,190	
(530,469)		(530,469)	
(90,694)		(90,694)	
(3,556,117)		(3,556,117)	
	(24,634)	(24,634)	
	(24,634)	(24,634)	
(3,556,117)	(24,634)	(3,580,751)	
			(157,472)
			(157,472)
881,740		881,740	
207,881		207,881	
151,524		151,524	
1,879,241		1,879,241	
412,296		412,296	116,057
707,381		707,381	
20,191		20,191	
226,878		226,878	24,125
24,188		24,188	3,152
4,511,320		4,511,320	143,334
955,203	(24,634)	930,569	(14,138)
7,169,258	58,831	7,228,089	440,907
\$ 8,124,461	\$ 34,197	\$ 8,158,658	\$ 426,769

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

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SIMPSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

SIMPSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Local Government Economic Assistance Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 1,701,802	\$ 418,003	\$ 103,738	\$ 265,003
Total Assets	<u>\$ 1,701,802</u>	<u>\$ 418,003</u>	<u>\$ 103,738</u>	<u>\$ 265,003</u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$ 743	\$ 1,287	\$ 99	\$
Unreserved:				
General Fund	1,701,059			
Special Revenue Funds		416,716	103,639	265,003
Debt Service Fund				
Total Fund Balances	<u>\$ 1,701,802</u>	<u>\$ 418,003</u>	<u>\$ 103,738</u>	<u>\$ 265,003</u>

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

SIMPSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009
(Continued)

<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ 6,544	\$ 2,495,090
<u>\$ 6,544</u>	<u>\$ 2,495,090</u>
\$ 100	\$ 2,229
6,406	1,701,059
38	791,764
<u>38</u>	<u>38</u>
<u>\$ 6,544</u>	<u>\$ 2,495,090</u>

Reconciliation to Statement of Net Assets:

Total Fund Balances	\$ 2,495,090
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.	21,241,144
Accumulated depreciation	(4,982,636)
Long-term debt is not due and payable in the current period and, Therefore, is not reported in the funds.	
Financing obligations	(1,057,282)
Bonds	<u>(9,571,855)</u>
Net Assets of Governmental Activities	<u>\$ 8,124,461</u>

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

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

For The Year Ended June 30, 2009

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

For The Year Ended June 30, 2009

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 3,347,995	\$	\$	\$
In Lieu Tax Payments	40,281			
Excess Fees	108,636			
Licenses and Permits	113,832	10,470		
Intergovernmental	1,046,800	916,124	1,961,265	133,258
Charges for Services	3,957		60,284	
Miscellaneous	260,414	61,975	90,237	
Interest	13,599	3,582	951	6,019
Total Revenues	<u>4,935,514</u>	<u>992,151</u>	<u>2,112,737</u>	<u>139,277</u>
EXPENDITURES				
General Government	1,955,858			
Protection to Persons and Property	569,215		1,682,443	
General Health and Sanitation	322,939			
Social Services	16,722			
Recreation and Culture	392,318			
Roads		733,917		201,500
Debt Service	99,563	80,159	446,238	
Capital Projects	29,560	61,134		
Administration	650,749	94,912	393,632	
Total Expenditures	<u>4,036,924</u>	<u>970,122</u>	<u>2,522,313</u>	<u>201,500</u>
Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources (Uses)	<u>898,590</u>	<u>22,029</u>	<u>(409,576)</u>	<u>(62,223)</u>
Other Financing Sources (Uses)				
Transfers Out	(255,712)			
Transfers In			90,712	
Total Other Financing Sources (Uses)	<u>(255,712)</u>		<u>90,712</u>	
Net Change in Fund Balances	642,878	22,029	(318,864)	(62,223)
Fund Balances - Beginning (Restated)	1,058,924	395,974	422,602	327,226
Fund Balances - Ending	<u>\$ 1,701,802</u>	<u>\$ 418,003</u>	<u>\$ 103,738</u>	<u>\$ 265,003</u>

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

SIMPSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ 144,406	\$ 3,492,401
	40,281
	108,636
	124,302
684,678	4,742,125
29,540	93,781
	412,626
37	24,188
858,661	9,038,340
	1,955,858
381,079	2,632,737
	322,939
	16,722
	392,318
	935,417
572,302	1,198,262
	90,694
100,153	1,239,446
1,053,534	8,784,393
(194,873)	253,947
	(255,712)
165,000	255,712
165,000	
(29,873)	253,947
36,417	2,241,143
\$ 6,544	\$ 2,495,090

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

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**SIMPSON 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, 2009

**SIMPSON 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, 2009

Net Change in Fund Balances - Total Governmental Funds \$ 253,947

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	733,755
Depreciation Expense	(677,474)
Assets Disposed, Net Book Value	(22,818)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds while principal payments are expensed in the governmental funds as a use of current financial resources these transactions, however, have no effect on net assets.

Financing Obligations Principal Payments	164,616
Bond Principal Payments	<u>503,177</u>

Change in Net Assets of Governmental Activities \$ 955,203

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SIMPSON COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

SIMPSON COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 34,197
Total Assets	34,197
 Net Assets	
Unrestricted	34,197
Total Net Assets	\$ 34,197

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

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SIMPSON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

SIMPSON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 196,512
Total Operating Revenues	196,512
Operating Expenses	
Cost of Sales	108,044
Adult Education	850
Inmate Benefits	46,237
Personnel Costs	20,000
Educational and Recreational	1,121
Miscellaneous	44,894
Total Operating Expenses	221,146
Operating Income	(24,634)
Nonoperating Revenues (Expenses)	
Inmate Pay from State	14,470
Inmate Refunds on Accounts	(14,470)
Total Nonoperating Revenues (Expenses)	—
Change In Net Assets	(24,634)
Total Net Assets - Beginning (Restated)	58,831
Total Net Assets - Ending	\$ 34,197

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

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SIMPSON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

SIMPSON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Cash Flows from Operating Activities	
Receipts from Customers	\$ 196,512
Cost of Sales	(108,044)
Adult Education	(850)
Inmate Benefits	(46,237)
Personnel Costs	(20,000)
Educational and Recreational	(1,121)
Miscellaneous	(44,894)
Net Cash Provided by Operating Activities	(24,634)
Cash Flows from Noncapital Financing Activities	
Inmate Pay from State	14,470
Inmate Refunds on Accounts	(14,470)
Net Cash Used by Noncapital Financing Activities	-
Net Increase in Cash and Cash Equivalents	(24,634)
Cash and Cash Equivalents - July 1, 2008 (Restated)	58,831
Cash and Cash Equivalents - June 30, 2009	\$ 34,197
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ (24,634)
Total Cash Provided by Operating Activities	\$ (24,634)

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the Fund Balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county 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 Simpson 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 their 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.

Blended Component Unit

Simpson County Justice Center Corporation

Simpson County Justice Center Corporation (Corporation) is a legally separate entity established for the purpose of construction of the Simpson County Judicial Center and the related long-term debt service. The Corporation's governing body consists entirely of fiscal court members. Therefore, the Fiscal Court is financially accountable and legally obligated for the debt of the Simpson County Justice Center Corporation. Financial information for the Simpson County Justice Center Corporation is blended within Simpson County's financial statements. All activities of the Corporation are accounted for within a non-major (debt service) fund.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Discretely Presented Component Unit

The financial data of the Simpson County Tourism Commission is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as “Component Unit” to emphasize this organization’s separateness from the Fiscal Court’s primary government.

Simpson County Tourism Commission

Simpson County Fiscal Court established the Simpson County Tourism Commission (Commission) pursuant to KRS 91A.350(2) for the purpose of promoting tourism and convention activity in Simpson County. The Commission is composed of seven members appointed by the Simpson County Judge/Executive with the approval of the Fiscal Court. Five members are appointed by the County Judge/Executive from lists submitted by third parties. Two members are appointed at-large by the County Judge/Executive. The Commission’s governing body is substantially different from the Fiscal Court. However, the Commission is fiscally dependent on the Fiscal Court because the Fiscal Court controls its major source of revenue. The Commission’s major source of revenue is transient room tax. On March 31, 2002, the Fiscal Court enacted an ordinance imposing a transient room tax.

The Fiscal Court currently collects “3% of the rent for every occupancy of a suite, room or rooms, charged by all persons, companies, corporations or other like similar persons, groups or organizations doing business as motor courts, motels, hotels, inns, or like or similar accommodations businesses.” The Commission is to annually submit a request for funds to the Fiscal Court. This fiscal dependency requires the Fiscal Court to include the Commission as a component unit. The Commission is not included in any other organization’s reporting entity and does not provide services exclusively to the Fiscal Court; therefore, the financial activity of the Commission is presented discretely.

Audited financial statements for the Simpson County Tourism Commission, a discretely presented component unit, may be requested by contacting the Simpson County Tourism Commission, P.O. Box 737, Franklin, Kentucky, 42135.

C. Simpson County Elected Officials

Kentucky law provides for election of the below officials from the geographic area constituting Simpson 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

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on 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. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

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.

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.

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 or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

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 Department for Local Government 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 license distribution, municipal road aid, and transportation grants. The Department for Local Government 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 Fiscal Court. The primary sources of revenue for this fund are reimbursements from the state government and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for general health and sanitation, social services and economic assistance expenses of the county. The primary source of revenue is mineral tax. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: 911 Dispatch Fund and Justice Center Corporation Fund.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, and 911 Dispatch 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.

Debt Service Fund

The Justice Center Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payments of long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

Proprietary Funds (Continued)

Enterprise Fund

The principal operating revenues of the county's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Presentation of Component Unit

Detailed presentations of the financial statements for the Simpson County Tourism Commission, a major discretely presented component unit of the Simpson County Fiscal Court, are available from the separately issued financial statements of the Simpson County Tourism Commission.

E. 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).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, other equipment, vehicles and 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.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

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	\$ 25,000	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-60
Other Equipment	\$ 5,000	3-25
Vehicles and Equipment	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. 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 and encumbrances.

"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 are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. 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 State Local Finance Officer does not require formal budgets be adopted for the Justice Center Corporation Fund and the Jail Canteen Fund.

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.

J. 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. The primary government's accountability for related organizations does not extend beyond making appointment. Based on these criteria the following are considered related organizations of Simpson County Fiscal Court: Simpson County Water District and Franklin Simpson County Ambulance Service.

A joint venture is 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. Based on these criteria, the following is considered a joint venture of the Simpson County Fiscal Court: Franklin Simpson Parks Board, Inc.

A jointly governed organization is 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 on these criteria, the following are considered jointly governed organizations of the Simpson County Fiscal Court: Franklin Simpson Industrial Development Authority, Franklin Simpson Planning and Zoning Commission, and Franklin Simpson Planning and Zoning Adjustment Board.

Note 2. Deposits

The primary government and its discretely presented component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by 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 primary government or its discretely presented component unit 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.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the primary government's or its discretely presented component unit's deposits may not be returned. The primary government and its discretely presented component unit do not have deposit policies for custodial credit risk, but rather follow the requirements of KRS 41.240(4). As of June 30, 2009, the primary government's deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of August 31, 2008, \$574 of the primary government's public funds were exposed to custodial risk because one bank did not adequately collateralize the primary government's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$574

As of June 30, 2009, all deposits of the discretely presented component unit were covered by FDIC insurance.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets

Capital asset activity of the primary government for the year ended June 30, 2009 was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,502,037	\$ 5,426	\$	\$ 1,507,463
Total Capital Assets Not Being Depreciated	<u>1,502,037</u>	<u>5,426</u>	<u></u>	<u>1,507,463</u>
Capital Assets, Being Depreciated:				
Buildings	14,678,296	50,784		14,729,080
Other Equipment	1,086,298	119,477	(85,330)	1,120,445
Vehicles and Equipment	1,219,327	136,906	(32,600)	1,323,633
Infrastructure	2,139,361	421,162		2,560,523
Total Capital Assets Being Depreciated	<u>19,123,282</u>	<u>728,329</u>	<u>(117,930)</u>	<u>19,733,681</u>
Less Accumulated Depreciation For:				
Buildings	(3,077,689)	(335,086)		(3,412,775)
Other Equipment	(422,560)	(71,419)	69,026	(424,953)
Vehicles and Equipment	(649,775)	(153,019)	26,086	(776,708)
Infrastructure	(250,250)	(117,950)		(368,200)
Total Accumulated Depreciation	<u>(4,400,274)</u>	<u>(677,474)</u>	<u>95,112</u>	<u>(4,982,636)</u>
Total Capital Assets, Being Depreciated, Net	<u>14,723,008</u>	<u>50,855</u>	<u>(22,818)</u>	<u>14,751,045</u>
Governmental Activities Capital Assets, Net	<u>\$16,225,045</u>	<u>\$ 56,281</u>	<u>\$ (22,818)</u>	<u>\$16,258,508</u>

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

<u>Governmental Activities:</u>	
General Government	\$ 158,740
Protection to Persons and Property	328,091
General Health and Sanitation	8,467
Recreation and Culture	7,638
Roads, Including Depreciation of General Infrastructure Assets	<u>174,538</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 677,474</u>

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 3. Capital Assets (Continued)

Capital asset activity of the discretely presented component unit for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 74,500	\$	\$	\$ 74,500
Total Capital Assets Not Being Depreciated	<u>74,500</u>			<u>74,500</u>
Capital Assets, Being Depreciated:				
Buildings	171,415			171,415
Other Equipment	36,059	22,501		58,560
Vehicles and Equipment	25,056	1,618		26,674
Total Capital Assets Being Depreciated	<u>232,530</u>	<u>24,119</u>		<u>256,649</u>
Less Accumulated Depreciation For:				
Buildings	(42,854)	(5,714)		(48,568)
Other Equipment	(7,828)	(2,433)		(10,261)
Vehicles and Equipment	(17,580)	(2,138)		(19,718)
Total Accumulated Depreciation	<u>(68,262)</u>	<u>(10,285)</u>		<u>(78,547)</u>
Total Capital Assets, Being Depreciated, Net	<u>164,268</u>	<u>13,834</u>		<u>178,102</u>
Capital Assets, Net	<u>\$ 238,768</u>	<u>\$ 13,834</u>	<u>\$</u>	<u>\$ 252,602</u>

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

Simpson County Tourism Commission	<u>\$ 10,285</u>
Total Depreciation Expense - Component Unit	<u>\$ 10,285</u>

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt

A. General Obligation Bonds, Series 2000

Simpson County Fiscal Court issued general obligation bonds, series 2000, dated September 1, 2000, for the purpose of the detention facility renovation and addition. On September 15, 2000, \$4,730,000 of general obligation bonds was issued at various interest rates. The maturity date of the general obligation bonds is September 1, 2021. As of June 30, 2009, bonds outstanding were \$3,580,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2010	\$ 200,000	\$ 176,425
2011	210,000	166,175
2012	220,000	155,425
2013	230,000	144,175
2014	240,000	132,425
2015-2019	1,425,000	461,264
2020-2022	<u>1,055,000</u>	<u>84,226</u>
Totals	<u>\$ 3,580,000</u>	<u>\$ 1,320,115</u>

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

B. Mortgage Revenue Bonds, Series 2002

Simpson County Justice Center Corporation, an agency and instrumentality of the Simpson County Fiscal Court created on March 20, 2001, issued Simpson County Justice Center Corporation First Mortgage Revenue Bonds, Series 2002, on July 1, 2002, for the purpose of acquisition, construction, installation, and equipping of the Simpson County Judicial Center. On July 10, 2002, \$7,460,000 of bonds was issued at various interest rates with accrued interest of \$7,778. The Corporation has entered into an agreement to lease the Simpson County Judicial Center to the Simpson County Fiscal Court for the amount of the bond payments. The Simpson County Fiscal Court has a sublease with Administrative Office of the Courts, Commonwealth of Kentucky, for approximately 100% of the Simpson County Judicial Center. The maturity date of the mortgage revenue bonds is March 1, 2023. As of June 30, 2009, bonds outstanding were \$5,855,000. Future principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Principal</u>	<u>Scheduled</u> <u>Interest</u>
2010	\$ 305,000	\$ 265,682
2011	320,000	254,092
2012	335,000	241,612
2013	345,000	228,212
2014	365,000	213,982
2015-2019	2,100,000	815,060
2020-2023	<u>2,085,000</u>	<u>267,206</u>
Totals	<u>\$ 5,855,000</u>	<u>\$ 2,285,846</u>

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

C. Refunding Revenue Bonds, Series 2004

The Kentucky Local Correctional Facilities Construction Authority, an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. The authority issued the bonds on October 1, 2004, for the purpose of advanced refunding of all the outstanding Revenue Bonds, Series 1994 and paying the associated costs of issuing the bonds. The maturity date of the bonds is October 1, 2014. As of June 30, 2009, bonds outstanding were \$136,856. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2010	\$ 19,363	\$ 8,301
2011	20,625	6,998
2012	21,970	5,608
2013	23,404	4,127
2014	24,933	2,548
2015	26,561	867
Totals	<u>\$ 136,856</u>	<u>\$ 28,449</u>

D. Fire Substations

On November 2, 2001, the Simpson County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the construction of fire substations. The principal was \$250,000 at various interest rates for a period of 15 years, interest paid monthly and principal paid annually. The maturity date of the obligation is November 20, 2016. As of June 30, 2009, the principal balance was \$142,506. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2010	\$ 15,767	\$ 5,340
2011	16,630	4,936
2012	17,679	4,248
2013	18,795	3,510
2014	19,982	2,728
2015-2017	53,653	3,056
Totals	<u>\$ 142,506</u>	<u>\$ 23,818</u>

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

E. Detention Facility Renovation and Addition

On April 18, 2002, The Simpson County Fiscal Court entered into an agreement with the Kentucky Area Development Districts Financing Trust. The agreement was for the purpose of additional financing of the detention facility renovation and addition. The principal was \$500,000 at variable interest rates for a period of 21 years, interest paid semi-annually and principal paid annually. The maturity date of the obligation is June 1, 2023. As of June 30, 2009, the principal balance was \$395,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2010	\$ 20,000	\$ 21,442
2011	20,000	20,482
2012	20,000	19,502
2013	25,000	18,499
2014	25,000	17,160
2015-2019	140,000	64,710
2020-2023	<u>145,000</u>	<u>20,651</u>
Totals	<u>\$ 395,000</u>	<u>\$ 182,446</u>

F. Gravel Road Project

On October 28, 2005, the Simpson County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the paving of several county roads. The principal was \$450,000 at 3.95 percent interest for a period of ten years, interest is paid monthly and principal is paid annually. The maturity date is July 20, 2015. As of June 30, 2009, the principal balance was \$335,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2010	\$ 40,000	\$ 14,386
2011	45,000	12,175
2012	45,000	10,169
2013	50,000	7,825
2014	50,000	5,467
2015-2016	<u>105,000</u>	<u>3,116</u>
Totals	<u>\$ 335,000</u>	<u>\$ 53,138</u>

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Long-term Debt (Continued)

G. Fire Truck 2007

On November 27, 2007, the Simpson County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of a fire truck. The principal was \$210,000 at 4.397 percent interest for a period of ten years, interest paid monthly and principal paid annually. The maturity date of the obligation is December 20, 2017. As of June 30, 2009, the principal balance was \$184,775. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2010	\$ 17,896	\$ 7,656
2011	18,812	6,857
2012	19,774	6,085
2013	20,786	5,236
2014	21,849	4,347
2015-2018	<u>85,658</u>	<u>7,528</u>
Totals	<u>\$ 184,775</u>	<u>\$ 37,709</u>

H. Changes in Long-term Liabilities

Long-term liability activity of the primary government for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 3,770,000	\$	\$ 190,000	\$ 3,580,000	\$ 200,000
Revenue Bonds	6,305,032		313,177	5,991,855	324,363
Financing Obligations	<u>1,221,898</u>		<u>164,616</u>	<u>1,057,282</u>	<u>93,663</u>
Governmental Activities Long-term Liabilities	<u>\$11,296,930</u>	<u>\$</u>	<u>\$ 667,793</u>	<u>\$10,629,137</u>	<u>\$ 618,026</u>

Note 5. Employee Retirement System

The Fiscal Court 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.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Employee Retirement System (Continued)

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent.

The county's contribution for FY 2007 was \$372,252, FY 2008 was \$475,706, and FY 2009 was \$433,501.

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. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

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

Note 6. Insurance

For the fiscal year ended June 30, 2009, Simpson 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 7. Prior Year Adjustments

Beginning Fund Balance for the Road Fund has been restated for the prior year in order to balance. The effect of this change is a net decrease of \$678 in the Road Fund.

Beginning Net Assets for the Jail Canteen Fund has been restated for the prior year to combine the Jail Canteen Funds (Enterprise Funds) and the Inmate Account Funds (Fiduciary Funds). Net Assets of the Jail Canteen Fund increased \$18,287 to \$58,831.

SIMPSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 7. Prior Year Adjustments (Continued)

Beginning Net Assets for the Governmental Activities has been restated for prior year in order to balance. The effect of this change is a net decrease of \$677.

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

For The Year Ended June 30, 2009

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

For The Year Ended June 30, 2009

	GENERAL FUND			
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 3,287,000	\$ 3,287,000	\$ 3,347,995	\$ 60,995
In Lieu Tax Payments	35,000	35,000	40,281	5,281
Excess Fees	54,490	54,490	108,636	54,146
Licenses and Permits	115,500	115,500	113,832	(1,668)
Intergovernmental Revenue	1,128,545	1,208,545	1,046,800	(161,745)
Charges for Services	3,000	3,000	3,957	957
Miscellaneous	251,441	251,441	260,414	8,973
Interest	9,500	9,500	13,599	4,099
Total Revenues	<u>4,884,476</u>	<u>4,964,476</u>	<u>4,935,514</u>	<u>(28,962)</u>
EXPENDITURES				
General Government	2,062,802	2,014,751	1,955,858	58,893
Protection to Persons and Property	646,623	626,102	569,215	56,887
General Health and Sanitation	311,625	324,745	322,939	1,806
Social Services	17,000	17,000	16,722	278
Recreation and Culture	401,675	401,675	392,318	9,357
Debt Service	68,952	101,353	99,563	1,790
Capital Projects	153,941	168,941	29,560	139,381
Administration	543,808	664,859	650,749	14,110
Total Expenditures	<u>4,206,426</u>	<u>4,319,426</u>	<u>4,036,924</u>	<u>282,502</u>
Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources (Uses)	<u>678,050</u>	<u>645,050</u>	<u>898,590</u>	<u>253,540</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(678,050)</u>	<u>(678,050)</u>	<u>(255,712)</u>	<u>422,338</u>
Total Other Financing Sources (Uses)	<u>(678,050)</u>	<u>(678,050)</u>	<u>(255,712)</u>	<u>422,338</u>
Net Changes in Fund Balances		(33,000)	642,878	675,878
Fund Balances - Beginning		<u>33,000</u>	<u>1,058,924</u>	<u>1,025,924</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 1,701,802</u>	<u>\$ 1,701,802</u>

SIMPSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
License and Permits	\$ 10,000	\$ 10,000	\$ 10,470	\$ 470
Intergovernmental Revenue	955,693	955,693	916,124	(39,569)
Charges for Services	22,000	22,000		(22,000)
Miscellaneous	1,000	47,396	61,975	14,579
Interest	1,500	1,500	3,582	2,082
Total Revenues	<u>990,193</u>	<u>1,036,589</u>	<u>992,151</u>	<u>(44,438)</u>
EXPENDITURES				
Roads	716,081	763,789	733,917	29,872
Debt Service	80,285	80,172	80,159	13
Capital Projects	165,000	177,284	61,134	116,150
Administration	119,827	106,344	94,912	11,432
Total Expenditures	<u>1,081,193</u>	<u>1,127,589</u>	<u>970,122</u>	<u>157,467</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(91,000)</u>	<u>(91,000)</u>	<u>22,029</u>	<u>113,029</u>
Net Changes in Fund Balances	(91,000)	(91,000)	22,029	113,029
Fund Balances - Beginning	<u>91,000</u>	<u>91,000</u>	<u>395,974</u>	<u>304,974</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 418,003</u>	<u>\$ 418,003</u>

SIMPSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	JAIL FUND			
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 2,090,774	\$ 2,090,774	\$ 1,961,265	\$ (129,509)
Charges for Services	51,500	51,500	60,284	8,784
Miscellaneous	90,540	90,540	90,237	(303)
Interest	1,500	1,500	951	(549)
Total Revenues	<u>2,234,314</u>	<u>2,234,314</u>	<u>2,112,737</u>	<u>(121,577)</u>
EXPENDITURES				
Protection to Persons and Property	1,794,458	1,803,458	1,682,443	121,015
Debt Service	446,535	447,942	446,238	1,704
Administration	459,035	448,628	393,632	54,996
Total Expenditures	<u>2,700,028</u>	<u>2,700,028</u>	<u>2,522,313</u>	<u>177,715</u>
Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources (Uses)	<u>(465,714)</u>	<u>(465,714)</u>	<u>(409,576)</u>	<u>56,138</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	465,714	465,714	90,712	(375,002)
Total Other Financing Sources (Uses)	<u>465,714</u>	<u>465,714</u>	<u>90,712</u>	<u>(375,002)</u>
Net Changes in Fund Balances			(318,864)	(318,864)
Fund Balances - Beginning			<u>422,602</u>	<u>422,602</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 103,738</u>	<u>\$ 103,738</u>

SIMPSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenue	\$ 100,000	\$ 100,000	\$ 133,258	\$ 33,258
Interest	1,500	1,500	6,019	4,519
Total Revenues	<u>101,500</u>	<u>101,500</u>	<u>139,277</u>	<u>37,777</u>
EXPENDITURES				
Roads	<u>201,500</u>	<u>201,500</u>	<u>201,500</u>	
Total Expenditures	<u>201,500</u>	<u>201,500</u>	<u>201,500</u>	
Excess (Deficiency) of Revenues over Expenditures	<u>(100,000)</u>	<u>(100,000)</u>	<u>(62,223)</u>	<u>37,777</u>
Net Changes in Fund Balances	(100,000)	(100,000)	(62,223)	37,777
Fund Balances - Beginning	<u>100,000</u>	<u>100,000</u>	<u>327,226</u>	<u>227,226</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$ 265,003</u>	<u>\$ 265,003</u>

**SIMPSON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2009

Note 1. 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.

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

June 30, 2009

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

June 30, 2009

	911 Dispatch Fund	Justice Center Corporation Fund	Total Non-Major Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 6,506	\$ 38	\$ 6,544
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u> 6,506</u>	<u> 38</u>	<u> 6,544</u>
 FUND BALANCES			
Reserved for:			
Encumbrances	100		100
Unreserved:			
Special Revenue Funds	6,406		6,406
Debt Service Fund		38	38
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u> 6,506</u>	<u> 38</u>	<u> 6,544</u>

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

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SIMPSON 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, 2009

SIMPSON 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, 2009

	911 Dispatch Fund	Justice Center Corporation Fund	Total Non-Major Governmental Funds
REVENUES			
Taxes	\$ 144,406	\$	\$ 144,406
Intergovernmental Revenue	130,115	554,563	684,678
Charges for Services	29,540		29,540
Interest		37	37
Total Revenues	<u>304,061</u>	<u>554,600</u>	<u>858,661</u>
EXPENDITURES			
Protection to Persons and Property	381,079		381,079
Debt Service		572,302	572,302
Administration	100,153		100,153
Total Expenditures	<u>481,232</u>	<u>572,302</u>	<u>1,053,534</u>
Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources (Uses)	<u>(177,171)</u>	<u>(17,702)</u>	<u>(194,873)</u>
Other Financing Sources (Uses)			
Transfers In	165,000		165,000
Total Other Financing Sources (Uses)	<u>165,000</u>		<u>165,000</u>
Net Change in Fund Balances	(12,171)	(17,702)	(29,873)
Fund Balances - Beginning	18,677	17,740	36,417
Fund Balances - Ending	<u>\$ 6,506</u>	<u>\$ 38</u>	<u>\$ 6,544</u>

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

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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**

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

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Honorable Jim Henderson, Simpson County Judge/Executive
Members of the Simpson 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 Governmental Auditing Standards

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Simpson County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated February 10, 2010. Our report was modified to include a reference to other auditors. Simpson 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. Other auditors audited the financial statements of the Simpson County Tourism Commission, as described in our report on Simpson County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Simpson County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Simpson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Simpson County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll

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)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Simpson 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.

The Simpson County Judge/Executive's response to the finding identified in our audit is included in the accompanying comment and recommendation. We did not audit the County Judge/Executive's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Certified Public Accountants

February 10, 2010

**SIMPSON COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2009

**SIMPSON COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2009

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY

The Fiscal Court Lacks Adequate Segregation Of Duties Over Payroll

The Fiscal Court has a lack of segregation of duties over payroll. The County Treasurer performs the payroll function. We recommend the following segregation of duties or compensating controls be implemented over payroll to offset this internal control weakness:

- The County Judge/Executive or designee should compare payroll checks to individual earnings records to verify accuracy.
- An independent person should complete bank reconciliations or review the treasurer's bank reconciliations for accuracy. The independent person should then sign off on the bank reconciliations to verify completion.

County Judge/Executive Jim Henderson's Response: "I plan to utilize other office staff to assist me in creating further segregation of duties in the areas of payroll."

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LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

SIMPSON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2009**

Appendix A

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

SIMPSON COUNTY FISCAL COURT

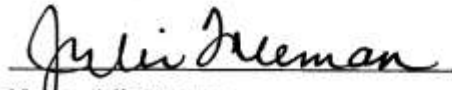
Fiscal Year Ended June 30, 2009

The Simpson 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.

A handwritten signature in black ink, appearing to read "Jim Henderson", written over a horizontal line.

Name: Jim Henderson

County Judge/Executive

A handwritten signature in black ink, appearing to read "Julie Freeman", written over a horizontal line.

Name: Julie Freeman

County Treasurer

APPENDIX D

Statement of Indebtedness of the County

(f) Leases entered into under KRS 65.940 to 65.956 after July 15, 1996 which are not tax-supported leases.....	\$612,696
(g) Bonds issued in the case of an emergency, when the public health or safety should so require.....	\$-0-
(h) Bonds issued to fund a floating indebtedness.....	\$-0-
TOTAL EXEMPT OBLIGATIONS.....	\$8,072,696
5. The total of bonds, notes and other obligations subject to the debt limitation set forth in KRS 66.041 (3 minus 4) is.....	\$3,775,000
6. The total of bonds, notes and other obligations subject to the debt limitation set forth in KRS 66.041 as computed in 4 above, does not exceed 2% of the assessed valuation of all the taxable property in the County.	
7. The current tax rate of the County, for other than school purposes, upon the value of the taxable property therein is <u>10.1</u> for real property and <u>15.9</u> for personal property, which do not exceed the maximum permissible tax rate for the County as set forth in Section 157 of the Kentucky Constitution.	
8. The issuance of the bonds, notes or other obligations set forth in 3 hereof will not cause the tax rate set forth in 7 hereof to increase in an amount which would exceed the maximum permissible tax rate for the County as set forth in Section 157 of the Kentucky Constitution.	

*10% for cities having a population of fifteen thousand or more;
5% for cities having a population of less than fifteen thousand but not less than three thousand; and
3% for cities having a population of less than three thousand.

IN WITNESS WHEREOF, I have hereunto set my hand this 3rd day of June, 2010.

/S/ Nicole Law
County Finance Officer

PECK, SHAFFER & WILLIAMS LLP
BOND ATTORNEYS
Covington, Kentucky

APPENDIX E

Form of Final Approving Legal Opinion of Bond Counsel

County of Simpson, Kentucky
Franklin, Kentucky

Gentlemen:

We have examined the transcript submitted relating to the issue of \$_____ General Obligation Public Project Refunding and Improvement Bonds, Series 2010 (the "Bonds") of the County of Simpson, Kentucky (the "Issuer"), dated June __, 2010, numbered R-1 upward and of the denomination of \$5,000 and any integral multiple thereof. The Bonds mature, bear interest, and are subject to mandatory and optional redemption upon the terms set forth therein. We have also examined a specimen Bond.

Based on this examination, we are of the opinion, based upon laws, regulations, rulings and decisions in effect on the date hereof, that:

1. The Bonds constitute valid obligations of the Issuer in accordance with their terms, which unless paid from other sources, are payable from taxes to be levied by the Issuer without limitation as to rate.

2. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds is 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, nor be includable in adjusted current earnings, under Section 56(c) of the Code, in computing the alternative minimum tax for corporations. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal or state tax consequences of purchasing, holding or disposing of the Bonds.

3. The interest on the Bonds is not subject to taxation by the Commonwealth of Kentucky, and the Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof.

The Issuer has designated the Bonds as "qualified tax-exempt obligations" with respect to investments by certain financial institutions under Section 265 of the Code.

In giving this opinion, we have relied upon covenants and certifications of facts, estimates and expectations made by officials of the Issuer and others contained in the transcript; which we have not independently verified. It is to be understood that the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting creditors' rights, and to the exercise of judicial discretion.

Very truly yours,

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$3,625,000*

**County of Simpson, Kentucky
General Obligation Public Project Refunding Bonds, Series 2010**

Notice is hereby given that electronic bids will be received by the County of Simpson, Kentucky (the "County"), until 10:00 a.m., C.T. on May 13, 2010 (or at such later time and date announced at least forty-eight hours in advance via the **BiDCOMP™/PARITY™** system) for the purchase of the bonds herein described (the "Bonds"). Alternatively, written sealed or facsimile bids for the Bonds by the designated time will be received by the Judge/Executive, 100 Courthouse Square, Franklin, Kentucky 42134 (FAX: (270) 598-8914). Electronic bids must be submitted through **BiDCOMP™/PARITY™** as described herein and no other provider of electronic bidding services will be accepted. Bids will be opened and acted upon later that same day.

STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY

These Bonds are authorized pursuant to Sections 66.011 to 66.181, inclusive, of the Kentucky Revised Statutes and are being issued in accordance with a Bond Ordinance (the "Bond Ordinance") adopted by the County of Simpson, Kentucky (the "County") on September 20, 2009. The Bonds are general obligation bonds and constitute a direct indebtedness of the County.

The Bonds are secured by the County's ability to levy and its pledge to levy an ad valorem tax on all property within the County in a sufficient amount to pay the principal of and interest on the Bonds when due.

The Bonds are being issued for the purpose of currently refunding the County's outstanding General Obligation Improvement Bonds, Series 2000 (the "Prior Bonds"), the proceeds of which were used to finance the acquisition, construction, installation and equipping of a detention facility for the County (the "Project") and (ii) paying costs related to the issuance of the Bonds.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

The Bonds will be dated their date of initial delivery, bearing interest from such date, payable on the first day of each March and September, commencing September 1, 2010.

The Bonds are scheduled to mature on September 1, in each of the years as follows:

<u>MATURITY</u>	<u>AMOUNT*</u>	<u>MATURITY</u>	<u>AMOUNT*</u>
September 1, 2010	\$290,000	September 1, 2016	\$300,000
September 1, 2011	270,000	September 1, 2017	305,000
September 1, 2012	275,000	September 1, 2018	315,000
September 1, 2013	275,000	September 1, 2019	330,000
September 1, 2014	285,000	September 1, 2020	340,000
September 1, 2015	290,000	September 1, 2021	350,000

*Preliminary; subject to Permitted Adjustment.

The Bonds maturing on and after September 1, 2021 are subject to optional redemption on any date on and after September 1, 2020 in whole or in part, in such order of maturity as shall be designated in writing by the County and by lot within any maturity, at the election of the County upon 45 days' written notice to the Paying Agent and Registrar (as hereinafter defined) at a redemption price equal to the par amount thereof, plus accrued interest to the date of redemption.

At least thirty (30) days before the redemption date of any Bonds, the Paying Agent and Registrar shall cause a notice of such redemption either in whole or in part, signed by the Paying Agent and Registrar, to

be mailed, first class, postage prepaid, to all registered owners of the Bonds to be redeemed at their addresses as they appear on the registration books kept by the Paying Agent and Registrar, but failure to mail any such notice shall not affect the validity of the proceedings for such redemption of Bonds for which such notice has been sent. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive number or letters, if any, of such Bonds to be redeemed.

The Bank of New York Mellon, Louisville, Kentucky, has been appointed Paying Agent and Registrar for the Bonds.

BIDDING CONDITIONS AND RESTRICTIONS

The terms and conditions of the sale of the Bonds are as follows:

- (A) Electronic bids for the Bonds must be submitted through **BiDCOMP™/PARITY™** system and no other provider of electronic bidding services will be accepted. Subscription to the **BiDCOMP™/PARITY™** Competitive Bidding System is required in order to submit an electronic bid. The County 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 **BiDCOMP™/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 **BiDCOMP™/PARITY™** conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Bond Sale shall prevail. Electronic bids made through the facilities of **BiDCOMP™/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 County. The County 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 **BiDCOMP™/PARITY™**. The use of **BiDCOMP™/PARITY™** facilities are at the sole risk of the prospective bidders. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form. Written sealed bids (in a sealed envelope marked "Official Bid for Bonds") or facsimile bids for the Bonds by the designated time will be received by the Judge/Executive, 100 Courthouse Square, Franklin, Kentucky 42134 (FAX: (270) 598-8914).
- (B) Bidders are required to bid for the entire issue of Bonds at a minimum price of not less than \$3,588,750 (99.0% of par), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.
- (C) Interest rates for the Bonds must be in multiples of one-eighth of one percent (.125%) and/or one-twentieth of one percent (.05%), which rates must be on an ascending scale, in that the rate on the applicable series of Bonds in any maturity is not less than the rate on the applicable series of Bonds for any preceding maturity and all Bonds of the same maturity and all Bonds of the same maturity and series shall bear the same and a single interest rate from the date thereof to maturity.
- (D) The determination of the best purchase bid for the Bonds shall be made on the basis of all bids submitted for exactly \$3,625,000 principal amount of Bonds offered for sale hereunder; but the County may adjust the principal amount of Bonds which may be awarded to such best bidder upward by up to \$450,000 or downward by up to \$290,000 (the "Permitted Adjustment") to a maximum of \$4,075,000 or a minimum of \$3,335,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$1,000 of Bonds as the price per \$1,000 for the \$3,625,000 of Bonds bid.

- (E) Bidders have the option of specifying that Bonds maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to comprise one or more maturities of Bonds scheduled to mature in the latest of such year and be subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts of such term Bonds scheduled in the year of maturity of the term Bonds, which principal amount shall mature in that year.
- (F) CUSIP identification numbers will be printed on the Bonds at the expense of the County. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for the Bonds in accordance with the terms of any accepted proposal for the purchase of the Bonds.
- (G) The County will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A final Official Statement will be provided in Electronic Form to the successful bidder, in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder will be required to pay for the printing of Final Official Statements.
- (H) Bids need not be accompanied by a certified or bank cashier's good faith check, but the successful bidder will be required to wire transfer to the order of the County an amount equal to 2% of the amount of the principal amount of Bonds awarded by the close of business on the day following the award. Said good faith amount will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Bonds when ready. The good-faith amount will be applied (without interest) to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take delivery and pay for the Bonds unless delivery is made within 45 days from the date the bid is accepted.
- (I) Unless the successful purchaser of the Bonds notifies the County in writing within twenty-four hours of award of the Bonds that it has elected (at such purchaser's cost) to take physical delivery of the Bonds, The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds and the Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds of each series, each in the aggregate principal amount of such maturity, 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. The successful bidder may also elect to notify the Financial Advisor within twenty-four (24) hours of the award that standard bond certificates be issued. In the event that certificated Bonds are to be issued at the election of a successful bidder, the costs of printing such Bond Certificates shall be borne by such bidder.

- (J) The County reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest on the Bonds not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, all in accordance with the final approving legal opinions of Peck, Shaffer & Williams LLP, Covington, Kentucky, which opinions will be qualified in accordance with the section hereof on TAX TREATMENT.
- (K) Bidders are advised that First Kentucky Securities Corporation has been employed as Financial Advisor in connection with the issuance of the Bonds. Their fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof. They may submit a bid for the purchase of the Bonds at the time of the advertised public sale, either individually or as a member of a syndicate organized to submit a bid for the purchase of the Bonds.
- (L) As required by the Code, the purchasers of the Bonds will be required to certify to the County as to certain of their activities regarding any reoffering to the public of the Bonds, including any reoffering prices. This information from the purchasers of the Bonds shall also be made available to the Financial Advisor immediately after the sale of the Bonds.
- (M) Unless bids for the Bonds are rejected, the Bonds will be awarded on an all or none basis on the sale date to the bidder whose bid result in the lowest net interest cost for each of the Bonds. For purposes of calculating the net interest cost, the principal amount of any Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year for the respective series of Bonds. In the event that two or more bidders offer to purchase the Bonds at the same lowest net interest cost, the Judge/Executive, upon the advice of the County's Financial Advisor shall determine (in his sole discretion) which of the bidders shall be awarded the Bonds.
- (N) Additional information, including the Preliminary Official Statement, the Official Terms and Conditions of Bond Sale and the Official Bid Form, may be obtained from the County's Financial Advisor, First Kentucky Securities Corporation: 305 Ann Street, Suite 400, Frankfort, Kentucky 40602 Telephone: (502) 875-4611. Further information regarding [BiDCOMP™/PARITY™](#) may be obtained from [BiDCOMP™/PARITY™](#), 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule") the County (the "Obligated Person") will agree pursuant to a Continuing Disclosure Undertaking to be dated as of the date of issuance and delivery of the Bonds (the "Disclosure Undertaking"), to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board ("MSRB"), certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles as applied to governmental units, generally consistent with the information contained in "Appendix A," "Appendix B," "Appendix C," and "Appendix D" of the Official Statement ("Financial Data"); such information shall be provided within 365 days after the end of the fiscal year ending June 30, commencing with the fiscal year ended June 30, 2010; 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 the MSRB, 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 security holders;
 - (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;
 - (k) Rating changes; and
 - (l) The cure, in the manner provided in the Bond Ordinance, of any payment or nonpayment related default under the Bond Ordinance; and
- (iii) in a timely manner, to the MSRB, notice of a failure (of which the Obligated Persons have knowledge) of an Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

The Disclosure Undertaking provides bondholders, including beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Bond Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

For purposes of this transaction with respect to material events as defined under the Rule:

- (a) there are no debt service reserve funds applicable to the Bonds;
- (b) there are no credit enhancements applicable to the Bonds;
- (c) there are no liquidity providers applicable to the Bonds; and
- (d) there is no property securing the Bonds.

TAX TREATMENT

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds will be excludible from gross income for Federal income tax purposes. Bond Counsel for the Bonds is also of the opinion that interest on the Bonds will not be a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal individual or corporate alternative minimum taxes nor be includable in "adjusted current earnings" under Section 56(c) of the Code for purposes of the corporate alternative minimum tax. Furthermore, Bond Counsel for the Bonds is of the opinion that 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.

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 County 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 (including, without limitation, defeasance of the Bonds)

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 Peck, Shaffer & Williams LLP.

Although Bond Counsel for the Bonds is of the opinion that interest on the Bonds will be excludible from gross income for Federal income tax purposes and that interest on the Bonds is excludible from gross income for 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 the Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership or disposition of the Bonds may result in other collateral federal, state or local tax consequences for certain taxpayers. Such effects may include, 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 the Railroad Retirement benefits under Section 86 of the Code and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the 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 the 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.

The County has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

/s/ Jim Henderson

Judge/Executive, County of Simpson, Kentucky

**OFFICIAL BID FORM
SERIES 2010 BONDS**

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$3,625,000* of General Obligation Public Project Refunding Bonds, Series 2010, dated their date of initial issuance and delivery (the "Bonds") offered for sale by the County of Simpson, Kentucky (the "County") in accordance with the Preliminary Official Statement dated May 6, 2010 and the Notice of Bond Sale, as advertised in *The Courier-Journal* and the *Franklin Favorite* to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase said Bonds.

We hereby bid for said \$3,625,000* principal amount of the Bonds, the total sum of \$_____ (not less than \$3,588,750) at the following annual rate(s), payable semiannually (rates on ascending scale, number of interest rates unlimited):

<u>MATURITY</u>	<u>AMOUNT*</u>	<u>INTEREST RATE</u>	<u>MATURITY</u>	<u>AMOUNT*</u>	<u>INTEREST RATE</u>
September 1, 2010	\$290,000	_____ %	September 1, 2016	\$300,000	_____ %
September 1, 2011	270,000	_____	September 1, 2017	305,000	_____
September 1, 2012	275,000	_____	September 1, 2018	315,000	_____
September 1, 2013	275,000	_____	September 1, 2019	330,000	_____
September 1, 2014	285,000	_____	September 1, 2020	340,000	_____
September 1, 2015	290,000	_____	September 1, 2021	350,000	_____

*Subject to Permitted Adjustment.

The Bonds maturing in the following years: _____ are sinking fund redemption amounts for term bonds due _____. The Bonds maturing in the following years: _____ are sinking fund redemption amounts for term bonds due _____.

Bids may be submitted electronically via PARITY® pursuant to this Notice until the appointed date and time, but no bid will be received after such time. Notwithstanding the foregoing, completed bid forms may be submitted until the appointed date and time (i) in a sealed envelope marked "Official Bid for Bonds" or (ii) by facsimile transmission, in each case delivered to the office of the Judge/Executive of the County of Simpson, 100 Courthouse Square, Franklin, Kentucky 42134 (FAX: (270) 598-8914). Neither the County nor the Financial Advisor assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel and/or equipment are available to accept all facsimile transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received via facsimile or delivered before the appointed date and time of sale. Any bids in progress by facsimile at the appointed time will be considered as received by the appointed time. No bids will be received via telephone.

We understand this bid may be accepted with variations in maturing amounts at the same price per \$1,000 Bond, with the variation in such amount occurring in any maturity of all maturities, such variations to be determined by the County at the time of acceptance of the best bid.

It is understood that the County will furnish the final, approving Legal Opinion of Peck, Shaffer & Williams LLP, Bond Counsel, of Covington, Kentucky.

No certified or bank cashier's check will be required to accompany the bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the day following the award. Said good faith amount will be applied (without interest) to the purchase price when said Bonds are tendered for delivery.

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds within forty-five (45) days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

Bidder

Address

By: _____
Signature

Total interest cost from date of delivery (estimated June 3, 2010) to final maturity \$ _____
Plus discount \$ _____
Net interest cost (Total interest cost plus discount) \$ _____
Average interest rate or cost (i.e. N.I.C.) _____ %

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

Accepted by the Judge/Executive of the County of Simpson, Kentucky for \$ _____ principal amount of Bonds at the price of \$ _____ as follows:

<u>MATURITY</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITY</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>
September 1, 2010	\$ _____	_____ %	September 1, 2016	\$ _____	_____ %
September 1, 2011	_____	_____	September 1, 2017	_____	_____
September 1, 2012	_____	_____	September 1, 2018	_____	_____
September 1, 2013	_____	_____	September 1, 2019	_____	_____
September 1, 2014	_____	_____	September 1, 2020	_____	_____
September 1, 2015	_____	_____	September 1, 2021	_____	_____

Judge/Executive
County of Simpson, Kentucky

Dated: May 13, 2010