

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. 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 securities in any jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the applicable securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JULY 31, 2001
(Bonds to be sold August 9, 2001, 1:00 p.m. E.D.S.T.)

New Issue
Bank Qualified

No Rating Requested

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 "LEGAL MATTERS-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.

\$780,000*
COUNTY OF POWELL, KENTUCKY
GENERAL OBLIGATION BONDS, SERIES 2001
(ROAD PROJECTS)

Dated: August 1, 2001

Due: August 1, as shown below

Interest payable February 1, 2002, and semiannually thereafter on August 1 and February 1. The bonds mature on August 1, as shown below:

<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>
8/1/02		\$65,000			8/1/07		\$80,000		
8/1/03		65,000			8/1/08		85,000		
8/1/04		70,000			8/1/09		85,000		
8/1/05		70,000			8/1/10		90,000		
8/1/06		75,000			8/1/11		95,000		

(Plus accrued interest-when issued)

The Bonds will be initially issued as fully registered bonds in book entry form in the name of The Depository Trust Company ("DTC") or its nominee. There will be no distribution of Bonds to the owners of book entry interests. DTC will receive all payments of principal and interest with respect to the Bonds from Central Bank & Trust Co., Lexington, Kentucky, as Paying Agent and Bond Registrar. DTC is required by its rules and procedures to remit such payments to participants in DTC for subsequent disbursements to the owners of book entry interests. So long as DTC or its nominee is the registered owner of the Bonds, references to the Bondholders or registered owners (other than under caption "LEGAL MATTERS-Tax Exemptions") shall mean DTC or its nominee, and not the owners of book entry interests in the Bonds. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof.

The Bonds maturing on and after August 1, 2007, shall be subject to prior redemption at the option of the County on and after August 1, 2006, as discussed herein.

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 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 Jeffrey M. Stiles, Esq., County Attorney. The Bonds are expected to be available for delivery on or about August 23, 2001.

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

COUNTY OF POWELL, KENTUCKY

Judge/Executive

Robert “Bobby” Drake

County Magistrates

Shirley C. Crabtree

Bobby D. Ginter

Harold M. Hurst

William “Billy” Rice

Timmy Tipton

County Attorney

Jeffery M. Stiles

Fiscal Court Clerk

Judith Denniston

BOND COUNSEL

Peck, Shaffer & Williams LLP

Covington, Kentucky

FINANCIAL ADVISOR

First Kentucky Securities Corporation

Frankfort, Kentucky

PAYING AGENT/BOND REGISTRAR

Central Bank & Trust Co.

Lexington, 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 Powell; 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

\$780,000*

COUNTY OF POWELL, KENTUCKY GENERAL OBLIGATION BONDS SERIES 2001 (ROAD PROJECTS)

Dated Date: August 1, 2001

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 \$780,000* aggregate principal amount of General Obligation Bonds, Series 2001, (Road Projects), (the "Bonds") of the County of Powell, Kentucky 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 Powell, Kentucky (the "County"), a county and political subdivision of the State of Kentucky. The County is located in the Knobs region of Kentucky. Stanton, Kentucky is the county seat.

Sources of Payment for the Bonds

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

Purpose of the Bonds

The Bonds are being issued to (i) provide funds for the paving, repaving, improving and revitalizing of various County Roads (the "Project") and (ii) paying certain costs related to the issuance of the Bonds. The County anticipates that by improving these roads to a better condition, the reduced maintenance costs will partially offset the debt service on 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 August 1, 2007 are subject to optional redemption prior to maturity, commencing August 1, 2006 (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).

*Preliminary; subject to Permitted Adjustment

Book-Entry

The Bonds are issuable only as fully registered Bonds, without coupons. The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, payments of the principal of and interest due on the Bonds will be made directly to DTC. Principal of, redemption premium, if any, and interest on the Bonds will be paid directly to DTC by Central Bank & Trust Co., Lexington, Kentucky as Bond Registrar and Paying Agent (the "Registrar and Paying Agent"). See "DESCRIPTION OF THE BONDS – Book-Entry Only System" herein.

Interest

The Bonds shall be dated August 1, 2001 and bear interest at the rates set forth on the cover hereof, payable semi-annually on February 1 and August 1, beginning February 1, 2002. The record dates for February 1 and August 1 interest payment dates shall be the preceding January 15 and July 15, respectively.

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 Central Bank & Trust Co., Lexington, 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 July 27, 2001.

Offering and Delivery of the Bonds

The Bonds are offered when, as and if issued by the County. The Bonds will be delivered on or about August 21, 2001 in Louisville, Lexington or Covington, Kentucky, Cincinnati, Ohio, or in New York, New York through the Depository Trust Company (DTC).

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 authorizing ordinance and the Bond form, are available from the County.

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 Powell, 305 Ann Street, Suite 400, Frankfort, Kentucky 40601, telephone (502) 875-4611 Attn: Todd Switzer.

DESCRIPTION OF THE BONDS

The Bonds are dated August 1, 2001 and bear interest from August 1, 2001 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 August 1 and February 1, commencing February 1, 2002

Book-Entry Only System

The following information concerning DTC and DTC's book-entry system has been obtained from DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but neither the County nor the Registrar and Paying Agent takes any responsibility for the accuracy of such statements.

The Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry system 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 hereinafter defined, 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 Ordinance.

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

DTC 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 securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and 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 securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

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, 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 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 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 transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. 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, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and distributions 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 County or the Registrar and Paying Agent on the 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 securities 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, the Registrar and Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and distributions 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 Registrar and Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall 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, the Registrar and Paying 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 Registrar and Paying Agent. The requirement for physical delivery of the Bonds in connection with 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 Registrar and Paying Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County or the Registrar and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, the Bonds are required to be printed and delivered to the Beneficial Owners. The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Neither the County nor the Registrar and Paying Agent 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 Registrar and Paying Agent 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 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 Ordinance to be given to holders; or (5) any consent given or other action taken by DTC as holder.

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.

Optional Redemption

The Bonds maturing on and after August 1, 2007 are subject to optional redemption on any date on and after August 1, 2006 in whole or in part, in inverse order of maturity and by lot within any maturity, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued interest to the date of redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
August 1, 2006 through July 31, 2007	101.0%
August 1, 2007 through July 31, 2008	100.5%
August 1, 2008 and thereafter	100.0%

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.

PLAN OF FINANCING

The Bonds are being issued to provide funds (i) to pave, repave, improve and revitalize certain county maintained roads in Powell County, Kentucky (the "Project") and (ii) paying certain costs related to the issuance of the Bonds. The Project will result in the improvement of 24.26 miles of County maintained roads. The following are the roads, the length to be treated and the type of treatment proposed:

<u>ROAD NAME</u>	<u>LENGTH</u>	<u>TREATMENT</u>		<u>ROAD NAME</u>	<u>LENGTH</u>	<u>TREATMENT</u>
Old Winchester Road	.4 miles	resurface		Hon Road #2	.1 miles	resurface
Old Winchester Road	.05 miles	initial treatment		L. E. Railroad	.2 miles	resurface
Lake Neomia Road	.4 miles	initial treatment		Sand Lick Road	.1 miles	resurface
Ginter Road	.16 miles	initial treatment		Halls Hill Road	.35 miles	patch
Nelson Branch Road	.5 miles	initial treatment		Pilot Road	.35 miles	patch
Daniels Branch	.43 miles	initial treatment		Lacy Road	.2 miles	patch
Len Way Drive	.25 miles	initial treatment		Cow Creek Road	.8 miles	patch
Wells Lane	.17 miles	initial treatment		Manning Road	.35 miles	patch
Copperas Creek Road	.1 miles	initial treatment		Star Gap Road	1.4 miles	resurface
Heather Lane	.5 miles	initial treatment		Sand Mountain Rd.	.15 miles	initial treatment
Memory Lane	.1 miles	initial treatment		Halls Branch Road	.2 miles	patch
Lone Oak (end of)	.43 miles	initial treatment		Danny Elkins Rd.	.1 miles	resurface
Nolan Circle	.4 miles	initial treatment		Knowlton Ridge	.1 miles	resurface
Estes Hill	.1 miles	initial treatment		Pine View Heights	.1 miles	patch
Frames Branch Road	1.2 miles	resurface		Roberts Road	.3 miles	patch
Creech Road	.1 miles	initial treatment		Buffalo Hollow Rd.	.2 miles	initial treatment
Beech Fork Blvd.	.6 miles	resurface		Buffalo Hollow Rd.	.1 miles	resurface
Black Creek Road	.05 miles	initial treatment		Mountain Road	.2 miles	resurface
Beech Fork Road	1.1 miles	resurface		Timberline	.3 miles	resurface
Katie Drive	.28 miles	initial treatment		Zola Lane	.1 miles	initial treatment
Ashley Hollow Road	.24 miles	resurface		Courtney Lane	.3 miles	patch
Stokley Hollow Road	.34 miles	resurface		Woodpointe	.1 miles	initial treatment
Skinner Hollow Road	.37 miles	resurface		Andy Faust Cem.	.3 miles	initial treatment
Fallen Road	.15 miles	patch		Windy Cove	.1 miles	initial treatment
Ships Branch Road	.3 miles	patch		Pompeii	.6 miles	patch
Angel Drive	.2 miles	patch		Hatton Creek Rd.	1.0 miles	resurface
Upper Cane Creek Rd.	.3 miles	initial treatment		Caudill Road	.44 miles	patch
Martin Hollow Road	.18 miles	initial treatment		Hatton Creek School	1.1 miles	patch
John Morton Hollow	.21 miles	initial treatment		Morton Hollow Rd.	.3 miles	resurface
Bishop Road	.3 miles	initial treatment		Wild Cherry Lane	.1 miles	initial treatment
Branham Cemetery Rd	.17 miles	initial treatment		Dogwood	.3 miles	initial treatment
Hall Cemetery Road	.17 miles	initial treatment		Shady Acres	.2 miles	resurface
Ashley Lease Road	.5 miles	initial treatment		Pecks Creek Road	.3 miles	patch
Lower Hatchers Creek	.1 miles	initial treatment		Mill Knob Road	.2 miles	patch
Hatchers Creek Road	.8 miles	resurface		Rice Road	.2 miles	initial treatment
Punkin Hollow Road	1.1 miles	resurface		Dogwood	.1 miles	patch
Helton Hollow Road	.17 miles	initial treatment				

The County has defined the improvements as follows: Initial treatment is the conversion of a gravel road to a paved road with 2 inches of compacted base and 1 inch of asphalt surface; Resurface is a 1 inch overlay on top of existing paved roads; and, Patch is substantial repair and replacement of both the base and the surface in large but localized areas.

Estimated Sources and Uses of Funds

Sources of Funds

Series of 2001 Bonds
Accrued Interest
Total

Uses of Funds

Construction Fund
Underwriter's Discount
Costs of Issuance

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 creditors' rights, see "DESCRIPTION OF THE BONDS – Security and Source of Payment for the 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 counties.

Elected Officials

The County of Powell is governed by a Fiscal Court, comprised of a Judge/Executive and five Magistrates who are all elected to four year terms. There is no limitation for succession by any member of the Fiscal Court. The County Treasurer and Fiscal Court Clerk serve at the pleasure of the Fiscal Court.

Financial Matters

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.

The 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 Powell 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, by 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 keep 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 made in 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.

The County's current policy allows for investment of funds in all of the above.

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, to be 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 municipality 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.)

Other infrequently-issued types of obligations are also excluded from the calculation of net indebtedness. The County has no such obligations outstanding. Notes issued in anticipation of bonds excluded from the calculation of net indebtedness are also excluded from such calculation.

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 \$5,460,279 and the County's net debt subject to such limitation presently outstanding (including the Bonds) is \$949,432 leaving a balance of approximately \$4,510,847 borrowing capacity issuable within such limitation.

However, as described below, the County's ability to incur debt in these amounts is restricted by tax limitations. In the case of general obligation debt, both the debt limitations and tax limitations must be met.

Tax Limitation

The Kentucky Constitution Section 157 also indirectly imposes a debt limitation on general obligation indebtedness of counties by limiting the tax rates counties may impose upon the value of taxable property to fifty cents (\$.50) on each hundred dollars of assessed value.

Section 159 of the Kentucky Constitution requires the collection of an annual tax sufficient to pay the interest on contracted indebtedness and to retire indebtedness over a period not exceeding forty years. The two constitutional provisions operate as a limit on general obligation debt. Because the indirect debt limit results from tax limitations and the requirement to levy taxes to pay debt charges, it has application only to debts which are payable from taxes either initially or in the event other pledged non-tax revenues prove to be insufficient. It does not have any application where the type of debt being issued does not pledge the credit of the municipality or when the debt is payable solely out of the revenues of non-tax sources, such as utility income.

Appendix D of this Official Statement contains a Statement of Indebtedness, certified by the County, setting forth the property tax rates currently levied by the County of .098 for real property and .098 for personal property and certifying that the issuance of the Bonds will not cause such rates to increase to an amount which would exceed the maximum permissible rate.

Future Borrowings of the County

The County plans no significant 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 Fiscal Court 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 financed 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

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 is excludable from gross income for Federal income tax purposes. Bond Counsel for the Bonds is also of the opinion that interest on the Bonds is not 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. Furthermore, Bond Counsel for the Bonds is of the opinion that interest on the Bonds is exempt from taxation, including personal income taxation, by the Commonwealth of Kentucky and its political subdivisions.

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

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

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

CONTINUING DISCLOSURE EXEMPTION

Rule 15c2-12 as amended (the "Rule"), promulgated by the Securities and Exchange Commission, requires continuing disclosure with respect to new offerings of municipal securities of \$1,000,000 or more. The Bonds are being issued in an aggregate principal amount of less than \$1,000,000 and therefore will be exempt from the continuing disclosure provisions of the Rule. Accordingly, no agreement regarding continuing disclosure pursuant to the Rule is required and no agreement with respect thereto will be entered into with respect to 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 underwriter's discount of \$_____, less original issue discount of \$_____, plus accrued interest of \$_____). The initial public offering prices which produce the yields set forth on the cover page of this Official Statement may be changed by the Underwriter and the Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the cover page.

FINANCIAL ADVISOR

The Bonds are to be sold by the advertisement for and receipt of competitive bids. First Kentucky Securities Corporation, Frankfort, Kentucky, Financial Advisor to the County, will receive a fee, subject to delivery of the Bonds, for its advisory services.

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 Powell, Kentucky, by its Judge/Executive

COUNTY OF POWELL, KENTUCKY

By: /s/ Robert "Bobby" Ray Drake
Judge/Executive

APPENDIX A

*Demographic, Economic and Tax Data on the County of Powell
Outstanding Indebtedness for the County of Powell*

General Information

Powell County, characterized by rolling hills with some steep ridges and valleys, has a land area of 180 square miles, about half of which lies within the Daniel Boone National Forest. Powell County had an estimated 2000 population of 13,237. Population projections for the County are as follows: 2005-13,702; 2010-14,300; 2015-14,750; 2020-15,201

Stanton, the county seat of Powell County, is located in the Knobs Region of Kentucky, 114 miles east of Louisville, Kentucky; 207 miles north of Knoxville, Tennessee; and 118 miles southeast of Cincinnati, Ohio. The city had an estimated 2000 population of 3,029 persons.

Transportation

The County is served by the four-lane Mountain Parkway, which has interchanges in Stanton and at Clay City, which is five miles west of Stanton. Seventeen miles west of Clay City, the Mountain Parkway intersects Interstate 64. Three AAA-rated trucking highways, Kentucky Highways 15, 11 and 213, serve Stanton and 11,15, and Kentucky 82 serve Clay City. Thirteen common carrier trucking companies provide Stanton and Clay City with interstate and/or intrastate service. CSX Transportation in Irvine, Kentucky, provides the nearest rail service 14 miles south of Clay City. The nearest scheduled commercial airline service are available at Blue Grass Airport near Lexington, Kentucky, 50 miles northwest of Stanton.

Economic Framework

During 1998, 3,248 people were employed in Powell County industries. Manufacturing firms in the county reported 1,285 employees; 603 jobs were provided by wholesale and retail trade; 297 people were employed in service occupations; state and local government accounted for 107 employees; transportation and public utility operations employed 110 people; 65 people were employed in the finance, insurance and real estate sectors; and 54 people were employed by contract construction firms.

In 1999, there was an estimated total labor supply of 14,229 persons available for industrial jobs in the labor market area. In addition, from 2000 through 2004, approximately 7,818 young persons in the area were expected to become 18 years of age and potentially available for industrial jobs.

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Rate</u>
2001*	6,401	5,778	623	9.7%
2000	6,318	5,990	328	5.2
1999	6,533	6,159	374	5.7
1998	6,605	6,233	372	5.6
1997	6,749	6,275	474	7.0

*Preliminary Estimate for May, 2001

Source: Kentucky Department for Employment Services

Employment by Place of Work (workers covered by unemployment insurance)

	<u>1998</u>
All Industries	3,248
Contract Construction	54
Manufacturing	1,285
Transportation, Communication and Public Utilities	110
Wholesale/Retail Trade	603
Finance, Insurance and Real Estate	85
Services	297
State/Local Government	107

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

Largest Manufacturing Employers

The largest manufacturing firms in the County and the average employment are as follows:

<u>Firm, Year Established and Product</u>	<u>1999 Average Employment</u>
CMS Hartzell (1977) Laser printer assembly	600
Powell Manufacturing (1984) Work uniform shirts	225
U S Brick, Inc. (1931) Face bricks	65
Red River Hardwoods, Inc (1993) Hardwood dimension products	50
Burke-Parsons-Bowlby Corp. (1947) Treated creosote lumber, timber & log cabins	50
Natural Bridge Stone Co. (1960) Crushed limestone	50

Source: Kentucky Department for Economic Development

Personal Income (1999) (by place of residence):

Total	\$190,013,000
Per Capita	\$14,325
Median Household Income (1997):	\$24,233

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

Civilian Labor Force (2001*)

Civilian Labor Force	6,401
Employment	5,778
Unemployed	623
Unemployment Rate (%)	9.7

*Preliminary Estimate for May, 2001

Source: Kentucky Department for Employment Services

Education

(Colleges and Universities Within 40 Miles):

Eastern Kentucky University - Richmond, KY (25 miles)
Berea College – Berea, KY (30 miles)
Morehead State University – Morehead, KY (33 miles)
University of Kentucky - Lexington, KY (36 miles)
Transylvania University – Lexington, KY (36 miles)
Lexington Community College – Lexington, KY (36 miles)

Montgomery County Area Technology Center (ATC) – Mt. Sterling, KY (15 Miles)
Lee County ATC – Beattyville, KY (20 miles) Madison County ATC – Richmond, KY (25 miles)
Clark County ATC – Winchester, KY (21 miles) Morgan County ATC – West Liberty, KY (33 miles)
Breathitt County ATC – Jackson, (33 miles) Rowan County Technical College, Morehead, KY (33 miles)
Central KY Tech. College – Lexington, KY (36 miles)

Source: Kentucky Workforce Development Cabinet; Kentucky Community & Technical College System

Tax Base Information

<u>Year</u>	<u>Real Estate</u>	<u>Tangible Personal</u>	<u>Real Estate Franchise</u>	<u>Tangible Franchise</u>	<u>Bank Shares</u>	<u>Motor Vehicles</u>	<u>Watercraft</u>	<u>Total Assessed Value</u>
00/01	\$219,908,382	\$14,332,401	\$8,537,466	\$30,235,708	(1)	\$54,023,472	\$1,060,765	\$271,278,756
99/00	204,402,944	11,744,768	6,396,610	26,797,045	(1)	46,963,551	955,218	247,749,967
98/99	187,839,247	11,809,214	10,479,422	19,497,778	(1)	42,132,647	757,042	228,016,567
97/98	178,613,354	9,979,318	9,373,991	22,133,546	(1)	45,539,024	794,319	218,925,342
96/97	170,058,886	9,347,452	9,567,365	24,874,274	(1)	43,722,449	566,621	212,651,537

(1) House Bill 416 changed tax structure, therefore tax is based on bank deposits rather than value of common stock.

Assessment Rates (per \$100.00 assessed valuation)

<u>Year</u>	<u>Real Estate</u>	<u>Tangible Personal</u>	<u>Real Estate Franchise</u>	<u>Tangible Franchise</u>	<u>Bank Shares</u>	<u>Motor Vehicles</u>	<u>Watercraft</u>
2000/01	9.8¢	9.8¢	9.8¢	9.8¢	(1)	13.3¢	13.3¢
1998/99	9.9	9.9	9.9	9.9	(1)	13.3	13.3
1998/99	9.9	9.9	9.9	9.9	(1)	13.3	13.3
1997/98	10.0	10.0	10.0	10.0	(1)	13.3	13.3
1996/97	9.9	9.9	9.9	9.9	(1)	13.3	13.3

(1) House Bill 416 changed tax structure, therefore tax is based on bank deposits rather than value of common stock.

Source: Commonwealth of Kentucky, Department for Local Government

Tax Collection Delinquency Rates

<u>Tax Year</u>	<u>1998-99*</u>	<u>1997-98</u>	<u>1996-97</u>	<u>1995-96</u>	<u>1994-95</u>
Collection Rate	94.12%	92.93%	90.06%	95.66%	97.05%

*Most recent year completed

Source: Commonwealth of Kentucky Revenue Cabinet, Department of Property Valuation

Largest Corporate Taxpayers

<u>Name</u>	<u>Assessment</u>
Sipple Brick, Inc.	\$1,292,635
Unicare Homes.	1,104,900
Miller & Means	940,000
Red River Hardwoods, Inc.	908,300
Powell Village LTD	820,000
Ironwood Development Corp.	784,559
Powell County Bank	725,000
Vernon Manor, LTD	695,800
Continental Metal Specialty	659,200
Arbor Petroleum Company	594,000

Source: Powell County PVA Office

OUTSTANDING INDEBTEDNESS

Powell County Municipal Bond Debt as of June 30, 1999 (unless otherwise noted)

	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding</u>	<u>Annual Payment</u>
<u>Powell County Fiscal Court *</u>			
Jail Revenue Bond	262,451	\$169,432	\$21,878
*As of June 30, 2001			
<u>City of Clay City</u>			
Water Revenue	\$604,000	\$376,800	
Sewer Revenue	321,000	269,900	
<u>City of Stanton</u>			
Water & Sewer Revenue	\$3,734,000	\$2,800,000	
Public Corporation Lease	102,911	79,979	
KIA Public Corporation Loan	6,511,067	5,737,981	
<u>Beech Fork Water Commission</u>			
Water Revenue	\$2,071,000	\$2,005,000	
<u>Powells Valley Water District</u>			
School Building Revenue	\$1,802,000	\$1,596,500	
<u>Powell County School District</u>			
School Building Revenue	\$11,910,000	\$7,885,000	

Source: 1999 Kentucky Local Debt Report and Powell County Fiscal Court records

APPENDIX B

Estimated Debt Service Requirements for the Series 2001 Bonds

**POWELL COUNTY (KENTUCKY)
GENERAL OBLIGATION BONDS
SERIES 2001
(ROAD PROJECTS)**

<i>Estimated Debt Service Requirements</i>				
<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Period Total</u>	<u>Fiscal Year Total</u>
2/1/02		\$ 17,518.75	\$ 17,518.75	\$17,518.75
8/1/02	\$65,000	17,518.75	82,518.75	
2/1/03		16,300.00	16,300.00	98,918.75
8/1/03	65,000	16,300.00	81,300.00	
2/1/04		15,000.00	15,000.00	96,300.00
8/1/04	70,000	15,000.00	85,000.00	
2/1/05		13,512.50	13,512.50	98,512.50
8/1/05	70,000	13,512.50	83,512.50	
2/1/06		11,937.50	11,937.50	95,450.00
8/1/06	75,000	11,937.50	86,937.50	
2/1/07		10,231.25	10,231.25	97,168.75
8/1/07	80,000	10,231.25	90,231.25	
2/1/08		8,391.25	8,391.25	98,622.50
8/1/08	85,000	8,391.25	93,391.25	
2/1/09		6,415.00	6,415.00	99,806.25
8/1/09	85,000	6,415.00	91,415.00	
2/1/10		4,417.50	4,417.50	95,832.50
8/1/10	90,000	4,417.50	94,714.50	
2/1/11		2,280.00	2,280.00	96,697.50
8/1/11	95,000	2,280.00	97,280.00	
2/1/12				97,280.00
Total	<u>\$780,000</u>	<u>\$212,007.50</u>	<u>\$992,007.50</u>	<u>\$992,007.50</u>

Source: Financial Advisor

APPENDIX C

*Audit Examination of the Powell County Fiscal Court
Fiscal Year Ended June 30, 1998*



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
POWELL COUNTY FISCAL COURT**

Fiscal Year Ended June 30, 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.STATE.KY.US/AGENCIES/APA**

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FRANKFORT, KY 40601
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Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Sarah Jane Schaaf, Secretary, Revenue Cabinet

Honorable Robert Ray Drake, County Judge/Executive

Honorable Forest Meadows, Former County Judge/Executive

Members of the Powell County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Powell County, Kentucky, as of June 30, 1998, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Powell County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Powell County Industrial Development Authority, Inc. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the Powell County Industrial Development Authority, Inc., is based solely upon the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards, 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 provides a reasonable basis for our opinion.

Powell County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky. Consequently, certain revenues and the related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, based upon our audit and the reports of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising from cash transactions of Powell County, Kentucky, and the related statement of cash receipts, cash disbursements, and changes in cash balances as of June 30, 1998, in conformity with the cash basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Robert Ray Drake, County Judge/Executive
Honorable Forest Meadows, Former County Judge/Executive
Members of the Powell County Fiscal Court

Our audit was performed for the purpose of forming an opinion on the financial statements of Powell County, Kentucky, taken as a whole. The information provided on the accompanying schedules is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, except for Appendix B which was audited by other auditors, is fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying Comments and Recommendations, included herein, which discusses the following area of noncompliance:

- The County Should Have A Written Agreement To Protect Deposits
- The County Should Not Make Expenditures In Excess Of Approved Budget

In accordance with Government Auditing Standards, we have also issued our report dated August 11, 1999 on our consideration of Powell County, Kentucky's compliance with certain provisions of laws, regulations, contracts, and grants, and internal control over financial reporting.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 11, 1999

POWELL COUNTY OFFICIALS

Fiscal Year Ended June 30, 1998

Forest Meadows	County Judge/Executive
Jeff Stiles	County Attorney
David "Scotty" Frazier	County Clerk
Patty Wells	Circuit Court Clerk
Darren Farmer	Sheriff
Bill Thorpe	Jailer
Bobby Maloney	Property Valuation Administrator
Louise Ashley	County Treasurer
Carl Wells, Sr.	Coroner
Shirley Crabtree	Magistrate
Timmy Tipton	Magistrate
Harold Hurst	Magistrate
Dwight Smith	Magistrate
Rodney Barnes	Magistrate

**STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS**

POWELL COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 1998

Assets and Other Resources

Assets

General Fund:		
Cash	\$	20,216
Road and Bridge Fund:		
Cash		18,560
Due from Jail Fund		168,000
Jail Fund:		
Cash		9,819
Local Government Economic Assistance Fund:		
Cash		52,548
Due from General Fund		20,000
Due from Jail Fund		25,000
Forestry Fund:		
Cash		769
DES Fund:		
Cash		3,388
CSEPP Fund:		
Cash		13,218
Due from General Fund		1,482
Due from Road and Bridge Fund		9,812
Public Properties Corporation Fund:		
Cash		2,812
Investments		59,000
Payroll Account:		
Cash		6,230

Other Resources

Jail Fund:		
Amounts to be Provided in Future Years for Jail Capital		
Lease Obligations - Bond Principal Payments		210,283
Public Properties Corporation Fund:		
Amounts to be Provided in Future Years for Bond		
Principal Payments		83,188
		<hr/>
Total Assets and Other Resources	\$	<u>704,325</u>

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

POWELL COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 1998
 (Continued)

Liabilities and Fund Balances

Liabilities

General Fund:

Due to Local Government Economic Assistance Fund (Note 7)	\$ 20,000
Due to CSEPP Fund	1,482

Road and Bridge Fund:

Due to CSEPP Fund	9,812
-------------------	-------

Jail Fund:

Due to Road and Bridge Fund (Note 7)	168,000
Due to Local Government Economic Assistance Fund (Note 7)	25,000
Capital Lease Obligation - Bond Principal Payments (Note 5)	210,283

Public Properties Corporation Fund:

Bond Principal Not Matured (Note 4)	145,000
-------------------------------------	---------

Payroll Account

6,230

Fund Balances

Reserved:

Forestry Fund	769
DES Fund	3,388
CSEPP Fund	24,512

Unreserved:

General Fund	(1,266)
Road and Bridge Fund	176,748
Jail Fund	(183,181)
Local Government Economic Assistance Fund	97,548

Total Liabilities and Fund Balances

\$ 704,325

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

**STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES**

POWELL COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

Fiscal Year Ended June 30, 1998

<u>Cash Receipts</u>	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
Schedule of Operating Revenue	\$ 2,302,864	\$ 1,232,877	\$ 676,148	\$ 211,023
Transfers In	401,182	63,382	73,000	204,300
Borrowed Money	60,000	60,000		
Total Cash Receipts	\$ 2,764,046	\$ 1,356,259	\$ 749,148	\$ 415,323
 <u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,235,300	\$ 1,080,980	\$ 623,893	\$ 408,968
Transfers Out	401,182	258,182	123,000	
Bonds:				
Principal Paid	60,000			
Interest Paid	5,578			
Borrowed Money Repaid	60,000	60,000		
Jail Capital Lease Purchase: Repaid	6,456			6,456
Total Cash Disbursements	\$ 2,768,516	\$ 1,399,162	\$ 746,893	\$ 415,424
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (4,470)	\$ (42,903)	\$ 2,255	\$ (101)
Cash Balance - July 1, 1997*	184,800	63,119	16,305	9,920
Cash Balance - June 30, 1998*	\$ 180,330	\$ 20,216	\$ 18,560	\$ 9,819

* Cash Balance Includes Investments

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

POWELL COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	Forestry Fund	DES Fund	CSEPP Fund	Public Properties Corporation Fund
\$ 152,864	\$ 1,515 500	\$ 9,624	\$ 13,218	\$ 5,595 60,000
<u>\$ 152,864</u>	<u>\$ 2,015</u>	<u>\$ 9,624</u>	<u>\$ 13,218</u>	<u>\$ 65,595</u>
\$ 94,198 20,000	\$ 1,530	\$ 25,731	\$	\$ 60,000 5,578
<u>\$ 114,198</u>	<u>\$ 1,530</u>	<u>\$ 25,731</u>	<u>\$ 0</u>	<u>\$ 65,578</u>
\$ 38,666 13,882	\$ 485 284	\$ (16,107) 19,495	\$ 13,218 0	\$ 17 61,795
<u>\$ 52,548</u>	<u>\$ 769</u>	<u>\$ 3,388</u>	<u>\$ 13,218</u>	<u>\$ 61,812</u>

POWELL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 1998

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Powell 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 GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, 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. Based upon the criteria stated in GASB 14, management has included the Public Properties Corporation Fund and the Powell County Industrial Development Authority, Inc. as part of the reporting entity. The Powell County Industrial Development Authority, Inc. was audited by other auditors whose report has been included as Appendix B of this audit report.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts.

C. Basis of Accounting

The financial statements were prepared on a cash basis of accounting pursuant to Kentucky Revised Statute (KRS) 68.210 as recommended by the State Local Finance Officer. Consequently, certain revenues and related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when a liability is incurred. The cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

D. Legal Compliance - Budget

The Powell County budget is adopted on a cash basis of accounting and 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.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

POWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

Note 1. (Continued)

E. Cash and Investments (Continued)

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. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Powell County Fiscal Court: Industrial Development Authority which was audited by other auditors, however, it is not included as part of the basic financial statements, but is included as Appendix B for informational purposes.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

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

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount 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 of securities should be evidenced by an agreement 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. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under

POWELL COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 1998
 (Continued)

Note 3. Deposits (Continued)

Kentucky law. The depository institution pledged securities of \$325,200. However, the depository institution's board of directors or loan committee did not approve the pledge agreement. In addition, the depository institution did not have a written agreement with the county.

Note 4. Long-Term Debt

Bonds outstanding Public Properties Corporation Fund are:

Due Date	Scheduled Interest	Scheduled Principal
August 1, 1998	\$ 6,888	\$
February 1, 1999	6,888	70,000
August 1, 1999	3,563	
February 1, 2000	3,563	75,000
Totals	\$ 20,902	\$ 145,000

Note 5. Long-Term Participation Agreement

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 \$510,503 of revenue bonds at various interest rates (7% through 7.4%), of which the county has agreed to pay \$262,451 principal and a proportional share of interest on the issue. Revenue bonds outstanding as of June 30, 1998, totaled \$210,283.

Year	Scheduled Interest	Scheduled Principal
1999	\$ 14,246	\$ 6,898
2000	13,758	7,371
2001	13,235	7,876
2002	12,676	8,416
2003	12,079	8,993
Remaining Years	79,954	177,627
Totals	\$ 131,702	\$ 210,283

Note 6. Insurance

POWELL COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 1998
(Continued)

For the fiscal year ended June 30, 1998, Powell County was a member of the Kentucky Association of Counties' All Lines Insurance 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. Transfers from Restricted Funds

During the fiscal year ended June 30, 1995, the county transferred restricted Road and Bridge Fund moneys to the Jail Fund. As of June 30, 1998, the amount due the Road and Bridge Fund was \$168,000.

During the fiscal years ended June 30, 1994 and June 30, 1995, the county transferred restricted Local Government Economic Assistance (LGEA) Funds to the General Fund and the Jail Fund. As of June 30, 1998, the General Fund owed \$20,000 and the Jail Fund owed \$25,000 to the LGEA Fund.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

POWELL COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

Fiscal Year Ended June 30, 1998

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
General Fund	\$ 893,236	\$ 1,232,877	\$ 339,641
Road and Bridge Fund	498,758	676,148	177,390
Jail Fund	362,661	211,023	(151,638)
Local Government Economic Assistance Fund	98,699	152,864	54,165
Forestry Fund	1,316	1,515	199
DES Fund	10,600	9,624	(976)
CSEPP Fund	13,218	13,218	
Community Development Block Grant Fund	2,808		(2,808)
Total	<u>\$ 1,881,296</u>	<u>\$ 2,297,269</u>	<u>\$ 415,973</u>
 <u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 1,881,296
Add: Budgeted Prior Year Surplus			<u>123,109</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 2,004,405</u>

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SCHEDULE OF OPERATING REVENUE

POWELL COUNTY
SCHEDULE OF OPERATING REVENUE

Fiscal Year Ended June 30, 1998

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Revenue From Local Taxes and Excess Fees</u>				
Sheriff:				
Taxes	\$ 329,527	\$ 328,012	\$	\$
Excess Fees - 1995	14,508	14,508		
Franchise Taxes	10,762	10,762		
County Clerk:				
Deed Transfer Tax	12,859	12,859		
Delinquent Taxes	7,077	7,077		
Excess Fees - 1998	42,424	42,424		
Tangible Personal Property Taxes:				
Other Counties	2,697	2,697		
County Clerk	60,970	60,970		
Occupational Employment Tax	505,223	505,223		
Totals	\$ 986,047	\$ 984,532	\$ 0	\$ 0
<u>Federal Receipts - State Treasurer</u>				
Disaster and Emergency Assistance				
Grant - Coordinator Salary	\$ 9,624	\$	\$	\$
National Forestry Receipts	20,555		20,555	
Totals	\$ 30,179	\$ 0	\$ 20,555	\$ 0
<u>Kentucky State Treasurer</u>				
Jail:				
Allotments	\$ 71,943	\$	\$	\$ 71,943
Medical Allotments	4,585			4,585
Driving Under The Influence Fees	3,340			3,340
Housing State Prisoners	63,768			63,768
Court Costs, Jail Operation	7,768			7,768
Jail Contract with Other Counties	50,840			50,840
Work Release	745			745

POWELL COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	Forestry Fund	DES Fund	CSEPP Fund	Public Properties Corporation Fund
\$	\$ 1,515	\$	\$	\$
<u>\$ 0</u>	<u>\$ 1,515</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$	\$	\$ 9,624	\$	\$
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,624</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$	\$	\$	\$	\$

POWELL COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Kentucky State Treasurer</u>				
(Continued)				
County Road Aid	\$ 437,453	\$	\$ 437,453	\$
Truck License Distribution	151,651		151,651	
Courthouse Rental - Administrative				
Office of the Courts	24,548	24,548		
Refunds:				
Legal Process Tax	108	108		
Drivers Licenses	1,200		1,200	
Dog Licenses	11	11		
911 Refund	59,348	59,348		
Severance Taxes:				
Coal	89,539			
Mineral	62,134			
Board of Assessments	200	200		
Grants:				
State Grants Area Development Fund	63,000		63,000	
Emergency Preparedness Program	13,218			
Totals	<u>\$ 1,105,399</u>	<u>\$ 84,215</u>	<u>\$ 653,304</u>	<u>\$ 202,989</u>
<u>Miscellaneous Revenue</u>				
Interest	\$ 9,982	\$ 1,110	\$ 2,156	\$
Jail Bond Fees	2,706			2,706
Sheriff Advertising	1,360	1,360		
County Rentals	8,600	8,600		
Recycling Fees	4,097	4,097		
Surplus Property	26,356	26,153	133	
Garbage Collection Fees	122,810	122,810		
Miscellaneous Items	5,328			5,328
Totals	<u>\$ 181,239</u>	<u>\$ 164,130</u>	<u>\$ 2,289</u>	<u>\$ 8,034</u>
Total Operating Revenue	<u>\$ 2,302,864</u>	<u>\$ 1,232,877</u>	<u>\$ 676,148</u>	<u>\$ 211,023</u>

POWELL COUNTY
 SCHEDULE OF OPERATING REVENUE
 Fiscal Year Ended June 30, 1998
 (Continued)

Local Government Economic Assistance Fund	Forestry Fund	DES Fund	CSEPP Fund	Public Properties Corporation Fund
\$	\$	\$	\$	\$
89,539				
62,134				
			13,218	
<u>\$ 151,673</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13,218</u>	<u>\$ 0</u>
\$ 1,121	\$	\$	\$	\$ 5,595
70				
<u>\$ 1,191</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,595</u>
<u><u>\$ 152,864</u></u>	<u><u>\$ 1,515</u></u>	<u><u>\$ 9,624</u></u>	<u><u>\$ 13,218</u></u>	<u><u>\$ 5,595</u></u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

POWELL COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND</u>			
<u>General Government</u>			
Office of County Judge/Executive:			
Salaries-			
County Judge/Executive	\$ 47,900	\$ 47,900	\$
Deputy County Judge/Executive	24,720	24,720	
Secretaries	35,895	35,895	
Office Materials and Supplies	13,725	13,724	1
Office of County Attorney:			
Salaries-			
County Attorney	15,625	15,625	
Secretaries	12,451	12,450	1
Office Materials and Supplies	1,345	1,490	(145)
Office of Sheriff:			
Salaries-			
Sheriff	14,275	14,275	
Deputies	40,491	40,491	
Advertising Tax Bills	4,352	4,352	
Bond			
Data Processing	2,100	2,100	
Materials and Supplies	1,857	1,856	1
Postage	6,964	5,563	1,401
Office of County Coroner:			
Salaries-			
County Coroner	6,798	6,798	
Deputy Coroner	5,351	5,351	
Fiscal Court:			
Magistrates-			
Salaries	33,000	33,000	
Travel	1,789	1,778	11
Fiscal Court Clerk Salary	2,892	2,892	

POWELL COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>General Government (Continued)</u>			
Office of Property Valuation Administrator:			
Conference	\$ 200	\$ 200	\$
Telephone	400	363	37
Statutory Contribution	9,521	9,521	
Office of Board of Assessment Appeals:			
Per Diem	800	300	500
Office of County Treasurer:			
County Treasurer Salary	23,226	23,226	
County Law Library:			
Law Librarian Salary	18		18
Elections:			
Per Diem-			
Election Commissioners	740	740	
Election Officers	3,350	3,320	30
Printing Forms	4,746	5,603	(857)
Polling Places	150		150
Election Tabulators	180	180	
Courthouse:			
Janitor Salary	22,681	23,195	(514)
Utilities	14,296	15,040	(744)
Improvements or New Construction	7,000	9,661	(2,661)
Materials and Supplies	2,551	2,302	249
Telephone	16,554	15,553	1,001
Other County Properties:			
Repairs	14		14

POWELL COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Protection to Persons and Property</u>			
County Fire Department:			
Salaries	\$ 15,000	\$ 15,000	\$
Equipment	14,991	13,149	1,842
Disaster and Emergency Services:			
Salaries-			
Other Salaries	55,770	68,580	(12,810)
Dispatch Service	28,367	30,609	(2,242)
<u>General Health and Sanitation</u>			
Sanitary Landfill:			
Salaries	51,322	61,865	(10,543)
Consultant Fees	2,309	2,298	11
Disposal	65,200	83,873	(18,673)
Telephone	686	686	
Utilities	1,500	3,147	(1,647)
Material and Supplies	9,666	10,467	(801)
Recycling:			
Dues	2,200	2,200	
<u>Social Services</u>			
Senior Citizens Program:			
Contribution	20,000	20,000	
Utilities	4,000	4,777	(777)
Cemeteries and Memorials:			
Pauper Burials	68		68
<u>Debt Service</u>			
Other County Liabilities:			
Lease-Purchase Agreements	61,155	59,985	1,170

POWELL COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>GENERAL FUND (Continued)</u>			
<u>Administration</u>			
General Services:			
Audits	\$ 31,000	\$ 25,967	\$ 5,033
Insurance-			
Errors and Omissions	3,000	5,000	(2,000)
Equipment	3,500	3,500	
Liability	1,906	1,601	305
Property	14,000	13,972	28
Bond Premium	3,000	5,136	(2,136)
Dues-			
Judge/Magistrate	2,211	2,711	(500)
Bluegrass ADD	2,200	2,200	
KACO	1,000	1,000	
NACO	350	350	
Miscellaneous	17,998	37,332	(19,334)
Fringe Benefits:			
County Contributions-			
Social Security	45,000	47,540	(2,540)
Retirement	35,000	49,009	(14,009)
Health Insurance	68,000	108,728	(40,728)
Worker's Compensation	17,000	20,834	(3,834)
Unemployment Insurance	1,000		1,000
Total Operating Budget	\$ 956,356	\$ 1,080,980	\$ (124,624)
Other Financing Uses:			
a) Borrowed Money			
Principal	63,465	60,000	3,465
Total General Fund	\$ 1,019,821	\$ 1,140,980	\$ (121,159)

POWELL COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND</u>			
<u>Roads</u>			
Office of Road Supervisor/Engineer:			
Road Supervisor Salary	\$ 17,844	\$ 17,806	\$ 38
Telephone	804	804	
Road Maintenance:			
Road Labor Salaries	140,011	110,920	29,091
Asphalt	56,916	143,084	(86,168)
Crushed Stone and Gravel	8,500	9,898	(1,398)
Diesel Fuel	23,500	25,048	(1,548)
General Construction Materials	96,800	96,800	
Machinery and Equipment-			
Repairs	9,000	28,426	(19,426)
Machinery and Equipment	40,600	50,133	(9,533)
New Road Machinery	309		309
Prisoner Lunch	2,256	2,256	
Signs	1,155	1,155	
Tile	2,000	7,056	(5,056)
Utilities	1,928	1,928	
Miscellaneous	13,000	19,499	(6,499)
<u>Debt Service</u>			
Bond:			
Interest	13,898	13,897	1
<u>Administration</u>			
General Services:			
Insurance -			
Property	13,000	13,000	
Vehicle	8,000	8,000	
Forestry Receipts to School	10,102	10,278	(176)
Contingent Appropriations:			
Reserve for Budget Transfers	5,003	3,000	2,003

POWELL COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>ROAD AND BRIDGE FUND (Continued)</u>			
<u>Administration (Continued)</u>			
Fringe Benefits:			
County Contributions-			
Retirement	\$ 7,400	\$ 10,247	\$ (2,847)
Social Security	5,500	9,254	(3,754)
Health Insurance	20,000	25,037	(5,037)
Worker's Compensation	14,541	16,367	(1,826)
Unemployment Insurance	3,000		3,000
	<hr/>	<hr/>	<hr/>
Total Operating Budget	\$ 515,067	\$ 623,893	\$ (108,826)
Other Financing Uses:			
b) Transfer to Public Properties Corporation Fund	<hr/>	<hr/>	<hr/>
	60,000	60,000	
	<hr/>	<hr/>	<hr/>
Total Road and Bridge Fund	\$ 575,067	\$ 683,893	\$ (108,826)

JAIL FUNDProtection to Persons and Property

Office of Jailer:			
Personnel Services-			
Salaries-			
Jailer	\$ 45,278	\$ 45,278	\$
Jail Personnel	104,405	135,401	(30,996)
Operations-			
Building Maintenance	2,100	2,505	(405)
Cleaning Supplies	1,336	4,968	(3,632)
Contracts with Other Counties-			
Juveniles	46,914	34,161	12,753
Equipment	250	200	50
Equipment Repairs	700	642	58
Food	34,500	41,682	(7,182)
Furniture and Fixtures	30	30	
Jail Linens	515	512	3
Office Supplies	185	482	(297)
Prisoner Clothing	50		50
Pest Control	175	120	55

POWELL COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
	<hr/>	<hr/>	<hr/>
<u>JAIL FUND (Continued)</u>			
<u>Protection to Persons and Property</u>			
<u>(Continued)</u>			
Office of Jailer: (Continued)			
Operations- (Continued)			
Routine Medical	\$ 9,800	\$ 14,620	\$ (4,820)
Utilities	13,500	18,973	(5,473)
Staff Training	500		500
Staff Travel	350	341	9
Telephone	5,102	6,115	(1,013)
Vehicles	9,519	1,000	8,519
Housing Prisoners - Other Counties	20,586	18,542	2,044
Miscellaneous Operating Expense	870	1,287	(417)
 <u>Debt Service</u>			
Jail Capital Lease Obligations:			
Interest	13,924	14,919	(995)
 <u>Administration</u>			
General Services:			
Insurance -			
Building	800	800	
Liability	6,500	6,500	
Association Dues			
Contingent Appropriations:			
Reserve for Budget Transfers	3,682		3,682
Fringe Benefits:			
County Contributions-			
Retirement	11,000	13,550	(2,550)
Social Security	11,597	12,797	(1,200)
Health Insurance	22,764	27,795	(5,031)
Worker's Compensation	3,869	3,869	
Unemployment Insurance	1,879	1,879	
Total Operating Budget (Carried Forward)	\$ 372,680	\$ 408,968	\$ (36,288)

POWELL COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
	<u> </u>	<u> </u>	<u> </u>
<u>JAIL FUND (Continued)</u>			
Total Operating Budget (Brought Forward)	\$ 372,680	\$ 408,968	\$ (36,288)
Other Financing Uses:			
c) Jail Capital Lease Obligations:			
Principal	<u>7,456</u>	<u>6,456</u>	<u>1,000</u>
Total Jail Fund	<u>\$ 380,136</u>	<u>\$ 415,424</u>	<u>\$ (35,288)</u>
<u>LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND</u>			
<u>Roads</u>			
Road Maintenance:			
Asphalt	\$ 13,000	\$ 12,432	\$ 568
Crushed Stone and Gravel	64,000	60,909	3,091
<u>General Health and Sanitation</u>			
Soil Conservation:			
Contribution	9,857	9,857	
<u>Parks and Recreation</u>			
County Museum:			
Contribution	1,500	1,500	
Airport:			
Contribution	9,500	9,500	
<u>Administration</u>			
General Services:			
Coalition Dues	250		250
Contingent Appropriations:			
Reserve for Budget Transfers	<u>14,474</u>		<u>14,474</u>
Total Local Government Economic Assistance Fund	<u>\$ 112,581</u>	<u>\$ 94,198</u>	<u>\$ 18,383</u>

POWELL COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 Fiscal Year Ended June 30, 1998

	Final Budget	Budgeted Expenditures	Under (Over) Budget
<u>FORESTRY FUND</u>			
Fire Protection	\$ 1,600	\$ 1,530	\$ 70
<u>DES FUND</u>			
Emergency Disaster:			
Consultant Salary	\$ 12,854	\$ 12,854	\$
Equipment	9,306	6,439	2,867
Supplies	2,220	1,724	496
Telephone	5,715	4,714	1,001
Total DES Fund	\$ 30,095	\$ 25,731	\$ 4,364
<u>CSEPP FUND</u>			
Emergency Preparedness Program:			
Equipment	\$ 12,218	\$	\$ 12,218
Supplies	1,000		1,000
Total CSEPP Fund	\$ 13,218	\$ 0	\$ 13,218
<u>COMMUNITY DEVELOPMENT BLOCK GRANT FUND</u>			
Snow Recovery	\$ 2,808	\$ 0	2,808
Total Operating Budget - All Funds	\$ 2,004,405	\$ 2,235,300	\$ (230,895)
Other Financing Uses:			
a) Borrowed Money:			
Principal	63,465	60,000	3,465
b) Transfer to Public Properties Corporation Fund	60,000	60,000	
c) Jail Capital Lease Obligations:			
Principal	7,456	6,456	1,000
TOTAL BUDGET - ALL FUNDS	\$ 2,135,326	\$ 2,361,756	\$ (226,430)

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr. Auditor of Public Accounts

Honorable Robert Ray Drake, County Judge/Executive
Honorable Forest Meadows, Former County Judge/Executive
Members of the Powell County Fiscal Court

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Powell County, Kentucky, as of and for the year ended June 30, 1998, and have issued our report thereon dated August 11, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Powell County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under Government Auditing Standards:

- The County Should Not Make Expenditures In Excess Of Approved Budget

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Powell County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Robert Ray Drake, County Judge/Executive
Honorable Forest Meadows, Former County Judge/Executive
Members of the Powell County Fiscal Court
Report On Compliance And On Internal Control Over Financial Reporting Based On
An Audit Of Financial Statements Performed In Accordance With Government
Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 11, 1999

COMMENTS AND RECOMMENDATIONS

POWELL COUNTY
COMMENTS AND RECOMMENDATIONS

Fiscal Year Ended June 30, 1998

NONCOMPLIANCES

1) The County Should Have A Written Agreement To Protect Deposits

The county maintained deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The county had a bank balance of \$176,155; FDIC insurance of \$146,440; and securities pledged of \$325,200 as of June 30, 1998. Even though the county obtained pledged securities of \$325,200, the pledge agreement was not approved by the board of directors of the depository institution or its loan committee nor evidenced by a written agreement. We recommend the county enter into a written agreement with the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. According to federal law, 12 U.S.C.A. § 1823(e), this agreement should be (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.

Management's Response:

Bank is going to present this to the board at their August meeting.

2) The County Should Not Make Expenditures In Excess Of Approved Budget

During the audit, we found that the General Fund Budget was overspent by \$121,159, Road Fund budget was overspent by \$108,826, and Jail Fund was overspent by \$35,288, making the total budget overspent by \$265,273. KRS 68.300 – Expenditures in Excess of Budget Void and Illegal - Any appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim. KRS 68.280 - Amendment of Budget to Provide for Expenditure of Unanticipated Income – The fiscal court may make provision for the expenditure of receipts unanticipated in the original budget by preparing an amendment to the budget, showing the source and amount of the unanticipated receipts and specifying the budget funds that are to be increased thereby. The amendment shall be submitted to the state local finance officer subject to the same provisions as the original budget. KRS 68.280 provides for budget amendments, we recommend that the County utilize budget amendments in future to avoid overspending the budget.

Management's Response:

The Fiscal Court will, to the best of its ability, see that all appropriate budget amendments required will be done, so that this does not reoccur.

PRIOR YEAR FINDINGS

None

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CERTIFICATION OF COMPLIANCE – LOCAL
GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS


POWELL COUNTY FISCAL COURT

Fiscal Year Ended June 30, 1998

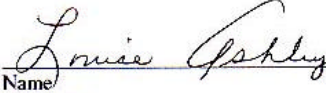
Appendix A

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
POWELL COUNTY FISCAL COURT

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


Name

County Judge/Executive


Name

County Treasurer

CPA AUDIT

POWELL COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY, INC.

Appendix B

APPENDIX D

Statement of Indebtedness of the County

TOTAL EXEMPT OBLIGATIONS.....

4. The total of bonds, notes and other obligations subject to the debt limitation set forth in KRS 66.041 (2 minus 3) is..... \$949,432
5. 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 real and personal property in the County.
6. The current tax rates of the County, for other than school purposes, upon the value of the taxable property therein is .098 for real property and .098 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.
7. The issuance of the bonds, notes or other obligations set forth in 3 hereof will not cause the tax rate set forth in 6 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.

IN WITNESS WHEREOF, I have hereunto set my hand this 31st day of July, 2001.

/S/ Judith Denniston
County Treasurer

PECK, SHAFFER & WILLIAMS LLP
BOND ATTORNEYS
Covington, Kentucky

APPENDIX E

Form of Final Approving Legal Opinion of Bond Counsel

[Date of Delivery]

County of Powell, Kentucky
Stanton, Kentucky

Gentlemen:

We have examined the transcript submitted relating to the issue of \$_____ General Obligation Bonds, Series 2001 (Road Projects) (the "Bonds") of the County of Powell Kentucky (the "Issuer"), dated August 1, 2001, 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. 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

\$780,000*

**County of Powell, Kentucky
General Obligation Bonds, Series 2001
(Road Projects)**

SALE: August 9, 2001 at 1:00 P.M., E.D.S.T.

As duly advertised, the County of Powell, Kentucky (the "County") will, until the 9th day of August, 2001, at the hour of 1:00 P.M., E.D.S.T., at the offices of the Judge/Executive, Powell County Courthouse, Stanton, Kentucky 40380, receive sealed competitive bids for the bonds herein described (the "Bonds"). To be considered, a proposal for the purchase of such bonds must be submitted on an Official Bid Form and must be delivered to the Judge/Executive at the address indicated on the date of sale no later than the hour indicated. Bids will be opened and acted upon by the Fiscal Court of the County 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 Fiscal Court of the County on July 27, 2001. 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 (i) paying the costs of paving, repaving, improving and revitalizing certain county maintained roads (the "Project") and (ii) paying certain costs relating to the issuance of the Bonds, all as set forth in the Preliminary Official Statement to which reference is hereby made.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

The Bonds will bear interest from August 1, 2001, payable on the first day of each February and August, commencing February 1, 2002. The Bonds are scheduled to mature on August 1, 2002 and each August 1 thereafter in each of the years as follows:

<u>MATURITIES</u>	<u>AMOUNT*</u>	<u>MATURITIES</u>	<u>AMOUNT*</u>
August 1, 2002	\$65,000	August 1, 2007	\$80,000
August 1, 2003	65,000	August 1, 2008	85,000
August 1, 2004	70,000	August 1, 2009	85,000
August 1, 2005	70,000	August 1, 2010	90,000
August 1, 2006	75,000	August 1, 2011	95,000

*Preliminary; subject to adjustment.

The Bonds maturing on and after August 1, 2007 are subject to optional redemption in whole or in part on any date on or after August 1, 2006 and any date thereafter at the following redemption prices, plus accrued interest to the date of actual redemption:

<u>Date</u>	<u>Redemption Price</u>
August 1, 2006 through July 31, 2007	101.0%
August 1, 2007 through July 31, 2008	100.5%
August 1, 2008 and thereafter	100.0%

Central Bank & Trust Co., Lexington, 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) Bids are required to be submitted on the Official Bid Form in order to provide for uniformity in submission of bids and ready determination of the best bid.

(B) Bidders are required to bid for the entire issue at a minimum price of not less than \$772,200 (99.00% of par), plus accrued interest from August 1, 2001, to the date of delivery, PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.

(C) Bidders must name an interest rate or rates in a multiple of 1/8 or 1/20 of 1%, which rates must be on an ascending scale, in that the rate on the Bonds in any maturity is not less than the rate on the Bonds for any preceding maturity and all Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

(D) The determination of the best purchase bid for said Bonds shall be made on the basis of all bids submitted for Bonds at the maturities offered for sale hereunder, but the County may adjust (i) the principal amount of Bonds downward by up to \$60,000 to a minimum of \$720,000 or upwards by up to \$20,000 to a maximum of \$800,000 or (ii) the principal amount of any maturity (the "Permitted Adjustment") which may be awarded to such best bidder. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price at 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 \$780,000 of Bonds bid.

(E) Bidders have the option of specifying that all the 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) A reasonable quantity of Official Statements will be supplied to the Purchaser. The Purchaser of the Bonds will be required to pay the costs of printing the Official Statements

(G) 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 an amount equal to \$15,600 by the close of business on the day following the award. Such amount will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of the 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.

(H) CUSIP identification numbers will be printed on the Bonds at the expense of the County. The purchaser shall pay the CUSIP Service Bureau Charge. 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.

(I) The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. They 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, 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 Participants (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, excepts in the event that use of book-entry for the Bonds is discontinued.

Payment shall be at the principal office of the Bond Registrar and shall be in IMMEDIATELY AVAILABLE FUNDS.

(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 not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, in accordance with the final approving legal opinion of Peck, Shaffer & Williams LLP, Covington, Kentucky, which opinion 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 purchaser of the Bonds will be required to certify to the County as to certain of its activities regarding any reoffering to the public of the Bonds, including any reoffering prices. This information from the purchaser of the Bonds shall also be made available to the Financial Advisor immediately after the sale of the Bonds.

CONTINUING DISCLOSURE EXEMPTION

Rule 15c2-12 as amended (the "Rule"), promulgated by the Securities and Exchange Commission, requires continuing disclosure with respect to new offerings of municipal securities of \$1,000,000 or more. The Bonds are being issued in an aggregate principal amount of less than \$1,000,000 and therefore will be exempt from the continuing disclosure provisions of the Rule. Accordingly, no agreement regarding continuing disclosure pursuant to the Rule is required and no agreement with respect thereto will be entered into with respect to 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 is excludable from gross income for Federal income tax purposes. Bond Counsel for the Bonds is also of the opinion that interest on the Bonds is not 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. 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 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 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 Ordinance 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 and Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Bonds on the tax liabilities of the individual or entity.

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

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

/s/ Robert "Bobby" Ray Drake
Judge/Executive, County of Powell, Kentucky

OFFICIAL BID FORM

Subject to the terms and conditions set forth in the Ordinance adopted by the County of Powell, Kentucky (the "County") on July 27, 2001, providing for the sale of \$780,000* of its General Obligation Bonds, Series 2001 (Road Projects, dated August 1, 2001 (the "Bonds"), and in accordance with the Notice of Bond Sale, as advertised, and in accordance with the Official Terms and Conditions of Bond Sale, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for said \$780,000* principal amount of the Bonds maturing on August 1, 2002 and each August 1 thereafter of the years and in the amounts set forth below, the total sum of \$_____ (not less than \$772,200) plus accrued interest from August 1, 2001, at the following annual rate(s), payable semiannually, commencing February 1, 2002 (rates on ascending scale, number of interest rates unlimited):

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>
August 1, 2002	\$65,000	_____%	August 1, 2007	\$80,000	_____%
August 1, 2003	65,000	_____%	August 1, 2008	85,000	_____%
August 1, 2004	70,000	_____%	August 1, 2009	85,000	_____%
August 1, 2005	70,000	_____%	August 1, 2010	90,000	_____%
August 1, 2006	75,000	_____%	August 1, 2011	95,000	_____%

*Preliminary, subject to permitted adjustment.

PURCHASER'S OPTION – The Purchaser of the Bonds may specify to the County 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 such may be adjusted as provided herein) comprising mandatory sinking fund redemption amounts for such Term Bond(s).

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

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

Bids may be faxed to (606) 663-2905 or telephoned to (606) 663-2834 at the offices of the County Judge/Executive.

It is understood that the County will furnish the final, approving Legal Opinion of Peck, Shaffer & Williams LLP, Bond Counsel to the County. We understand that no certified or bank cashier's check will be required to accompany the bid, but that if we are the successful bidder, we shall be required to wire transfer an amount equal to \$15,600 by the close of business on the day following the award. Said amount will be applied (without interest) to the purchase price when the Bonds are tendered to us for delivery.

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

Respectfully submitted,

By _____
Bidder

_____ Address

Total interest cost from August 1, 2001 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 this ___ day of August, 2001 by the County of Powell, Kentucky, as follows:

<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>
August 1, 2002	\$65,000	_____ %	August 1, 2007	\$80,000	_____ %
August 1, 2003	65,000	_____ %	August 1, 2008	85,000	_____ %
August 1, 2004	70,000	_____ %	August 1, 2009	85,000	_____ %
August 1, 2005	70,000	_____ %	August 1, 2010	90,000	_____ %
August 1, 2006	75,000	_____ %	August 1, 2011	95,000	_____ %

Judge/Executive