

# PRELIMINARY OFFICIAL STATEMENT

Dated November 7, 2007

(Bonds to be sold November 14, 2007, 11:00 a.m. EST)

## BOOK-ENTRY-ONLY-SYSTEM

Bank Qualified

Rating: Moody's " " "  
See Ratings herein

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

## ELECTRONIC BIDDING VIA PARITY

**\$4,895,000\***

### COUNTY OF PERRY, KENTUCKY GENERAL OBLIGATION REFUNDING BONDS, SERIES 2007

Dated: Day of Delivery

Due: December 1, as shown below

The Bonds will be issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds. Accordingly, principal, interest and premium, if any, on the Bonds will be paid by The Huntington National Bank, Cincinnati, Ohio, as Paying Agent and Registrar, directly to DTC or Cede & Co., its nominee. DTC will in turn remit such principal, interest or premium to the DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the Bonds. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof, and will bear interest payable on June 1, 2008 and thereafter semiannually on each December 1 and June 1.

The Bonds maturing on and after December 1, 2018, shall be subject to prior redemption at the option of the County on and after December 1, 2017, as discussed herein.

#### SCHEDULE OF MATURITIES

<u>Due</u>	<u>Cusip #</u> <u>714534</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Due</u>	<u>Cusip #</u> <u>714534</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>
12/1/08		\$ 25,000			12/1/18		\$290,000		
12/1/09		25,000			12/1/19		305,000		
12/1/10		25,000			12/1/20		310,000		
12/1/11		225,000			12/1/21		325,000		
12/1/12		235,000			12/1/22		340,000		
12/1/13		240,000			12/1/23		350,000		
12/1/14		245,000			12/1/24		370,000		
12/1/15		260,000			12/1/25		380,000		
12/1/16		270,000			12/1/26		400,000		
12/1/17		275,000							

(Plus accrued interest-when issued)

**Purchaser's Option** - The Purchaser of the Bonds may specify to the Financial Advisor that any Bonds may be combined with immediately succeeding sequential maturities into a Term Bond or Term Bonds, bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein being subject to mandatory redemption in such maturities for such Term Bond(s).

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

The Bonds are offered when, as and if issued, subject to the approval of legality and tax exemption by Peck, Shaffer & Williams LLP, Bond Counsel, Covington, Kentucky. Certain legal matters have been passed upon for the County by John Carl Shackelford, Esq., County Attorney. The Bonds are expected to be available for delivery on or about November 28, 2007.

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

\*Preliminary, Subject to Permitted Adjustment

**FIRST KENTUCKY SECURITIES CORPORATION**  
Financial Advisor

This Preliminary Official Statement and the information contained herein are subject to completion and revision in a final Official Statement. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these Series 2007 Refunding Bonds in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration, qualification, or exemption under the securities laws of such jurisdiction.

**PERRY COUNTY, KENTUCKY  
FISCAL COURT**

***Judge/Executive***

Denny Ray Noble

Earl Brashear, Magistrate  
Bubby Combs, Magistrate  
Jimmy D. Neace, Magistrate

***County Attorney***

John Carl Shackelford, Esq.

***County Treasurer***

Tonya Delph

***Fiscal Court Clerk***

Sharon Adams

**BOND COUNSEL**

Peck, Shaffer & Williams LLP  
Covington, Kentucky

**FINANCIAL ADVISOR**

First Kentucky Securities Corporation  
Frankfort, Kentucky

**PAYING AGENT/ESCROW AGENT**

The Huntington National Bank  
Cincinnati, Ohio

## 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 Perry; and "State" or "Kentucky" means the Commonwealth of Kentucky.

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**PRELIMINARY OFFICIAL STATEMENT**

**\$4,895,000\***

**COUNTY OF PERRY, KENTUCKY  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2007**

**Dated Date: Day of Delivery**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information with respect to the issuance of \$4,895,000\* aggregate principal amount of General Obligation Refunding Bonds, Series 2007 (the "Bonds") of the County of Perry, Kentucky (the "County") as specified on the cover hereof.

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

***The Issuer***

The Bonds are being issued by the County of Perry, Kentucky, a county and political subdivision of the State of Kentucky. The County is in Southeast Kentucky.

***Authority for Issuance***

Authority for the issuance of the Bonds is contained in Sections 158 and 159 of the Constitution of Kentucky and Sections 66.011 through 66.191 of the Kentucky Revised Statutes and an ordinance (the "Ordinance") adopted by the Fiscal Court of the County on November 5, 2007.

***Purpose of the Bonds***

The Bonds are being issued for the purpose of (i) advance refunding the outstanding principal amount of the County of Perry General Obligation Public Project Bonds, Series 2001 (Detention Facility Project) dated as of December 1, 2001 ("Prior Obligations") maturing on or after February 1, 2011 (see "The Refunding Plan" for more detail), and (ii) paying the costs of issuing the Bonds. The Prior Obligations were issued to currently refund three earlier series of bond anticipation notes that were originally issued to finance the acquisition, construction, installation and equipping of a detention facility to serve the County (the "Project").

***Sources of Payment for the Bonds***

The Bonds are general obligation debt of the County. The basic security for the Bonds is the County's ability to levy an annual tax to pay the interest on and principal of the Bonds as and when the same become due and payable.

***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 or after December 1, 2018, shall be subject to redemption at the option of the Issuer prior to their stated maturities on any date falling on or after December 1, 2017, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon terms of the face amount plus accrued interest without redemption premium upon notice of such prior redemption being given by the Paying Agent.

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\*Preliminary, Subject to Adjustment

## ***Book Entry***

Unless the successful purchaser notifies the County in writing within twenty-four hours of the award of the Bonds that it has elected (at such purchaser's expense) to take physical delivery of the Bonds, The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by DTC. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to Beneficial Owners (as defined below) of beneficial ownership interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Resolution.

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and Registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

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

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

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

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

### ***Tax Exemption***

Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest, including original issue discount, if any, on the Bonds is excludable from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, Bond Counsel has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds. Interest on the Bonds is also exempt from income taxation and the bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

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

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

### ***Parties to the Issuance of the Bonds***

The Paying Agent and Registrar is The Huntington National Bank, Cincinnati, Ohio. 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.

### ***Disclosure Information***

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



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

***Additional Information***

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

**DESCRIPTION OF THE BONDS**

The Bonds will be dated the day of delivery, expected to be November 28, 2007, and will bear interest from that date at the rates set forth on the cover page of this Official Statement. The Bonds are being issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

Interest on the Bonds is payable semi-annually on June 1 and December 1, commencing June 1, 2008.

***Optional Redemption***

The Bonds maturing on or after December 1, 2018, shall be subject to redemption at the option of the Issuer prior to their stated maturities on any date falling on or after December 1, 2017, in any order of maturities (less than all of a single maturity to be selected by lot), in whole or in part, upon terms of the face amount plus accrued interest without redemption premium upon notice of such prior redemption being given by the Paying Agent.

***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. Amounts will be transferred from the sinking fund to the bond payment fund established by the Ordinance to pay the principal of, and interest on the Bonds.

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

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

## THE REFUNDING PLAN

The Bonds are being issued for the purpose of (i) funding an escrow to advance refund the Prior Obligations maturing on or after December 1, 2011 (see "INTRODUCTION - Purpose of the Bonds", herein), and (ii) paying certain costs related to the issuance of the Bonds. The Prior Obligations are to be redeemed and discharged with proceeds of the Bonds on December 1, 2010. The December 1, 2007 principal and interest payment is not a part of the refunding, so the County will make that payment from its own fund.

The refunding plan is being undertaken to provide net debt service savings to the County.

### *Estimated Sources and Uses of Funds*

#### **Sources of Funds**

Par Amount of Bonds  
Accrued Interest

Total

#### **Uses of Funds**

Accrued Interest  
Deposit to Escrow Fund for Prior Obligations  
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 the risk involved in a lowering of the County's bond rating, see "RATING" herein. With regard to creditors' rights, see "SECURITY AND SOURCE OF PAYMENT FOR BONDS" herein.

## PROFILE OF THE COUNTY AND SURROUNDING AREA

Demographic, economic and financial information with respect to the County and the surrounding area is set forth in Appendices B through D hereto.

## COUNTY GOVERNMENT

### *Organization and Major Offices*

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

### *Elected and Appointed Officials*

The County of Perry is governed by a Fiscal Court, comprised of a County Judge/Executive and three 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 are appointed by and 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.

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

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

### ***Financial Management***

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

### ***Financial Reports and Examinations of Accounts***

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

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

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

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

### ***Budgeting and Appropriations Procedures***

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

## ***Investment Policies***

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

- (a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky;
- (b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including but not limited to:
  - 1. United States Treasury;
  - 2. Export-Import Bank of the United States;
  - 3. Farmers Home Administration;
  - 4. Governmental National Mortgage corporation; and
  - 5. Merchant Marine bonds;
- (c) Obligations of any corporation of the United States government, including but not limited to:
  - 1. Federal Home Loan Mortgage Corporation;
  - 2. Federal Farm Credit Banks;
  - 3. Bank for Cooperatives;
  - 4. Federal Intermediate Credit Banks;
  - 5. Federal Land Banks;
  - 6. Federal Home Loan Banks;
  - 7. Federal National Mortgage Association; and
  - 8. Tennessee Valley Authority;
- (d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(d);
- (e) Uncollateralized certificates of deposit issued by any bank or savings and loan institutions rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- (f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- (g) Commercial paper rated in the highest category by a nationally recognized rating agency;
- (h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- (i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three highest categories by a nationally recognized rating agency; and
- (j) Shares of mutual funds, each of which shall have the following characteristics:
  - 1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
  - 2. The management company of the investment company shall have been in operation for at least five (5) years; and
  - 3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.

### ***Debt Limitation***

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

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

KRS 66.041 provides the same limitations as are set forth in the Constitution except that the limitations apply to "net indebtedness". In calculating "net indebtedness," KRS 66.031 provides that certain obligations of a 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.)

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 \$28,501,726 and the County's net debt subject to such limitation presently outstanding (including the Bonds) is \$7,340,930 leaving a balance of approximately \$21,160,796 borrowing capacity issuable within such limitation.

### ***Future Borrowings of the County***

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

## **LEGAL MATTERS**

### ***General Information***

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

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

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

### ***Transcript and Closing Certificates***

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

### ***Litigation***

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

## ***Tax Exemption***

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

Certain requirements and procedures contained or referred to in the Bond documents and other relevant documents may be changed and certain actions (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.

## **RATING**

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

Such rating reflects only the view of said organization. Any explanation of the significance of such rating may only be obtained from Moody's, at the following address: Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007.

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

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

### **CONTINUING DISCLOSURE**

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

- (i) to each nationally recognized municipal securities information repository ("NRMSIR") and, if one is established for the Commonwealth, to its state information depository ("SID"), certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles as applied to governmental units, generally consistent with the information contained in "Appendix A" and "Appendix C" of the Official Statement ("Financial Data"); such information shall be provided within 210 days after the end of the fiscal year ending June 30, commencing with the fiscal year ending June 30, 2007; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the Obligated Person;
- (ii) to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and to the SID, if any, notice of the occurrence of the following events, if material, with respect to the Bonds:
  - (a) Principal and interest payment delinquencies;
  - (b) Non-payment related defaults;
  - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
  - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
  - (e) Substitution of credit or liquidity providers, or their failure to perform;
  - (f) Adverse tax opinions or events affecting the tax-exempt status of the security;
  - (g) Modifications to rights of security holders;
  - (h) Bond calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event;
  - (i) Defeasances;
  - (j) Release, substitution or sale of property securing repayment of the securities;
  - (k) Rating changes; and
  - (l) The cure of any payment or nonpayment related default.
- (iii) in a timely manner, to each NRMSIR or to the MSRB and to the SID, notice of a failure (of which the Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Agreement.

The Continuing Disclosure Agreement provides bondholders with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms thereof; however, a default under the Continuing Disclosure Agreement does not constitute a default under the Bond Legislation. The Continuing Disclosure Agreement may be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Bondholders are advised that the Continuing Disclosure Agreement copies of which are available at the office of the Obligated Party should be read in its entirety for more complete information regarding its contents.

For purposes of this transaction with respect to events as set forth in the Rule:

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

The County has entered into numerous disclosure agreements under the Rule. To the best of the County's knowledge, the County is in compliance with the continuing disclosure undertaking contained in such existing agreements.

#### **FINANCIAL ADVISOR**

The Bonds will be sold by the solicitation and receipt of competitive bids. First Kentucky Securities Corporation, Frankfort, Kentucky, Financial Advisor to the County, has requested and received permission and approval of the County to bid, either alone or in conjunction with others, on the Bonds. The Financial Advisor has expressed its intent to so bid. First Kentucky Securities Corporation will receive a fee, subject to sale and delivery of the Bonds, for its advisory services. Said fee is separate from and in addition to compensation received, if any, for underwriting of the Bonds.

#### **VERIFICATION OF MATHEMATICAL CALCULATIONS**

The Arbitrage Group, LLC will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of (1) the computations contained in the provided schedules to determine that the anticipated receipts from the securities and cash deposits listed in the provided schedules, to be held in escrow, are sufficient to pay, when due, the principal, interest and call premium payment requirements of the Refunded Bonds, and (2) the computations of yield on both the escrow securities and the Bonds described in the provided schedules and used by Bond Counsel in its determination that the interest on the Bonds is excludable from gross income for federal income tax purposes.

#### **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 Perry, Kentucky, by its Judge/Executive.

COUNTY OF PERRY, KENTUCKY

By: /s/ Denny Ray Noble  
County Judge/Executive



**APPENDIX A**

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***Estimated Debt Service Requirements for the Bonds***

**COUNTY OF PERRY, KENTUCKY  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2007**

*Estimated Debt Service Requirements*

<b>Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Fiscal Total</b>
06/01/2008		\$112,049.58	\$112,049.58	\$112,049.58
12/01/2008	\$25,000	96,042.50	121,042.50	
06/01/2009	-	95,611.25	95,611.25	216,653.75
12/01/2009	25,000	95,611.25	120,611.25	
06/01/2010	-	95,180.00	95,180.00	215,791.25
12/01/2010	25,000	95,180.00	120,180.00	
06/01/2011	-	94,742.50	94,742.50	214,922.50
12/01/2011	225,000	94,742.50	319,742.50	
06/01/2012	-	90,805.00	90,805.00	410,547.50
12/01/2012	235,000	90,805.00	325,805.00	
06/01/2013	-	86,633.75	86,633.75	412,438.75
12/01/2013	240,000	86,633.75	326,633.75	
06/01/2014	-	82,313.75	82,313.75	408,947.50
12/01/2014	245,000	82,313.75	327,313.75	
06/01/2015	-	77,842.50	77,842.50	405,156.25
12/01/2015	260,000	77,842.50	337,842.50	
06/01/2016	-	73,032.50	73,032.50	410,875.00
12/01/2016	270,000	73,032.50	343,032.50	
06/01/2017	-	67,970.00	67,970.00	411,002.50
12/01/2017	275,000	67,970.00	342,970.00	
06/01/2018	-	62,745.00	62,745.00	405,715.00
12/01/2018	290,000	62,745.00	352,745.00	
06/01/2019	-	57,162.50	57,162.50	409,907.50
12/01/2019	305,000	57,162.50	362,162.50	
06/01/2020	-	51,215.00	51,215.00	413,377.50
12/01/2020	310,000	51,215.00	361,215.00	
06/01/2021	-	45,092.50	45,092.50	406,307.50
12/01/2021	325,000	45,092.50	370,092.50	
06/01/2022	-	38,592.50	38,592.50	408,685.00
12/01/2022	340,000	38,592.50	378,592.50	
06/01/2023	-	31,707.50	31,707.50	410,300.00
12/01/2023	350,000	31,707.50	381,707.50	
06/01/2024	-	24,445.00	24,445.00	406,152.50
12/01/2024	370,000	24,445.00	394,445.00	
06/01/2025	-	16,675.00	16,675.00	411,120.00
12/01/2025	380,000	16,675.00	396,675.00	
06/01/2026	-	8,600.00	8,600.00	405,275.00
12/01/2026	400,000	8,600.00	408,600.00	408,600.00
<b>Total</b>	<b>\$4,895,000</b>	<b>\$2,408,824.58</b>	<b>\$7,303,824.58</b>	

***APPENDIX B***

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***County of Perry, Kentucky Demographic, Economic and Financial Data***

## General Information

Perry County was formed in 1821 from a portion of Clay and Floyd Counties. It is located in the Eastern Coal Field region of the state. The elevation in the county ranges from 700 to 2520 feet above sea level. The county seat is Hazard, and is located on the North Fork of the Kentucky River.

### Total Population

	2003	2004	2005	2006	2007
Labor Market Area	203,470	203,310	202,351	201,862	202,903
Perry County	29,492	29,762	29,906	29,836	29,921
Hazard	4,860	4,846	4,819	4,867	N/A

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

### Population by Selected Age Groups, 2007

	Perry County		Labor Market Area	
	Number	Percent	Number	Percent
Under 15	5,601	18.7	36,414	17.9
15-24	3,804	12.7	26,976	13.3
25-34	3,855	12.9	27,021	13.3
35-44	4,402	14.7	29,087	14.3
45-54	4,770	15.9	31,625	15.6
55-64	3,734	12.5	25,424	12.5
65-74	2,177	7.3	15,066	7.4
75 and older	1,578	5.3	11,290	5.6
Median Age	38.9		38.9	

Source: Applied Geographic Solutions, Simi Valley, CA

### Population by Race and Hispanic Origin, 2007

	Perry County		Labor Market Area	
	Number	Percent	Number	Percent
White	29,118	97.3	197,219	97.2
Black	476	1.6	3,255	1.6
Am. Indian & Alaska Native	15	0.1	324	0.2
Asian	155	0.5	556	0.3
Native Hawaiian & other Pacific Islander	10	0.0	154	0.1
Other/Multirace	147	0.5	1,395	0.7
Hispanic Origin	192	0.6	1,523	0.8

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

Source: Applied Geographic Solutions, Semi Valley, CA

## Population Projections

	2012			
Labor Market Area	202,627			
	2010	2015	2020	2025
Perry County	29,820	29,892	29,894	29,832

Source: Applied Geographic Solutions, Simi Valley, CA (Labor Market Area);  
Kentucky State Data Center, University of Louisville (Counties).

## Personal Income

	2000	2005	Pct. Change
Perry County	\$19,006	\$24,246	27.6 %
Kentucky	\$24,412	\$28,272	15.8 %
U.S.	\$29,845	\$34,471	15.5 %
Labor Market Area Range	\$14,067- \$19,006	\$16,699- \$24,246	

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

## Households

	2007		2007
	Number of Households	Persons Per Household	Median Household Income
Perry County	11,916	2.48	\$25,978

Source: Applied Geographic Solutions, Simi Valley, CA

## Summary of Recent Locations and Expansions, 2004-Present

	Companies	Reported	
		Jobs	Investment
Manufacturing Location	0	0	\$0
Manufacturing Expansion	2	26	\$4,800,000
Supportive/Service Location	1	22	\$116,240
Supportive/Service Expansion	0	0	\$0

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

Note: Totals include announced locations and expansions.

Source: Kentucky Cabinet for Economic Development (8/21/2007).

## Employment by Major Industry by Place of Work, 2005

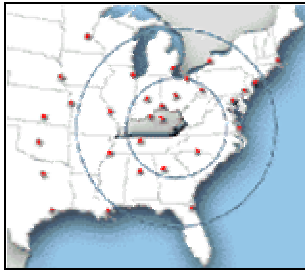
	Perry County		Labor Market Area	
	Employment	Percent	Employment	Percent
All Industries	13,487	100.0	54,898	100.0
Agriculture, Forestry, Fishing and Hunting	34	0.3	N/A	N/A
Mining	1,651	12.2	N/A	N/A
Construction	355	2.6	1,553	2.8
Manufacturing	755	5.6	1,653	3.0
Trade, Transportation, and Utilities	2,455	18.2	10,329	18.8
Information	119	0.9	891	1.6
Financial Activities	433	3.2	1,656	3.0
Services	1,964	14.6	9,677	17.6
Public Administration	740	5.5	3,240	5.9
Other	8	0.1	N/A	N/A

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

## Major Business & Industry (Manufacturing & Supportive Service Firms Only)

Firm	Product(s)/Service(s)	Emp.	Year Established
<i>Chavies</i>			
American Woodmark Corporation	Hardwood components for kitchen and bath cabinets	291	2002
MB Lumber Company Inc	Engineered wood products	12	1995
Trus Joist iLevel a Weyerhaeuser Business	Softwood lumber	250	1995
<i>Hazard</i>			
AAA Mine Service	Machine shop: general machining, surface grinding, arc welding, boring, cutting, lathe & mill work	66	1978
Hazard Herald	Newspaper publishing	10	1911
Home Lumber Co Inc	Millwork, custom wooden cabinets, laminated counter tops & architectural glass, redi-mix concrete	27	1914
Home Lumber Ready-Mix	Ready-mixed concrete	10	1914
Martin Signs	Wooden & painted signs	5	1986
Perry Manufacturing	Work uniform shirts, dress shirts	210	1994
Wayne Supply	Reg. service. ctr., industrial heavy equipment	115	N/A

Source: Kentucky Cabinet for Economic Development (8/21/2007).



### Business Cost

	Kentucky Index, 2005 (U.S. = 100)
Labor Cost	97
Energy Cost	67
Overall Business Cost	92

*Kentucky has the 13th lowest overall business cost in the nation.*

	Gross State Product Per Wage, 2004
Kentucky	\$2.21
U.S.	\$2.17

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

	Industrial Electric Cost Per KWH, 2005
Kentucky	\$0.04
U.S.	\$0.06

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

### Perry County Statistical Summary

	Population 2007
Perry County	29,921
Labor Market Area	202,903

	Perry County
Per Capita Income 2,005	\$24,246
Median Household Income 2007	\$25,978
Median Home Price 2004	\$60,950

	Total Available Labor 2005
Perry County	2,208
Labor Market Area	16,350

	Unemployment Rate 2005
Perry County	6.9
Labor Market Area	7.6
U.S.	4.6

	Average Weekly Wage 2005
Perry County	\$609
Labor Market Area	\$591
U.S.	\$782

**Tax Base Information**

<u>Year</u>	<u>Real Estate</u>	<u>Tangible Property</u>	<u>Motor Vehicles</u>	<u>Watercraft</u>	<u>Total Assessed Value</u>
05/06	\$969,240,395	\$280,222,401	\$171,715,461	\$3,908,055	\$1,425,086,312
04/05	927,277,446	292,143,209	159,538,953	4,512,282	1,383,471,890
03/04	799,887,042	264,449,929	146,786,930	4,511,173	1,215,635,074
02/03	749,191,747	265,185,482	149,876,962	4,431,765	1,168,685,956
01/02	684,699,676	242,336,835	140,150,087	4,373,641	1,071,560,239

**Assessment Rates (per \$100.00 assessed valuation)**

<u>Year</u>	<u>Real Estate</u>	<u>Tangible Personal</u>	<u>Motor Vehicles</u>	<u>Watercraft</u>
06/07	7.93¢	12.60¢	14.40¢	14.40¢
05/06	7.58¢	12.18¢	14.40¢	14.40¢
04/05	8.02¢	12.16¢	14.40¢	14.40¢
03/04	8.08¢	11.83¢	14.40¢	14.40¢
02/03	8.38¢	11.97¢	14.40¢	14.40¢
01/02	8.64¢	12.44¢	14.40¢	14.40¢

**County Tax Collections**

<u>Year</u>	<u>Net Tax Collections To County</u>
06/07	\$966,525.96
05/06	906,168.10
04/05	941,230.08
03/04	954,765.00
02/03	805,036.00

**Largest Corporate Taxpayers**

<u>Name</u>	<u>Total Assessed &amp; R.E. Valuation</u>
American Woodmark	\$7,782,000
Michahroi Ltd. Of Alabama	6,500,000
Appalachian Realty Company	5,130,000
Trus Joist, Weyerhaeuser Business	3,950,000
Kentucky River Properties LLC	3,734,850
Hazard LTD aka Cherokee Hills	3,394,200
CP Hazard Associates LP	3,040,000
OTR Kmart Corporation	2,466,000

**Outstanding Indebtedness of the County (Source: June 30, 2006 Kentucky Local Debt Report)**

*See following pages*



COUNTY PERRY  
SUMMARY OF DEBTS OUTSTANDING  
BY GOVERNMENTAL UNIT AND TYPE  
JUNE 30, 2006

GOVERNMENTAL UNIT PURPOSE AND TYPE	DATE	ORIGINAL ISSUE	RATE OF INTEREST	MATURITY DATES	PRINCIPLE OUTSTANDING EACH RATE	TOTAL
Perry						
Perry County						
Detention Facility		ISSUE ID: 11230		ISSUE TYPE: Bond		
General Obligation	06-15-2000	\$6,050,000	6.5000	05-2006/2006	\$2,050,000	
ISSUE TOTAL						\$2,050,000
Roads		ISSUE ID: 12764		ISSUE TYPE: Bond		
General Obligation	09-30-2005	\$1,030,000	3.2500	10-2006/2006	\$85,000	
			3.5000	10-2007/2007	\$90,000	
			3.7000	10-2008/2008	\$95,000	
			3.8000	10-2009/2009	\$95,000	
			3.9000	10-2010/2011	\$205,000	
			4.4000	10-2012/2015	\$460,000	
ISSUE TOTAL						\$1,030,000
Solid Waste		ISSUE ID: 10504		ISSUE TYPE: Bond		
Revenue	09-22-1998	\$6,712,000	.0000	09-2028/2028	\$6,712,000	
ISSUE TOTAL						\$6,712,000
Health Department/Center		ISSUE ID: 10096		ISSUE TYPE: Bond		
Revenue	06-01-1996	\$3,155,000	6.2500	06-2006/2010	\$805,000	
			6.3750	06-2011/2016	\$1,375,000	
ISSUE TOTAL						\$2,180,000
Solid Waste		ISSUE ID: 10005		ISSUE TYPE: Bond		
Revenue	05-14-1997	\$11,650,000	6.5500	04-2027/2027	\$11,650,000	
ISSUE TOTAL						\$11,650,000
Solid Waste		ISSUE ID: 9608		ISSUE TYPE: Bond		
Revenue	06-29-1994	\$43,500,000	7.0000	06-2024/2024	\$43,500,000	
ISSUE TOTAL						\$43,500,000
Justice Center		ISSUE ID: 11717		ISSUE TYPE: Bond		
Revenue	04-04-2002	\$6,240,000	3.1000	10-2005/2005	\$225,000	
			3.4000	10-2006/2006	\$235,000	
			3.7000	10-2007/2007	\$240,000	
			3.9000	10-2008/2008	\$250,000	
			4.1000	10-2009/2009	\$260,000	
			4.2500	10-2010/2010	\$270,000	
			4.3500	10-2011/2011	\$280,000	
			4.4500	10-2012/2012	\$290,000	
			4.5500	10-2013/2013	\$305,000	
			4.6000	10-2014/2016	\$995,000	
			4.7000	10-2017/2017	\$365,000	
			4.8000	10-2018/2022	\$2,090,000	
ISSUE TOTAL						\$5,805,000
Health Department/Center		ISSUE ID: 5602		ISSUE TYPE: Bond		
Revenue	08-21-1984	\$26,100,000	.0000	08-2006/2006	\$16,720,000	
ISSUE TOTAL						\$16,720,000
Justice Center		ISSUE ID: 11893		ISSUE TYPE: Bond		
Lease Revenue	01-04-2001	\$2,250,000	5.6000	06-2006/2022	\$2,035,000	
ISSUE TOTAL						\$2,035,000
Industrial Facility		ISSUE ID: 5131		ISSUE TYPE: Bond		
Industrial Revenue	09-01-1983	\$1,000,000	.0000	05-2013/2013	\$1,000,000	
ISSUE TOTAL						\$1,000,000
Industrial Facility		ISSUE ID: 9620		ISSUE TYPE: Bond		
Industrial Revenue	12-15-1993	\$103,000,000	6.5000	12-2018/2018	\$103,000,000	
ISSUE TOTAL						\$103,000,000
Vehicles		ISSUE ID: 13120		ISSUE TYPE: Lease		
General Obligation	06-21-2006	\$180,000	4.2000	07-2007/2007	\$180,000	
ISSUE TOTAL						\$180,000
Vehicles		ISSUE ID: 12625		ISSUE TYPE: Lease		
Renewable	12-28-2004	\$72,169	2.1750	07-2005/2008	\$72,169	
ISSUE TOTAL						\$72,169
Lease Purchase		ISSUE ID: 10452		ISSUE TYPE: Lease		
Renewable	05-03-1998	\$1,930,000	5.1500	06-2006/2008	\$255,000	
			5.5000	06-2009/2013	\$525,000	
			5.7500	06-2014/2018	\$685,000	
ISSUE TOTAL						\$1,465,000
TOTAL Perry County						\$93,399,169
TOTAL INDUSTRIAL REVENUE FOR Perry County						\$104,000,000



*APPENDIX C*

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*Comprehensive Annual Financial Report of the County of Perry, Kentucky  
For the Fiscal Year Ending June 30, 2006*

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

**For The Fiscal Year Ended  
June 30, 2006**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE PERRY COUNTY FISCAL COURT**

**June 30, 2006**

Chris Gooch, Certified Public Accountant has completed the audit of the Perry County Fiscal Court for fiscal year ended June 30, 2006. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Perry County, Kentucky.

#### **Financial Condition:**

The fiscal court had net assets of \$9,858,614 as of June 30, 2006. The fiscal court had unrestricted net assets of \$2,065,288 in its governmental activities as of June 30, 2006, with total net assets of \$9,858,614. In its enterprise fund, total net cash and cash equivalents were \$-0- with total net assets of \$-0-. The fiscal court had total debt principal as of June 30, 2006 of \$15,500,795 with \$679,865 due within the next year.

#### **Deposits:**

As of June 30, 2006, the fiscal court and component units' deposits were insured and collateralized by bank securities or bonds.

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# Chris Gooch

Certified Public Accountant  
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(606) 436-5700

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To the People of Kentucky

Honorable Ernie Fletcher, Governor  
Robert M. Burnside, Secretary  
Finance and Administration Cabinet  
Honorable Denny Ray Noble, Perry County Judge/Executive  
Members of the Perry County Fiscal Court

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Perry County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Perry County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry County, Kentucky, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the modified cash basis.

In accordance with Government Auditing Standards, we have also issued our report dated June 25, 2007 on our consideration of Perry County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robert M. Burnside, Secretary  
Finance and Administration Cabinet  
Honorable Denny Ray Noble, Perry County Judge/Executive  
Members of the Perry County Fiscal Court

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

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

Respectfully submitted,

Chris Gooch  
Certified Public Accountant

June 25, 2007

## **PERRY COUNTY OFFICIALS**

For The Year Ended June 30, 2006

### **Fiscal Court Members:**

Denny Ray Noble	County Judge/Executive
Earl Bailey	Magistrate
Jimmy D. Neace	Magistrate
Johnny Blair	Magistrate

### **Other Elected Officials:**

John Carl Shackleford	County Attorney
McClee Feltner	Jailer
Tammy Walls	Jailer (appointed January 3, 2006)
Haven King	County Clerk
Roger Collins	Circuit Court Clerk
Pat Wooton	Sheriff
John Frank Gross	Property Valuation Administrator
Jimmy Maggard	Coroner

### **Appointed Personnel:**

Tonya Delph	County Treasurer
Joyce Napier	Finance Officer

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Office of the County Judge – Executive  
Denny Ray Noble



P.O. Drawer 210  
HAZARD, KENTUCKY 41701  
(606) 436-4513

## Management's Discussion and Analysis June 30, 2006

The financial management of Perry County, Kentucky offers readers of Perry County's financial statements this narrative overview and analysis of the financial activities of Perry County for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

### **Financial Highlights.**

- Perry County has net capital assets of \$19,959,785 as of June 30, 2006. The fiscal court had unrestricted net assets of \$2,065,288 in its governmental activities as of June 30, 2006. Total debt principal as of June 30, 2006 was \$15,500,795 with \$679,865 due within one year.
- At the close of the current fiscal year, Perry County's governmental funds balance sheet reported a fund balance of \$2,233,374. Of this amount, \$2,138,897 is available for spending (unreserved fund balance).
- Perry County's total indebtedness at the close of fiscal year June 30, 2006 was \$15,500,795, of which \$14,820,930 is long-term debt (due after one year). There were \$1,030,000 in debt additions and debt reductions totaled \$627,505.
- Expended \$90,380 in PRIDE Community Grants.
- Expended \$1,853,348 related to waterline extensions using Coal Severance Tax funds.
- New debt service, road bond \$1,030,000 incurred in fiscal year.
- Kentucky River Regional Jail Authority assumed operations of the Jail Canteen fund and Jail Inmate fund beginning July 1, 2005.

### **Overview of the Financial Statements**

This management discussion and analysis is intended to serve as an introduction to Perry County's basic financial statements. Perry County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function. Comparative schedules of net assets and capital assets net of accumulated depreciation have been included here in.

Perry County  
Management's Discussion and Analysis  
June 30, 2006  
(Continued)

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

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

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

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

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

Both of the government-wide financial statements distinguish functions of Perry County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type). Perry County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. Perry County has one business-type activity – the operation of a jail canteen.

The government-wide financial statements include not only Perry County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with Perry County. Perry County has one such entity, the Public Properties Corporation. It is known as a blended component unit.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Perry County, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Perry County can be divided into three broad categories: *governmental funds, proprietary funds, and fiduciary funds*.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the

Perry County  
Management's Discussion and Analysis  
June 30, 2006  
(Continued)

government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Perry County maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund, LGEA Fund and Coal Severance Project Fund, all of which are considered major funds by Perry County. E-911 Fund, KREDA Fund, Area Development Fund, FEMA Fund, Perry County Emergency Fund, Buckhorn Waterline Fund, Forestry Fund, Coal Severance Project Fund, Public Properties Corporation Bond Fund, CDBG Fund, Justice Center Corporation Fund and Community Corrections Fund are considered non-major funds and are represented in a combined form.

Perry County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

**Proprietary Funds.** Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund. Kentucky River Regional Jail Authority assumed operations of the Jail Canteen Fund beginning July 1, 2005.

**Fiduciary Funds.** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The County's only fiduciary fund is the Jail Inmate fund, an agency fund. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. Kentucky River Regional Jail Authority assumed operations of the Jail Inmate Fund beginning July 1, 2005.

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

**Government-wide Financial Analysis.**

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

Perry County  
Management's Discussion and Analysis  
June 30, 2006  
(Continued)

**Net Assets (Continued).**

**Table 1**  
**Perry County's Net Assets**

	2006			2005		
	Governmental Activities	Business-Type Activities	Totals	Governmental Activities	Business-Type Activities	Totals
<b>Assets</b>						
Current Assets	\$ 2,802,515	\$ -	\$ 2,802,515	\$ 2,009,351	\$ 14,973	\$ 2,024,324
Capital Assets	22,556,894	-	22,556,894	22,472,921	-	22,472,921
<b>Total Assets</b>	<b>\$ 25,359,409</b>	<b>\$ -</b>	<b>\$ 25,359,409</b>	<b>\$ 24,482,272</b>	<b>\$ 14,973</b>	<b>\$ 24,497,245</b>
<b>Liabilities</b>						
Debt Service	\$ 15,500,795	\$ -	\$ 15,500,795	\$ 15,098,300	\$ -	\$ 15,098,300
<b>Total Liabilities</b>	<b>\$ 15,500,795</b>	<b>\$ -</b>	<b>\$ 15,500,795</b>	<b>\$ 15,098,300</b>	<b>\$ -</b>	<b>\$ 15,098,300</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	\$ 7,625,240	\$ -	\$ 7,625,240	\$ 7,943,762	\$ -	\$ 7,943,762
Restricted	168,086	-	168,086	168,088	14,973	183,061
Unrestricted	2,065,288	-	2,065,288	1,272,122	-	1,272,122
<b>Total Net Assets</b>	<b>\$ 9,858,614</b>	<b>\$ -</b>	<b>\$ 9,858,614</b>	<b>\$ 9,383,972</b>	<b>\$ 14,973</b>	<b>\$ 9,398,945</b>

Comments regarding Perry County's Net Asset comparisons:

- Kentucky River Regional Jail Authority assumed operation of the Jail Canteen Fund beginning July 1, 2005.
- Debt principal increase of \$1,030,000 and debt reduction of \$627,505.
- Fixed asset additions of \$1,304,311 for which \$1,214,092 were road and bridge improvements.
- Note receivable decrease of \$325,475.

**Table 2**  
**Perry County's Change in Net Assets**

	2006			2005		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
<b>Revenues:</b>						
Charges for Services	16,199	-	16,199	31,457	285,833	317,290
Operating Grants & Contributions	6,636,607	-	6,636,607	5,295,871	-	5,295,871
Capital Grants & Contributions	1,966,759	-	1,966,759	2,218,981	-	2,218,981
Taxes & Excess Fees	2,103,994	-	2,103,994	2,151,298	-	2,151,298
Miscellaneous Revenue	1,153,607	-	1,153,607	434,469	156	434,625
<b>Total Revenues</b>	<b>11,877,166</b>	<b>-</b>	<b>11,877,166</b>	<b>10,132,076</b>	<b>285,989</b>	<b>10,418,065</b>

Perry County  
 Management's Discussion and Analysis  
 June 30, 2006  
 (Continued)

**Change in Net Assets (Continued).**

	2006			2005		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
Expenses:						
General Government	3,490,321	-	3,490,321	2,450,068	-	2,450,068
Protection to Persons & Property	2,009,231	-	2,009,231	1,814,311	-	1,814,311
General Health & Sanitation	2,068,922	-	2,068,922	480,229	-	480,229
Social Services	182,500	-	182,500	30,407	-	30,407
Recreation & Culture	326,977	-	326,977	94,097	-	94,097
Roads	2,394,798	-	2,394,798	763,029	-	763,029
Interest on Long-Term Debt	723,760	-	723,760	590,027	-	590,027
Capital Projects	249,354	-	249,354	1,991,800	-	1,991,800
Jail Canteen Fund	-	14,973	14,973	-	305,490	305,490
<b>Total Expenses</b>	<u>11,445,863</u>	<u>14,973</u>	<u>11,460,836</u>	<u>8,213,968</u>	<u>305,490</u>	<u>8,519,458</u>
<b>Change in Net Assets</b>	<u>431,303</u>	<u>(14,973)</u>	<u>416,330</u>	<u>1,918,108</u>	<u>(19,501)</u>	<u>1,898,607</u>

Comments regarding Perry County's Change in Net Asset comparisons:

- Roads expense increased \$1,631,769. A Road Bond was acquired for \$1,030,000.
- Miscellaneous Revenue includes escrow fund pass-through to finance debt service, \$603,920, reflected in the Justice Center Corporation Fund.
- General Health and Sanitation include \$1,853,348 in water line extension projects.
- The Jail Canteen Fund operations were assumed by the Kentucky River Regional Jail Authority beginning July 1, 2005.

**Financial Analysis of Perry County's Funds**

As noted earlier, Perry County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the June 30, 2006 fiscal year, the combined ending fund balance of Perry County governmental funds was \$2,233,374. Approximately 96% (\$2,138,897) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$94,477) is reserved to indicate that it is not available for new spending because it is committed.



### **Financial Analysis of Perry County's Funds (Continued)**

Perry County has 5 major governmental funds. These are 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) Local Government Economic Assistance Fund (LGEA) Fund; and 5) Coal Severance Project Fund. There are 12 non-major funds. They are the E-911 Fund, KREDA Fund, Area Development Fund, FEMA Fund, Perry County Emergency Fund, Buckhorn Water Line Fund, Forestry Fund, Community Development Block Grant Fund, Justice Center Corporation Fund, Community Corrections Fund, and Public Properties Corporation Bond Fund.

1. The General Fund is the chief operating fund of Perry County. At the end of June 30, 2006 fiscal year, unreserved fund balance of the General Fund was \$576,794, while total fund balance was \$577,122. The county received \$1,746,169 in real and personal property, motor vehicle, and other taxes for approximately 74% of the county's general fund revenues. Various other service fees, and miscellaneous revenues make up the remaining 26% of revenue.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$196,361 in fund balance at June 30, 2006. The fund balance at the end of the previous year was \$245,574. The fiscal year 2006 expenditures for road projects were \$1,504,154.
3. The Jail Fund is used to account for the operation of Perry County's detention program. The Jail Fund had a fund balance at June 30, 2006 of \$11,590. The Jail Fund received \$171,903 for intergovernmental fees, primarily for housing prisoners. Other funds of the County contributed \$1,212,000 to the jail operations.
4. The Local Government Economic Assistance (LGEA) Fund has a fund balance of \$1,276,166, an increase of \$935,624 over the previous fiscal year end.
5. The E-911 fund is used to account for the operation of Perry County E-911 System. The E-911 Fund had \$29,787 in fund balance on June 30, 2006. The fund balance at the end of the previous fiscal year was \$36,051.
6. The Forestry Fund is used to account for funds received from fire protection. The county received \$6,609 in tax receipts. The Fund balance as of June 30, 2006 was \$7,113 a decrease of \$410.
7. The KREDA Fund had a balance at June 30, 2006 of \$6,402. The amount of funds are reserved for bond payment of the Cintas building only.
8. The Perry County Coal Severance Special Projects Fund was restricted for various Perry County line item projects. The county received grants totaling \$3,717,744 and interest of \$1,023. The County expended \$3,036,767 during the fiscal year. The fund balance as of June 30, 2006 was \$9,285.
9. The Perry County Public Properties Corporation fund has funds left over from bonds. There was a prior year carryover of \$109,774.
10. The CDBG Fund was restricted to Perry County Water Lines. The funds received \$3,500 in federal funds from the Governor Office for Local Development and expended \$3,500.

### **Financial Analysis of Perry County's Funds (Continued)**

11. The Buckhorn Water Line Fund is money that has been receipted from citizens of Buckhorn for water lines. There was a prior year carryover of \$9. \$10 was expended during the fiscal year.
12. The Area Development Fund is used to match grants that are received through Kentucky River Area Development District. This fund has a balance of \$32 from prior year carry over. There was no activity in this fund during the Fiscal Year.
13. The Justice Center Corporation Fund was used to account for the financial resources for the construction of the Perry County Justice Center. The fund balance of \$6,175 exists at June 30, 2006.
14. The Public Properties Corporation Bond Fund accounts for the financial resources for the payment of general long-term debt principal and interest. The fund balance of \$75,090 exists at June 30, 2006.
15. The FEMA Fund receives revenue from federal grants for disasters. A balance of \$1,532 from prior year carryover was expended during the Fiscal Year.
16. The Perry County Emergency Fund are funds from Federal Grants to be used for Emergency management office equipment to support hazardous areas in Perry County. There is a fund balance of \$3,218, these funds are from prior year carryover. There was no activity in this fund during the Fiscal Year.
17. The Community Correction Fund received \$41,000 in state funds for various law enforcement purposes. This fund was established in 2005-06. A fund balance of \$21,017 exists at June 30, 2006.

*Proprietary Funds Overview.* Perry County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Perry County has no enterprise funds at June 30, 2006. \$14,973 was transferred to Kentucky Regional Jail Authority resulting in a -0- balance at June 30, 2006.

### **General Fund Budgetary Highlights**

Perry County's original budget was amended during the fiscal year increasing the operating budget by \$418,895. Budget amendments were made to all areas due to state and federal grants, surplus carried forward, and increase in several accounts as opposed to projected collections.

Actual operating revenues were \$118,041 less than amount originally budgeted by Fiscal Court. This decrease was primarily from Intergovernmental sources and excess fees.

Actual operating expenditures were \$326,066 less than the amount originally budgeted by Fiscal Court.

Perry County  
 Management's Discussion and Analysis  
 June 30, 2006  
 (Continued)

### Capital Assets and Debt Administration

*Capital Assets.* Perry County's investment in capital assets for its government activities as of June 30, 2006, amounts to \$19,959,785, net of depreciation. This investment in capital assets includes land, building, improvements to land other than buildings, machinery and equipment, vehicles and infrastructure.

Major capital asset events during the 2006 fiscal year included infrastructure. Additional information on Perry County's capital assets can be found in Note 3 of this report.

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

	<b>Governmental Activities</b>	
	2006	2005
Infrastructure	\$ 1,962,917	\$ 1,361,924
Land	2,730,802	2,730,802
Buildings and Improvements	14,252,748	14,341,742
Vehicles and Equipment	<u>1,013,318</u>	<u>1,115,869</u>
<b>Total Net Capital Assets</b>	<b><u>\$ 19,959,785</u></b>	<b><u>\$ 19,550,337</u></b>

*Long-Term Debt.* At the end of the 2006 fiscal year, Perry County had total long-term debt outstanding of \$15,500,795. The amount of this debt due within the next year is \$679,865 and \$14,820,930 is due in subsequent years. This debt is for the detention center, the Justice Center, various vehicles and equipment and refinancing of older debt obligations. This debt is described in Note 5 of the notes to the financial statements.

### Other Matters

The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken in to account in developing the 2007 fiscal year budget:

- The 2007 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects that have been completed or are nearing completion.
- Program cuts at the State level may have a negative impact on funding for County programs. The Fiscal Court may decide to alter the operations or funding of County operations impacted by State revenue shortfalls.

### Request for Information

This financial report is designed to provide a general overview of Perry County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Perry County Treasurer, (Tonya Delph, PO Drawer 210, Hazard, Kentucky 41702.)

**PERRY COUNTY**  
**STATEMENT OF NET ASSETS – MODIFIED CASH BASIS**

**June 30, 2006**

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**PERRY COUNTY**  
**STATEMENT OF NET ASSETS – MODIFIED CASH BASIS**

**June 30, 2006**

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Totals</u>
	<u>Activities</u>	<u>Activities</u>	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 2,233,374	\$ -	\$ 2,233,374
Notes Receivable Due Within One Year	<u>569,141</u>	<u>-</u>	<u>569,141</u>
Total Current Assets	<u>2,802,515</u>	<u>-</u>	<u>2,802,515</u>
Noncurrent Assets:			
Notes Receivable Due In More Than One Year	2,597,109	-	2,597,109
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	2,730,802	-	2,730,802
Buildings	14,252,748	-	14,252,748
Vehicles and Equipment	1,013,318	-	1,013,318
Infrastructure Assets - Net of Depreciation	<u>1,962,917</u>	<u>-</u>	<u>1,962,917</u>
Total Noncurrent Assets	<u>22,556,894</u>	<u>-</u>	<u>22,556,894</u>
Total Assets	<u>25,359,409</u>	<u>-</u>	<u>25,359,409</u>
<b>LIABILITIES</b>			
Current Liabilities:			
General Obligation Bonds Payable	250,000	-	250,000
Revenue Bonds Payable	235,000	-	235,000
Financing Obligations Payable	<u>194,865</u>	<u>-</u>	<u>194,865</u>
Total Current Liabilities	<u>679,865</u>	<u>-</u>	<u>679,865</u>
Noncurrent Liabilities:			
General Obligation Bonds Payable	6,290,000	-	6,290,000
Revenue Bonds Payable	5,345,000	-	5,345,000
Financing Obligations Payable	<u>3,185,930</u>	<u>-</u>	<u>3,185,930</u>
Total Noncurrent Liabilities	<u>14,820,930</u>	<u>-</u>	<u>14,820,930</u>
Total Liabilities	<u>15,500,795</u>	<u>-</u>	<u>15,500,795</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt			
	7,625,240	-	7,625,240
Restricted For:			
Capital Projects	95,348	-	95,348
Debt Service	72,738	-	72,738
Unrestricted	<u>2,065,288</u>	<u>-</u>	<u>2,065,288</u>
Total Net Assets	<u>9,858,614</u>	<u>-</u>	<u>9,858,614</u>

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

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**PERRY COUNTY  
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2006**



**PERRY COUNTY**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2006**

<b>Functions/Programs Reporting Entity</b>	<b>Program Revenues Received</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 3,490,321	\$ -	\$ 3,223,134	\$ -
Protection to Persons and Property	2,009,231	16,199	1,698,211	-
General Health and Sanitation	2,068,922	-	-	1,853,348
Social Services	182,500	-	150,000	-
Tourism, Recreation and Culture	326,977	-	61,108	-
Roads	2,394,798	-	1,504,154	-
Interest on Long-Term Debt	723,760	-	-	-
Capital Projects	<u>249,354</u>	<u>-</u>	<u>-</u>	<u>113,411</u>
Total Governmental Activities	<u>\$ 11,445,863</u>	<u>\$ 16,199</u>	<u>\$ 6,636,607</u>	<u>\$ 1,966,759</u>
Business-type Activities;				
Jail Canteen	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Business-type Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 11,445,863</u>	<u>\$ 16,199</u>	<u>\$ 6,636,607</u>	<u>\$ 1,966,759</u>

**General Revenues:**

## Taxes:

Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes  
Other Taxes  
Excess Fees  
Miscellaneous  
Accrued Interest Received

Total General Revenues

Changes in Net Assets

Net Assets - Beginning (Restated)

Transfer to Kentucky Regional Jail Authority

Net Assets - Ending

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

**PERRY COUNTY**  
**STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2006**

(Continued)

<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
<u>Primary Government</u>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
\$ (267,187)	\$ -	\$ (267,187)
(294,821)	-	(294,821)
(215,574)	-	(215,574)
(32,500)	-	(32,500)
(265,869)	-	(265,869)
(890,644)	-	(890,644)
(723,760)	-	(723,760)
<u>(135,943)</u>	<u>-</u>	<u>(135,943)</u>
<u>\$ (2,826,298)</u>	<u>\$ -</u>	<u>\$ (2,826,298)</u>
-	-	-
-	-	-
<u>\$ (2,826,298)</u>	<u>\$ -</u>	<u>\$ (2,826,298)</u>
\$ 767,265	\$ -	\$ 767,265
92,928	-	92,928
210,955	-	210,955
981,205	-	981,205
51,641	-	51,641
1,141,756	-	1,141,756
<u>11,851</u>	<u>-</u>	<u>11,851</u>
\$ 3,257,601	\$ -	\$ 3,257,601
431,303	-	431,303
9,427,311	-	9,427,311
<u>-</u>	<u>(14,973)</u>	<u>(14,973)</u>
<u>\$ 9,858,614</u>	<u>\$ (14,973)</u>	<u>\$ 9,843,641</u>

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

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**PERRY COUNTY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

**June 30, 2006**

**PERRY COUNTY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

**June 30, 2006**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 577,122	\$ 196,361	\$ 11,590
Investments	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 577,122</u>	<u>\$ 196,361</u>	<u>\$ 11,590</u>
<b>FUND BALANCES</b>			
Fund Balances:			
Reserved for:			
Encumbrances	328	80,892	237
Unreserved:			
General Fund	576,794	-	-
Special Revenue fund	-	115,469	11,353
Capital Projects Fund	-	-	-
Debt Service Fund	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 577,122</u>	<u>\$ 196,361</u>	<u>\$ 11,590</u>

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

**PERRY COUNTY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**June 30, 2006**  
**(Continued)**

<b>LGEA Fund</b>	<b>Coal Severance Special Projects Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$ 1,276,166	\$ 9,285	\$ 81,585	\$ 2,152,109
<u>-</u>	<u>-</u>	<u>81,265</u>	<u>81,265</u>
<u>\$ 1,276,166</u>	<u>\$ 9,285</u>	<u>\$ 162,850</u>	<u>\$ 2,233,374</u>
12,759	-	261	94,477
-	-	-	576,794
1,263,407	9,285	81,322	1,480,836
-	-	6,177	6,177
<u>-</u>	<u>-</u>	<u>75,090</u>	<u>75,090</u>
<u>\$ 1,276,166</u>	<u>\$ 9,285</u>	<u>\$ 162,850</u>	<u>\$ 2,233,374</u>

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

Total Fund Balances \$ 2,233,374

Amounts Reported for Governmental Activities  
in the Statement of Net Assets are Different  
because of the following:

Principal on Long-term Receivables is not Reported in the Fund Financial Statements	3,166,250
Capital Assets Used in Governmental Activities are not Financial Resources and are not Reported in the Funds	23,429,123
Accumulated Depreciation	(3,469,338)
Long-term Debt is not Due and Payable in the Current Period and, Therefore, is not Reported in the Funds	
Financing Obligations	(3,380,795)
Bonded Debt	<u>(12,120,000)</u>

Net Assets of Governmental Activities \$ 9,858,614

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

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**PERRY COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2006**



**PERRY COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2006**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>
<b>REVENUES</b>			
Taxes	\$ 1,467,425	\$ -	\$ -
Excess Fees	51,641	-	-
Licenses and Permits	227,103	2,220	-
Intergovernmental	538,563	1,610,491	171,903
Charges for Services	16,199	-	-
Miscellaneous	72,640	206,106	8,818
Interest	1,703	1,995	115
Total Revenues	<u>\$ 2,375,274</u>	<u>\$ 1,820,812</u>	<u>\$ 180,836</u>
<b>EXPENDITURES</b>			
General Government	\$ 1,259,649	\$ -	\$ -
Protection to Persons and Property	11,100	-	1,155,440
General Health and Sanitation	38,439	-	-
Social Services	4,108	-	-
Tourism	45,482	-	-
Recreation and Culture	-	-	-
Roads	-	1,504,154	-
Debt Service	-	254,519	214,522
Capital Projects	-	-	-
Administration	988,772	111,352	17,478
Total Expenditures	<u>\$ 2,347,550</u>	<u>\$ 1,870,025</u>	<u>\$ 1,387,440</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ 27,724</u>	<u>\$ (49,213)</u>	<u>\$ (1,206,604)</u>
<b>Other Financing Sources (Uses)</b>			
Bond Proceeds	-	-	-
Transfers from Other Funds	255,368	-	1,212,000
Transfers to Other Funds	(95,000)	-	-
Total Other Financing Sources (Uses)	<u>\$ 160,368</u>	<u>\$ -</u>	<u>\$ 1,212,000</u>
Net Change in Fund Balances	188,092	(49,213)	5,396
Fund Balances - Beginning	<u>389,030</u>	<u>245,574</u>	<u>6,194</u>
Fund Balances - Ending	<u>\$ 577,122</u>	<u>\$ 196,361</u>	<u>\$ 11,590</u>

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

**PERRY COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**For the Year Ended June 30, 2006**  
**(Continued)**

<u>LGEA</u> <u>Fund</u>	<u>Coal Severance</u> <u>Special Projects</u> <u>Fund</u>	<u>Non-</u> <u>Major</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ -	\$ -	\$ 268,733	\$ 1,736,158
-	-	-	51,641
86,872	-	-	316,195
2,771,118	3,717,744	119,022	8,928,841
-	-	-	16,199
60,596	-	793,596	1,141,756
3,296	1,023	3,719	11,851
<u>\$ 2,921,882</u>	<u>\$ 3,718,767</u>	<u>\$ 1,185,070</u>	<u>\$ 12,202,641</u>
\$ -	\$ 658,900	\$ -	\$ 1,918,549
171,225	200,000	362,517	1,900,282
175,593	1,853,348	1,542	2,068,922
28,392	150,000	-	182,500
-	-	-	45,482
208,100	61,108	7,048	276,256
381,853	-	-	1,886,007
73,204	-	809,020	1,351,265
10,626	113,411	1,425,536	1,549,573
271,820	-	51,219	1,440,641
<u>\$ 1,320,813</u>	<u>\$ 3,036,767</u>	<u>\$ 2,656,882</u>	<u>\$ 12,619,477</u>
<u>\$ 1,601,069</u>	<u>\$ 682,000</u>	<u>\$ (1,471,812)</u>	<u>\$ (416,836)</u>
-	-	1,210,000	1,210,000
606,472	-	50,485	2,124,325
(1,271,918)	(755,174)	(2,233)	(2,124,325)
<u>\$ (665,446)</u>	<u>\$ (755,174)</u>	<u>\$ 1,258,252</u>	<u>\$ 1,210,000</u>
935,623	(73,174)	(213,560)	793,164
340,543	82,459	376,410	1,440,210
<u>\$ 1,276,166</u>	<u>\$ 9,285</u>	<u>\$ 162,850</u>	<u>\$ 2,233,374</u>

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

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

**For the Year Ended June 30, 2006**

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

**For the Year Ended June 30, 2006**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ 793,164
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital Outlay	1,304,310
Assets Held for Resale Are Reported in the Funds as an Expenditure but as an Asset on the Statement of Net Assets	180,000
Disposal of Asset Held for Resale	(168,330)
Loss on Disposal of Asset Held for Resale	(11,670)
Depreciation Expense	(938,201)
Principal on Receivable Forgiven	(325,475)
<p>Proceeds from debt service is reflected as an increase in fund balance for fund financial statements - lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources. These transactions, however, have no effect on net assets</p>	
Bond Proceeds	(1,210,000)
Financing Obligations	247,505
Bond Payments	<u>560,000</u>
Change in Net Assets of Governmental Activities	<u>\$ 431,303</u>

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

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**PERRY COUNTY**  
**STATEMENT OF FUND NET ASSETS – PROPRIETARY FUND – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2006**



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**PERRY COUNTY**  
**STATEMENT OF FUND NET ASSETS – PROPRIETARY FUND – MODIFIED CASH BASIS**

**June 30, 2006**

	Business-type Activities
	Enterprise Fund
	Jail Canteen Fund
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ -
Total Current Assets	-
Total Noncurrent Assets	-
Total Assets	-
<b>Net Assets</b>	
Restricted	-
Total Net Assets	\$ -

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

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**PERRY COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –**  
**PROPRIETARY FUND – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2006**

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**PERRY COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS –**  
**PROPRIETARY FUND – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2006**

	Business-type Activities
	Enterprise Fund
	Jail Canteen Fund
<b>Operating Revenues</b>	
Canteen Receipts	\$ -
Total Operating Revenues	-
<b>Operating Expenses</b>	
Cost of Sales	-
Total Operating Expenses	-
Operating Income (Loss)	-
<b>Nonoperating Revenues (Expenses)</b>	
Interest Income	-
Transfers to Other Governmental Units	(14,973)
Total Nonoperating Revenues (Expenses)	(14,973)
Change in Net Assets	(14,973)
Total Net Assets - Beginning	14,973
Total Net Assets - Ending	\$ -

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

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**PERRY COUNTY**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2006**



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**PERRY COUNTY**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND – MODIFIED CASH BASIS**

**For the Year Ended June 30, 2006**

	Business-type Activities
	Enterprise Fund
	Jail Canteen Fund
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ -
Cost of Sales	-
Nets Cash Used By Operating Activities	-
<b>Cash Flows From Investing Activities</b>	
Interest Earned	-
Net Cash Provided By Investing Activities	-
<b>Cash Flows From Financing Activities</b>	
Transfer to Other Governmental Units	(14,973)
Net Cash Provided By Financing Activities	(14,973)
Net Increase (Decrease) in Cash and Cash Equivalents	(14,973)
Cash and Cash Equivalents - July 1, 2005	14,973
Cash and Cash Equivalents - June 30, 2006	\$ -
 <b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	\$ -
Total Cash Used By Operating Activities	\$ -

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

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**PERRY COUNTY**  
**STATEMENT OF FUND NET ASSETS – FIDUCIARY FUND – MODIFIED CASH BASIS**

**June 30, 2006**

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**PERRY COUNTY**  
**STATEMENT OF FUND NET ASSETS – FIDUCIARY FUND – MODIFIED CASH BASIS**

**June 30, 2006**

	<u>Agency Fund</u>
	Jail Inmate Fund
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ -
Total Assets	-
<b>Liabilities</b>	
Amounts Held in Custody For Others	-
Total Liabilities	\$ -

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

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2006**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet – Government Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

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

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

**B. Reporting Entity**

The financial statements of Perry County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no discretely presented component units.

The financial statements for the year ended June 30, 2006 do not reflect operations revenue and expense of the Jail Canteen Fund and Jail Inmate Fund for which administrative and financial reporting responsibilities were transferred to the Kentucky River Regional Jail Authority beginning July 1, 2005.



**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Blended Component Units

Perry County Justice Center Corporation

The Perry County Fiscal Court appoints a voting majority of the Justice Center Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Justice Center Corporation. Financial information for the Justice Center Corporation is blended with the Perry County's financial statements. All activities of the Justice Center Corporation are accounted for as a major fund of the primary government.

Perry County Public Properties Corporation

The Perry County Fiscal Court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Justice Center Corporation. Financial information for the Public Properties Corporation is blended within the Perry County's financial statements. All activities of the Public Properties Corporation are accounted for as nonmajor fund of the primary government.

**C. Perry County Constitutional Elected Officials**

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

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

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

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

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

**Governmental Funds**

The primary government reports the following major governmental funds:

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

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

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

**Governmental Funds (Continued)**

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

Local Government Economic Assistance (LGEA) Fund – The purpose of this fund is to account for funds earmarked for economic development. The primary sources of revenue for this fund are from the state. The Governor’s Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Coal Severance Special Project Fund – the purpose of this fund is to account for monies used to assist in community development and infrastructure throughout Perry County. The source of revenue for this fund is coal severance tax revenue passed through state government. The Governor’s Office for Local Development requires the fiscal court to report and budget this fund.

The primary government also has the following non-major funds: Emergency- 911 Fund, Forestry Fund, KREDA Fund, FEMA Fund, Area Development Fund, Perry County Emergency Special Fund, Buckhorn Water Line Fund, Community Development Block Grant Fund, Justice Center Corporation Fund, Community Corrections Fund and the Public Properties Corporation Bond Fund and the Public Properties Fund.

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

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Coal Severance Special Project Fund, Emergency – 911 Fund, Forestry Fund, KREDA Fund, FEMA Fund, Area Development Fund, Perry County Emergency Fund, Buckhorn Water Line Fund, and Community Corrections Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Capital Projects Fund:**

The Justice Center Corporation Fund and CDBG Fund are presented as capital project funds. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

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

**Governmental Funds (Continued)**

**Debt Service Fund:**

The Public Properties Corporation Bond Fund is presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds prior to July 1, 2005 were charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations. The Kentucky River Regional Jail Authority assumed administration and reporting of proprietary Jail Funds beginning July 1, 2005.

The primary government does not report any proprietary fund.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Fund – This fund accounted for funds received from inmates after incarceration. This fund is maintained by the Kentucky River Regional Jail Authority beginning July 1, 2005.

**E. Deposit and Investments**

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

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposit 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. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Only infrastructure assets placed in service on or after July 1, 2003, have been reported, as allowed by provisions of GASB 34.

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

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	5-15
Office Furniture and Equipment	\$ 500	3-5
Vehicles	\$ 5,000	5-7
Infrastructure	\$ 20,000	2-5

**G. Long-term Obligations**

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

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

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

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

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

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

**I. Budgetary Information**

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

The 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.

**Note 2. Deposits**

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 2. Deposits (Continued)**

Custodial credit risk is the risk that in event of bank failure the deposits may not be returned or the Perry County Fiscal Court may not recover collateral securities. The Perry County Fiscal Court requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). As of June 30, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Perry County Fiscal Court's investments consist entirely of local financial deposit money market accounts with a maturity of one-year or less. Concentrations of credit risk are the risk of loss attributed to the magnitude of the Fiscal Court's investments in a single issuer. All cash and cash equivalents of the Perry County Fiscal Court are held in local financial institutions. Foreign currency risk is the risk of changes in exchange rates effecting foreign investments. The Perry County Fiscal Court does not hold any foreign investments.

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Reporting Entity			Ending Balance
	Beginning Balance (Restated)	Increases	Decreases	
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 2,730,802	\$ -	\$ -	\$ 2,730,802
Construction In Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	<u>2,730,802</u>	<u>-</u>	<u>-</u>	<u>2,730,802</u>
Capital Assets Being Depreciated:				
Buildings	15,615,509	90,219	-	15,705,728
Vehicles and Equipment	2,019,319	-	-	2,019,319
Infrastructure	<u>1,759,182</u>	<u>1,214,092</u>	<u>-</u>	<u>2,973,274</u>
Total Capital Assets Being Depreciated	<u>19,394,010</u>	<u>1,304,311</u>	<u>-</u>	<u>20,698,321</u>
Less Accumulated Depreciation For:				
Buildings	(1,273,767)	(179,213)	-	(1,452,980)
Vehicles and Equipment	(860,112)	(145,889)	-	(1,006,001)
Infrastructure	<u>(397,258)</u>	<u>(613,099)</u>	<u>-</u>	<u>(1,010,357)</u>
Total Accumulated Depreciation	<u>(2,531,137)</u>	<u>(938,201)</u>	<u>-</u>	<u>(3,469,338)</u>
Total Capital Assets, Being Depreciated, Net	<u>16,862,873</u>	<u>366,110</u>	<u>-</u>	<u>17,228,983</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,593,675</u>	<u>\$ 366,110</u>	<u>\$ -</u>	<u>\$ 19,959,785</u>

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

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

Governmental Activities:

General Government	\$ 131,130
Protection to Persons and Property	108,949
General Health and Sanitation	-
Recreation and Culture	5,239
Roads, Including Depreciation of General Infrastructure Assets	<u>692,883</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 938,201</u></u>

**Note 4. Receivables**

A. Economic Development Block Grant Receivable

The county loaned \$1,000,000 to Trus Joist MacMillian on December 30, 1996, for the purpose of reimbursing the cost acquisition and offsite development of a manufacturing facility. Terms of the agreement stipulate a ten-year repayment schedule with zero percent interest. The agreement provides that ten percent of the loan, or \$100,000, shall be forgiven on December 30 of each year as long as the company maintains the appropriate level of job requirements. Trus Joist MacMillian is in substantial compliance with the terms of the agreement and \$100,000 of the loan was forgiven during the fiscal year ended June 30, 2006. As of June 30, 2006, the principal balance due was \$100,000.

B. Multi-County Economic Development Block Grant Receivable

The county loaned another \$1,000,000 to Trus Joist MacMillian on December 30, 1996, for the purpose of reimbursing the cost acquisition and offsite development of a manufacturing facility. Terms of the agreement stipulate a ten-year repayment schedule with a zero percent interest rate. The agreement provides that ten percent of the loan, \$100,000, shall be forgiven on December 30 of each year as long as the company maintains the appropriate level of job requirements. Trus Joist MacMillian is in substantial compliance with the terms of the agreement and \$100,000 of the loan was forgiven during the fiscal year ended June 30, 2006. As of June 30, 2006, the principal balance due was \$100,000.

C. Cintas Sales Corporation Receivable

The county loaned \$3,997,000 to Cintas Sales Corporation on March 2, 1994 for the purpose of constructing a manufacturing facility. Terms of the agreement stipulate a 25-year repayment schedule at an eight percent interest rate. The agreement also states that any shortfall in principal payments by Cintas shall be forgiven by the county and that the county will make up such difference from proceeds of coal severance monies. At the end of this agreement, it appears the property and building will transfer to Cintas with the county having to pay back the LGED grant funding from prior years. It appears that Cintas Sales Corporation is in substantial compliance with terms of the agreement. As of June 30, 2006, the principal balance due was \$2,966,250.



**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 4. Receivables (Continued)**

Notes receivable, including currently due interest receivable in the Cintas Sales Corporation obligation, as of year-end for the government's individual major funds and all other funds, in the aggregate, are as follows:

Due Within One Year	\$ 569,141
Due In More Than One Year	<u>2,597,109</u>
Total	<u><u>\$ 3,166,250</u></u>

Changes in long-term receivables:

<u>Balance</u> <u>7/1/2005</u>	<u>Principal</u> <u>Reductions</u>	<u>Balance</u> <u>6/30/2006</u>
<u>\$ 3,491,725</u>	<u>\$ (325,475)</u>	<u>\$ 3,166,250</u>

**Note 5. Long-Term Debt**

**A. Perry County Detention Center Bond**

In December 2001, the Perry County Fiscal Court issued \$6,115,000 in General Obligation Public Project Bonds to provide long-term financing for the Perry County Detention Center. The proceeds were used to pay off three bond anticipation notes, which were used for the construction of the Perry County Detention Center. These bonds are scheduled to mature in June 2027 and have a variable interest rate of 2.0 to 5.0%. Semiannual interest payments are required in June and December and the principal amount is due each December. As of June 30, 2006, the principal balance outstanding was \$5,510,000. Debt service requirements for fiscal years ending June 30, 2007, and thereafter is as follows:

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Scheduled</u> <u>Interest</u>	<u>Scheduled</u> <u>Principal</u>
2007	\$ 254,217	\$ 165,000
2008	248,017	170,000
2009	241,287	175,000
2010	234,041	185,000
2011	226,353	190,000
2012 - 2016	996,228	1,090,000
2017 - 2021	710,695	1,375,000
2022 - 2026	329,218	1,755,000
2027	<u>10,125</u>	<u>405,000</u>
	<u>\$ 3,250,181</u>	<u>\$ 5,510,000</u>

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**B. Perry County Justice Center Bond (Phase 2)**

In April 2002, the Perry County Justice Center Corporation issued bonds in order to construct the Perry County Justice Center. On the same day, the Perry County Justice Center Corporation, Administrative Office of the Courts (AOC), and the county entered into a use and sublease agreement for the purpose of obtaining office rental space for the AOC at the Justice Center.

The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are acting as an agent for the Administrative Office of the Courts in order to plan, design, construct, manage, and maintain the Justice Building. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust expect annual rentals for use of the Justice Building to be in the full amount of the annual principal and interest requirements of the bonds. Under the terms of the use and sublease agreement, the Administrative Office of the Courts has agreed to pay directly to the paying agent bank, the use allowance payment as provided in the use and sublease agreement. The use and sublease agreement is renewable each year. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are in reliance upon the use allowance payment in order to meet the debt service for the bonds.

The Administrative Office of the Courts with the execution of the use and sublease agreement has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until June 1, 2023, but the use and sublease agreement does not legally obligate the Administrative Office of Courts to do so. As of June 30, 2006, the principle balance outstanding was \$5,580,000. Debt service requirements for fiscal years ending June 30, 2007, and thereafter are as follows:

Fiscal Year Ended <u>June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2007	\$ 246,968	\$ 235,000
2008	238,532	240,000
2009	229,218	250,000
2010	219,012	260,000
2011	207,945	270,000
2012 - 2016	846,696	1,525,000
2017 - 2021	450,908	1,905,000
2022 - 2023	<u>43,560</u>	<u>895,000</u>
Totals	<u>\$ 2,482,839</u>	<u>\$ 5,580,000</u>

**C. Caterpillar Backhoe-2001**

In September 2001, the county entered into a lease agreement with CAT Financial for the purchase of a Caterpillar Backhoe Loader. Terms of the lease agreement stipulate a 5-year repayment schedule with monthly principal and interest payments. As of June 30, 2006 the principal balance outstanding was \$2,256. Debt service requirements for fiscal years ending June 30, 2007 are as follows:

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**C. Caterpillar Backhoe-2001 (Continued)**

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2007	\$ 13	\$ 2,256
Totals	<u>\$ 13</u>	<u>\$ 2,256</u>

**D. Caterpillar Backhoe-2003**

In April 2003, the county entered into a lease agreement with CAT Financial for the purchase of a Caterpillar Backhoe Loader. Terms of the lease agreement stipulate a 5-year repayment schedule with monthly principal and interest payments. As of June 30, 2006, the principal balance outstanding was \$23,667. Debt service requirements for fiscal years ending June 30, 2007, and thereafter are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2007	\$ 673	\$ 12,737
2008	166	10,930
Totals	<u>\$ 839</u>	<u>\$ 23,667</u>

**E. Caterpillar Backhoe 321-2003**

In September 2003, the county entered into a lease agreement with CAT Financial for the purchase of a Caterpillar 321 Backhoe Loader. Terms of the lease agreement stipulate a 5-year repayment schedule with monthly principal and interest payments. As of June 30, 2006, the principal balance outstanding was \$14,872. Debt service requirements for fiscal years ending June 30, 2007, and thereafter are as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2007	\$ 93	\$ 14,872
Totals	<u>\$ 93</u>	<u>\$ 14,872</u>

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**F. KADD Lease-Cintas**

On May 14, 1998, the county entered into a lease agreement with the Kentucky Area Development District Financing Trust for the purpose of refinancing a bank note. Terms of the lease agreement stipulate a 20-year repayment schedule with semiannual interest payments and annual principal payments. The principal amount of bonds outstanding as of June 30, 2006, was \$1,385,000. Future debt service requirements are:

Fiscal Year Ended <u>June 30</u>	<u>Scheduled Interest</u>	<u>Scheduled Principal</u>
2007	\$ 77,775	\$ 85,000
2008	73,397	90,000
2009	68,763	95,000
2010	63,538	100,000
2011	58,038	105,000
2012 - 2016	196,862	610,000
2017 - 2018	<u>27,163</u>	<u>300,000</u>
Totals	<u>\$ 565,536</u>	<u>\$ 1,385,000</u>

**G. KADD Lease – Land Purchased and Demolition**

On July 1, 2000, the Perry County Kentucky Justice Center Corporation entered into a capital lease agreement with the Kentucky Area Development District, on behalf of the Administrative Office of Courts, for phase one of the Justice Center Project. These funds were for the purchase of property and the demolition of an existing building for the Justice Center Project.

The Perry County Justice Center Corporation and the Kentucky Area Development District Financing Trust are acting as an agent for the Administrative Office of the Courts in order to plan, design, construct, manage and maintain the Justice Building. The Perry County Justice Center Corporation and the Kentucky Area Development District Financing Trust expect annual rentals for use of the Justice Building to be in the full amount of the annual principal and interest requirements of this KADD lease. Under the terms of an additional use and sublease agreement, the Administrative Office of the Courts has agreed to pay directly to the paying agent bank, the use allowance payment as provided in the use and sublease agreement. The use and sublease agreement is renewable each year. The Perry County Justice Center Corporation and the Kentucky Area Development Districts Financing Trust are in reliance upon the use allowance payment in order to meet the debt service for the KADD lease.

The use allowance payment has commenced prior to the occupancy of the Justice Building by the Administrative Office of the Courts. The Administrative Office of the Courts with the execution of the use and sublease agreement has expressed its intention to continue to pay the full use allowance payment in each successive biennial budget period until May 2018, but the use and sublease agreement does not legally obligate the Administrative Office of the Courts to do so.

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**G. KADD Lease – Land Purchased and Demolition (Continued)**

The principal amount of bonds outstanding as of June 30, 2006, was \$1,955,000. Future debt service requirements are:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2007	\$ 108,932	\$ 80,000
2008	105,130	85,000
2009	101,005	90,000
2010	96,638	95,000
2011	91,885	100,000
2012 - 2016	374,985	580,000
2017 - 2021	194,810	750,000
2022	12,397	175,000
Totals	<u>\$ 1,085,782</u>	<u>\$ 1,955,000</u>

**H. General Obligation Road Improvement Bond**

The Perry County Fiscal Court issued \$1,030,000 in General Obligations Public Project Bonds to provide financing the improvement of county roads. These bonds are scheduled to mature in April 2016 and have a variable interest rate of 3.0% to 3.6%. Semiannual interest payments are required in April and October and the principal amount is due each October. As of June 30, 2006, the principal balance outstanding was \$1,030,000. Debt service requirements for fiscal years ending June 30, 2007, and thereafter is as follows:

Fiscal Year Ended June 30	Scheduled Interest	Scheduled Principal
2007	\$ 32,808	\$ 85,000
2008	30,183	90,000
2009	27,360	95,000
2010	24,391	95,000
2011	21,295	100,000
2012 - 2016	51,707	565,000
Totals	<u>\$ 187,744</u>	<u>\$ 1,030,000</u>

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 5. Long-Term Debt (Continued)**

**I. Worldwide Equipment Lease – Dump Trucks**

The county entered into an agreement to purchase two dump trucks from Worldwide Equipment. Terms of the agreement stipulate one principal payment of \$180,000 with semi annual interest payments totaling \$5,565. In June 2006, the dump trucks were sold at auction for \$168,330 and the principal payments were made.

**J. Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2006 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
<b>Primary Government:</b>					
Governmental Activities:					
General Obligation Bonds	\$ 5,665,000	\$ 1,030,000	\$ (155,000)	\$ 6,540,000	\$ 250,000
Revenue Bonds	5,805,000	-	(225,000)	5,580,000	235,000
Financing Obligations	<u>3,628,300</u>	<u>-</u>	<u>(247,505)</u>	<u>3,380,795</u>	<u>194,865</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 15,098,300</u>	<u>\$ 1,030,000</u>	<u>\$ (627,505)</u>	<u>\$ 15,500,795</u>	<u>\$ 679,865</u>

**Note 6. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. This is a cost-sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefits, 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 10.98 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 25.01 percent.

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

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

**PERRY COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2006**  
**(Continued)**

**Note 7. Deferred Compensation**

The Perry County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employee's Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplementary retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees Deferred Compensation Authority, 105 Sea Hero Road, Suite #1, Frankfort, Kentucky 40601-8862.

**Note 8. Insurance**

For the fiscal year ended June 30, 2006, Perry County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 9. Prior Period Adjustment**

The following prior period adjustment was made to beginning net assets:

Increase in net assets - Vehicles and equipment acquired in fiscal	
year ended 2005 was not reflected on the schedule of fixed assets	<u>\$ 43,339</u>
Net Increase in Beginning Net Assets, July 1, 2005	<u>\$ 43,339</u>

**PERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information – Modified Cash Basis**

**For The Year Ended June 30, 2006**



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**PERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information – Modified Cash Basis**

**For The Year Ended June 30, 2006**

	<b>GENERAL FUND</b>			
	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	(Budgetary	Final Budget
			Basis)	Positive
				(Negative)
<b>REVENUES</b>				
Taxes	\$ 1,482,306	\$ 1,482,306	\$ 1,467,425	\$ (14,881)
Excess Fees	117,694	117,694	51,641	(66,053)
Licenses and Permits	225,000	225,000	227,103	2,103
Intergovernmental Revenue	435,750	615,615	538,563	(77,052)
Charges for Service	41,200	41,200	16,199	(25,001)
Miscellaneous	10,500	10,500	72,640	62,140
Interest	1,000	1,000	1,703	703
Total Revenues	<u>\$ 2,313,450</u>	<u>\$ 2,493,315</u>	<u>\$ 2,375,274</u>	<u>\$ (118,041)</u>
<b>EXPENDITURES</b>				
General Government	\$ 1,005,165	\$ 1,005,165	\$ 1,259,649	\$ (254,484)
Protection to Persons and Property	35,800	35,800	11,100	24,700
General Health and Sanitation	37,035	37,035	38,439	(1,404)
Social Services	13,000	13,000	4,108	8,892
Tourism	-	-	45,482	(45,482)
Administration	1,163,721	1,582,616	988,772	593,844
Total Expenditures	<u>\$ 2,254,721</u>	<u>\$ 2,673,616</u>	<u>\$ 2,347,550</u>	<u>\$ 326,066</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ 58,729</u>	<u>\$ (180,301)</u>	<u>\$ 27,724</u>	<u>\$ 208,025</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	141,271	141,271	255,368	114,097
Transfers To Other Funds	<u>(350,000)</u>	<u>(350,000)</u>	<u>(95,000)</u>	<u>255,000</u>
Total other Financing Sources (Uses)	<u>\$ (208,729)</u>	<u>\$ (208,729)</u>	<u>\$ 160,368</u>	<u>\$ 369,097</u>
Net Changes in Fund Balances	(150,000)	(389,030)	188,092	577,122
Fund Balances - Beginning	<u>150,000</u>	<u>389,030</u>	<u>389,030</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 577,122</u>	<u>\$ 577,122</u>

**PERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information – Modified Cash Basis**

**For The Year Ended June 30, 2006 (Continued)**

	<b>ROAD FUND</b>			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
<b>REVENUES</b>				
Licenses and Permits	\$ 2,200	\$ 2,200	\$ 2,220	\$ 20
Intergovernmental Revenue	1,106,000	1,680,664	1,610,491	(70,173)
Miscellaneous	10,000	10,000	206,106	196,106
Interest	2,500	2,500	1,995	(505)
Total Revenues	<u>\$ 1,120,700</u>	<u>\$ 1,695,364</u>	<u>\$ 1,820,812</u>	<u>\$ 125,448</u>
<b>EXPENDITURES</b>				
Roads	\$ 746,425	\$ 1,593,705	\$ 1,504,154	\$ 89,551
Debt Service	27,800	258,180	254,519	3,661
Administration	427,204	127,782	111,352	16,430
Total Expenditures	<u>\$ 1,201,429</u>	<u>\$ 1,979,667</u>	<u>\$ 1,870,025</u>	<u>\$ 109,642</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (80,729)</u>	<u>\$ (284,303)</u>	<u>\$ (49,213)</u>	<u>\$ 235,090</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	-	180,000	-	180,000
Transfers To Other Funds	(141,271)	(141,271)	-	141,271
Total other Financing Sources (Uses)	<u>\$ (141,271)</u>	<u>\$ 38,729</u>	<u>\$ -</u>	<u>\$ 321,271</u>
Net Changes in Fund Balances	(222,000)	(245,574)	(49,213)	556,361
Fund Balances - Beginning	<u>222,000</u>	<u>245,574</u>	<u>245,574</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,361</u>	<u>\$ 556,361</u>

**PERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information – Modified Cash Basis**

**For The Year Ended June 30, 2006 (Continued)**

	<b>JAIL FUND</b>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Budgeted Amounts			
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 702,000	\$ 702,000	\$ 171,903	\$ (530,097)
Miscellaneous	62,500	62,500	8,818	(53,682)
Interest	500	500	115	(385)
Total Revenues	<u>\$ 765,000</u>	<u>\$ 765,000</u>	<u>\$ 180,836</u>	<u>\$ (584,164)</u>
<b>EXPENDITURES</b>				
Protection to Persons and Properties	\$ 1,188,200	\$ 1,188,200	\$ 1,155,440	\$ 32,760
Debt Service	415,000	415,000	214,522	200,478
Administration	125,700	125,700	17,478	108,222
Total Expenditures	<u>\$ 1,728,900</u>	<u>\$ 1,728,900</u>	<u>\$ 1,387,440</u>	<u>\$ 341,460</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (963,900)</u>	<u>\$ (963,900)</u>	<u>\$ (1,206,604)</u>	<u>\$ (242,704)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	903,900	903,900	1,212,000	\$ (308,100)
Transfers To Other Funds	-	-	-	-
Total other Financing Sources (Uses)	<u>\$ 903,900</u>	<u>\$ 903,900</u>	<u>\$ 1,212,000</u>	<u>\$ (308,100)</u>
Net Changes in Fund Balances	(60,000)	(60,000)	5,396	65,396
Fund Balances - Beginning	<u>60,000</u>	<u>60,000</u>	<u>6,194</u>	<u>(53,806)</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,590</u>	<u>\$ 11,590</u>

**PERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information – Modified Cash Basis**

**For The Year Ended June 30, 2006 (Continued)**

	<b>LOCAL GOVERNMENT ECONOMIC ASSISTANCE</b>			
	<b>FUND</b>			
	<u>Budgeted Amounts</u>		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Licenses and Permits	\$ 80,000	\$ 80,000	\$ 86,872	\$ 6,872
Intergovernmental Revenue	2,193,496	2,340,566	2,771,118	430,552
Miscellaneous	7,200	7,199	60,596	53,397
Interest	1,700	1,700	3,296	1,596
Total Revenues	<u>\$ 2,282,396</u>	<u>\$ 2,429,465</u>	<u>\$ 2,921,882</u>	<u>\$ 492,417</u>
<b>EXPENDITURES</b>				
General Government	\$ -	\$ -	\$ -	\$ -
Protection to Persons and Property	108,100	108,100	171,225	(63,125)
General Health and Sanitation	134,650	134,650	175,593	(40,943)
Social Services	22,200	22,200	28,392	(6,192)
Recreation and Culture	106,750	106,750	208,100	(101,350)
Roads	685,000	685,000	381,853	303,147
Debt Service	75,000	75,000	73,204	1,796
Capital Projects	15,000	15,000	10,626	4,374
Administration	731,796	889,408	271,820	617,588
Total Expenditures	<u>\$ 1,878,496</u>	<u>\$ 2,036,108</u>	<u>\$ 1,320,813</u>	<u>\$ 715,295</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ 403,900</u>	<u>\$ 393,357</u>	<u>\$ 1,601,069</u>	<u>\$ 1,207,712</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	-	-	606,472	606,472
Transfers To Other Funds	<u>(553,900)</u>	<u>(733,900)</u>	<u>(1,271,918)</u>	<u>(538,018)</u>
Total other Financing Sources (Uses)	<u>\$ (553,900)</u>	<u>\$ (733,900)</u>	<u>\$ (665,446)</u>	<u>\$ 68,454</u>
Net Changes in Fund Balances	(150,000)	(340,543)	935,623	1,276,166
Fund Balances - Beginning	<u>150,000</u>	<u>340,543</u>	<u>340,543</u>	<u>-</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,276,166</u>	<u>\$ 1,276,166</u>

**PERRY COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information – Modified Cash Basis**

**For The Year Ended June 30, 2006 (Continued)**

	<b><u>COAL SEVERANCE SPECIAL PROJECTS FUND</u></b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 3,178,000	\$ 3,178,000	\$ 3,717,744	\$ 539,744
Interest	-	-	1,023	1,023
Total Revenues	<u>\$ 3,178,000</u>	<u>\$ 3,178,000</u>	<u>\$ 3,718,767</u>	<u>\$ 540,767</u>
<b>EXPENDITURES</b>				
General Government	\$ 1,200,000	\$ 1,200,000	\$ 658,900	\$ 541,100
Protection to Persons and Property	200,000	200,000	200,000	-
General Health and Sanitation	1,070,000	1,152,459	1,853,348	(700,889)
Social Services	240,000	240,000	150,000	90,000
Recreation and Culture	268,000	268,000	61,108	206,892
Capital Projects	200,000	200,000	113,411	86,589
Total Expenditures	<u>\$ 3,178,000</u>	<u>\$ 3,260,459</u>	<u>\$ 3,036,767</u>	<u>\$ 223,692</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ (82,459)</u>	<u>\$ 682,000</u>	<u>\$ 764,459</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	-	-	-	-
Transfers To Other Funds	-	-	(755,174)	(755,174)
Total other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (755,174)</u>	<u>\$ (755,174)</u>
Net Changes in Fund Balances	-	(82,459)	(73,174)	9,285
Fund Balances - Beginning	-	82,459	82,459	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,285</u>	<u>\$ 9,285</u>

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**PERRY COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2006**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the General Obligation Bond Fund, and the Justice Center Expansion Corporation Fund.

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

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



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

**June 30, 2006**

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

**June 30, 2006**

	<b>Community Corrections <u>Fund</u></b>	<b>Area Development <u>Fund</u></b>	<b>Perry Co Emergency <u>Fund</u></b>	<b>Forestry <u>Fund</u></b>	<b>FEMA <u>Fund</u></b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 21,017	\$ 32	\$ 3,218	\$ 7,113	\$ -
Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 21,017</u>	<u>\$ 32</u>	<u>\$ 3,218</u>	<u>\$ 7,113</u>	<u>\$ -</u>
<b>FUND BALANCE</b>					
Fund Balances:					
Reserved for Encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:					
Special Revenue Funds	21,017	32	3,218	7,113	-
Capital Project Funds	-	-	-	-	-
Debt Service Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 21,017</u>	<u>\$ 32</u>	<u>\$ 3,218</u>	<u>\$ 7,113</u>	<u>\$ -</u>

**PERRY COUNTY**  
**COMBINING BALANCE SHEET –**  
**NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2006**  
**(Continued)**

<b>E-911 Fund</b>	<b>KREDA Fund</b>	<b>Public Properties Fund</b>	<b>Buckhorn Water Line Fund</b>	<b>CDBG Fund</b>	<b>Justice Center Corporation Fund</b>	<b>Public Properties Corporation Bond Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$ 29,787	\$ 6,402	\$ 14,014	\$ -	\$ 2	\$ -	\$ -	\$ 81,585
-	-	-	-	-	6,175	75,090	\$ 81,265
<u>\$ 29,787</u>	<u>\$ 6,402</u>	<u>\$ 14,014</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 6,175</u>	<u>\$ 75,090</u>	<u>\$ 162,850</u>
\$ 261	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 261
29,526	6,402	14,014	-	-	-	-	81,322
-	-	-	-	2	6,175	-	6,177
-	-	-	-	-	-	75,090	75,090
<u>\$ 29,787</u>	<u>\$ 6,402</u>	<u>\$ 14,014</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 6,175</u>	<u>\$ 75,090</u>	<u>\$ 162,850</u>

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**PERRY COUNTY**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2006**

**PERRY COUNTY**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2006**

	<b>Community Corrections Fund</b>	<b>Area Development Fund</b>	<b>Perry Co Emergency Fund</b>	<b>Forestry Fund</b>	<b>FEMA Fund</b>
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ 6,609	\$ -
Intergovernmental	41,000	-	1,214	-	-
Miscellaneous	-	-	-	-	-
Interest	44	-	-	29	-
Total Revenues	<u>\$ 41,044</u>	<u>\$ -</u>	<u>\$ 1,214</u>	<u>\$ 6,638</u>	<u>\$ -</u>
<b>EXPENDITURES</b>					
Protection to Persons and property	\$ 20,027	\$ -	\$ -	\$ -	\$ -
General Health and Sanitation	-	-	-	-	1,532
Debt Service	-	-	-	-	-
Capital Projects	-	-	-	-	-
Recreation and Culture	-	-	-	7,048	-
Administration	-	-	-	-	-
Total Expenditures	<u>\$ 20,027</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,048</u>	<u>\$ 1,532</u>
Excess (deficiency) of Revenues over Expenditures Before Other Financing Sources (Uses)	<u>\$ 21,017</u>	<u>\$ -</u>	<u>\$ 1,214</u>	<u>\$ (410)</u>	<u>\$ (1,532)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	(1,380)	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,380)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	21,017	-	(166)	(410)	(1,532)
Fund Balances - Beginning	-	32	3,384	7,523	1,532
Fund Balances - Ending	<u>\$ 21,017</u>	<u>\$ 32</u>	<u>\$ 3,218</u>	<u>\$ 7,113</u>	<u>\$ -</u>

**PERRY COUNTY**  
**COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2006**  
**(Continued)**

<u>E-911</u> <u>Fund</u>	<u>KREDA</u> <u>Fund</u>	<u>Public</u> <u>Properties</u> <u>Fund</u>	<u>Buckhorn</u> <u>Water Line</u> <u>Fund</u>	<u>CDBG</u> <u>Fund</u>	<u>Justice</u> <u>Center</u> <u>Corporation</u> <u>Fund</u>	<u>Public</u> <u>Properties</u> <u>Corporation</u> <u>Bond</u> <u>Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Governmental</u> <u>Funds</u>
\$ 262,124	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 268,733
73,308	-	-	-	3,500	-	-	119,022
266	117,903	-	-	-	603,920	71,507	793,596
115	377	408	1	-	393	2,352	3,719
<u>\$ 335,813</u>	<u>\$ 118,280</u>	<u>\$ 408</u>	<u>\$ 1</u>	<u>\$ 3,500</u>	<u>\$ 604,313</u>	<u>\$ 73,859</u>	<u>\$ 1,185,070</u>
\$ 342,490	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 362,517
-	-	-	10	-	-	-	1,542
-	161,895	96,168	-	-	479,450	71,507	809,020
-	-	-	-	3,500	212,036	1,210,000	1,425,536
-	-	-	-	-	-	-	7,048
49,219	-	-	-	-	2,000	-	51,219
<u>\$ 391,709</u>	<u>\$ 161,895</u>	<u>\$ 96,168</u>	<u>\$ 10</u>	<u>\$ 3,500</u>	<u>\$ 693,486</u>	<u>\$ 1,281,507</u>	<u>\$ 2,656,882</u>
<u>\$ (55,896)</u>	<u>\$ (43,615)</u>	<u>\$ (95,760)</u>	<u>\$ (9)</u>	<u>\$ -</u>	<u>\$ (89,173)</u>	<u>\$ (1,207,648)</u>	<u>\$ (1,471,812)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,210,000	\$ 1,210,000
50,485	-	-	-	-	-	-	50,485
(853)	-	-	-	-	-	-	(2,233)
<u>\$ 49,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,210,000</u>	<u>\$ 1,258,252</u>
(6,264)	(43,615)	(95,760)	(9)	-	(89,173)	2,352	(213,560)
36,051	50,017	109,774	9	2	95,348	72,738	376,410
<u>\$ 29,787</u>	<u>\$ 6,402</u>	<u>\$ 14,014</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 6,175</u>	<u>\$ 75,090</u>	<u>\$ 162,850</u>



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

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# Chris Gooch

Certified Public Accountant  
P.O. Box 1536  
Hazard, Kentucky 41702  
(606) 436-5700

FAX : (606) 436-5701

The Honorable Denny Ray Noble, Perry County Judge/Executive  
Members of the Perry County Fiscal Court

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Perry County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued a report thereon dated June 25, 2007. Perry County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

### Compliance And Other Matters

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

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**  
(Continued)

This report is intended solely for the information and use of Perry County Fiscal Court, management and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Chris Gooch  
Certified Public Accountant

June 25, 2007

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

**PERRY COUNTY FISCAL COURT**

**For the Fiscal Year Ended  
June 30, 2006**

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

For the year ended June 30, 2006

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

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Denny Ray Noble  
County Judge Executive

---

Tonya Delph  
County Treasurer



*APPENDIX D*

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*Statement of Indebtedness of the County*



(f) Leases entered into under KRS 65.940 to 65.956 after July 15, 1996 which are not tax-supported leases.....	1,875,000
(g) Bonds issued in the case of an emergency, when the public health or safety should so require.....	0
(h) Bonds issued to fund a floating indebtedness.....	0
TOTAL EXEMPT OBLIGATIONS.....	8,520,000

4. The total of bonds, notes and other obligations subject to the debt limitation set forth in KRS 66.041 (2 minus 3) is..... 7,340,930

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 rate of the County, for other than school purposes, upon the value of the taxable property therein is .267 for real property and .388 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 \_\_\_\_ day of November, 2007.

/S/ Tonya Delph  
County Treasurer

***APPENDIX E***

---

***Form of Final Approving Legal Opinion of Bond Counsel***

[Date of Delivery]

County of Perry, Kentucky  
Hazard, Kentucky

Gentlemen:

We have examined the transcript submitted relating to the issue of \$\_\_\_\_\_ General Obligation Refunding Bonds, Series 2007 (the "Bonds") of the County of Perry, Kentucky (the "Issuer"), dated their date initial issuance and delivery, 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.

4. 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,

PECK, SCHAFFER & WILLIAMS LLP

## OFFICIAL TERMS AND CONDITIONS OF BOND SALE

**\$4,895,000\***

**County of Perry, Kentucky**

**General Obligation Refunding Bonds, Series 2007**

**SALE: November 14, 2007 at 11:00 a.m., E.T.**

As duly advertised, the County of Perry, Kentucky (the "County") will, until November 14, 2007, at the hour of 11:00 a.m., E.T., at the offices of the Judge/Executive of Perry County, Perry County Courthouse, 481 Main Street, Hazard, Kentucky 41701, receive sealed competitive bids for the bonds herein described (the "Bonds"). Electronic bids may also be received via PARITY<sup>®</sup>, as described below. To be considered, a proposal for the purchase of such bonds must be submitted on an Official Bid Form delivered to the Judge/Executive at the address indicated on the date of sale no later than the hour indicated or by VIA PARITY. Bids will be opened and acted upon by the Judge/Executive 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 November 5, 2007. 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) advance refunding the outstanding principal amount of the County of Perry, Kentucky General Obligation Public Project Bonds, Series 2001 (Detention Facilities Project), dated December 1, 2001, maturing on or after December 1, 2011 and (ii) paying the costs of issuing the Bonds, all as set forth in the Preliminary Official Statement and Official Statement to which reference is hereby made.

### BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

The Bonds will bear interest from their date of issuance and delivery (anticipated to be November 28, 2007), payable on the first day of each February and August, commencing August 1, 2007. The Bonds are scheduled to mature on December 1, 2008 and each December 1 thereafter in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
December 1, 2008	\$25,000	December 1, 2018	\$290,000
December 1, 2009	25,000	December 1, 2019	305,000
December 1, 2010	25,000	December 1, 2020	310,000
December 1, 2011	225,000	December 1, 2021	325,000
December 1, 2012	235,000	December 1, 2022	340,000
December 1, 2013	240,000	December 1, 2023	350,000
December 1, 2014	245,000	December 1, 2024	370,000
December 1, 2015	260,000	December 1, 2025	380,000
December 1, 2016	270,000	December 1, 2026	400,000
December 1, 2017	275,000		

\*Preliminary, subject to permitted adjustment.

The Bonds maturing on and after December 1, 2018 shall be subject to optional redemption prior to their maturity on any date on or after December 1, 2017, in whole or in part, in such order of maturity as may be selected by the County and by lot within a maturity at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest to the date of redemption.

The Huntington National Bank, Cincinnati, Ohio, 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. An Official Bid Form is available from First Kentucky Securities Corporation, Financial Advisor to the County, 305 Ann Street, Suite 400, Frankfort, Kentucky 40602-0554, Telephone (502) 695-5107, FAX: (502) 227-2320, Attn: R. Strand Kramer, Jr. Bids must be enclosed in sealed envelopes marked "Bid for Bonds" or by facsimile and bids must be received prior to the date and time set for the sale. Bids may alternatively be submitted electronically via PARITY pursuant to this Notice until the time for receiving bids specified above and no bid will be received after such time. To the extent any instructions or directions set forth in PARITY conflict with these Official Terms, these Official Terms shall control. For further information about PARITY, potential bidders may contact the Financial Advisor or Dalcomp at 40 West 23rd Street, 5th Floor, New York, NY 10010, tel: (212) 404-8102. No bids will be received via telephone.

(B) Bidders are required to bid for the entire issue at a minimum price of not less than \$4,821,575 (98.5% of par), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.

(C) Bidders must name an interest rate or rates in a multiple of 1/8, 1/10 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 the Bonds shall be made on the basis of all bids submitted for exactly \$4,895,000 principal amount of Bonds offered for sale hereunder; but the County may adjust the principal amount of Bonds which may be awarded to such best bidder upward or downward by up to \$485,000 (the "Permitted Adjustment") to a minimum of \$4,410,000 or a maximum of \$5,380,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$1,000 of Bonds as the price per \$1,000 for the 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) CUSIP identification numbers will be printed on the Bonds by 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.

(G) One camera ready copy of the Official Statement will be supplied to the Purchaser. The Purchaser of the Bonds will be required to pay the costs of printing additional copies of the Official Statement.

(H) Bids need not be accompanied by a certified or bank cashier's good faith check, but the successful bidder will be required to wire transfer an amount equal to two percent (2%) of the amount of Bonds awarded 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.



(I) Unless the successful purchaser notifies the County in writing within twenty-four hours of the award of the Bonds that it has elected (at such purchaser's expense) to take physical delivery of the Bonds, the Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds and the Bonds 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 Participant (the "Indirect Participants"). Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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.

(M) At the election and cost of the purchaser of the Bonds, one or more maturities of the Bonds may be insured under a municipal bond insurance policy. In such event, the County agrees to cooperate with the purchaser to qualify the Bonds for bond insurance; however the County will not assume any of the expenses incident to the issuance of such a bond insurance policy, other than the costs for securing a rating of the Bonds from Moody's Investors Service, Inc.

## **CONTINUING DISCLOSURE**

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

- (i) to each nationally recognized municipal securities information repository ("NRMSIR") and, if one is established for the Commonwealth of Kentucky, to its state information depository ("SID"), certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles as applied to governmental units, generally consistent with the information contained in "Appendix A" and "Appendix B" of

the Official Statement. Such financial information shall be provided on or before June 1 following the fiscal year ending June 30; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the Obligated Person; and

- (ii) to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and to the SID, if any, notice of the occurrence of the following events, if material, with respect to the Bonds:
  - (a) Principal and interest payment delinquencies;
  - (b) Non-payment related defaults;
  - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
  - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
  - (e) Substitution of credit or liquidity providers, or their failure to perform;
  - (f) Adverse tax opinions or events affecting the tax-exempt status of the security;
  - (g) Modifications to rights of security holders;
  - (h) Bond calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event;
  - (i) Defeasances;
  - (j) Release, substitution or sale of property securing repayment of the securities;
  - (k) Rating changes; and
  - (l) The cure, in the manner provided under the Bond Ordinance, of any payment or nonpayment related default under the Bond Ordinance.
- (iii) in a timely manner to each NRMSIR or to the MSRB and to the SID, if any, notice of a failure (of which the Obligated Person has knowledge) of an Obligated person to provide the required annual financial information on or before the date specified in the Disclosure Agreement.

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

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

- (i) there are no debt service reserve funds applicable to the Bonds;
- (ii) there are no credit or liquidity providers applicable to the Bonds; and
- (iii) there is no property securing the repayment of 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 excludible 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.

## **DELIVERY**

The purchaser's obligation to purchase the Bonds shall be conditioned upon (i) its receiving, at or prior to the delivery of the Bonds, evidence that the County has made the limited continuing disclosure undertaking set forth above and as further described in the Preliminary Official Statement and (ii) delivery to the County of the final, approving Legal Opinion of Peck, Shaffer & Williams LLP, Covington, Kentucky, substantially in the form set forth in the Preliminary Official Statement.

/s/ Denny Ray Noble  
Judge/Executive, County of Perry, Kentucky

**OFFICIAL BID FORM**

Subject to the terms and conditions set forth in the Ordinance adopted by the County of Perry, Kentucky (the "County") on November 5, 2007, providing for the sale of its General Obligation Refunding Bonds, Series 2007 in the approximate principal amount of \$4,895,000\*, to be dated their date of issuance and delivery, (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 \$4,895,000\* principal amount of the Bonds maturing on December 1, 2008 and each December 1 thereafter of the years and in the amounts set forth below, the total sum of \$\_\_\_\_\_ (not less than \$4,821,575), at the following annual rate(s), payable semiannually, commencing June 1, 2008 (rates on ascending scale, number of interest rates unlimited):

<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>
December 1, 2008	\$25,000	_____%	December 1, 2018	\$290,000	_____%
December 1, 2009	25,000	_____%	December 1, 2019	305,000	_____%
December 1, 2010	25,000	_____%	December 1, 2020	310,000	_____%
December 1, 2011	225,000	_____%	December 1, 2021	325,000	_____%
December 1, 2012	235,000	_____%	December 1, 2022	340,000	_____%
December 1, 2013	240,000	_____%	December 1, 2023	350,000	_____%
December 1, 2014	245,000	_____%	December 1, 2024	370,000	_____%
December 1, 2015	260,000	_____%	December 1, 2025	380,000	_____%
December 1, 2016	270,000	_____%	December 1, 2026	400,000	_____%
December 1, 2017	275,000	_____%			

\*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 \_\_\_\_\_.

**Completed bid forms may be submitted via facsimile to the offices of the County Judge/Executive at Perry County Courthouse, Hazard, Kentucky 41701 (FAX: 606-439-1686). Neither the County nor the Financial Advisor assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel and/or equipment are available to accept all telephonic transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received via facsimile or delivered before the appointed date and time of sale. Any bids in progress by facsimile at the appointed time will be considered as received by the appointed time. No bids will be received via telephone. Bids may be submitted electronically via PARITY® pursuant to this Notice until the appointed date and time, but no bid will be received after such time.**

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 two percent (2%) of the amount of Bonds awarded 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,

\_\_\_\_\_  
Bidder

\_\_\_\_\_  
Address

By: \_\_\_\_\_  
Signature

Total interest cost from Date of Delivery (Estimated November 28, 2007) 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 14<sup>th</sup> day of November, 2007 by the County of Perry, 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>
December 1, 2008	\$ _____	_____ %	December 1, 2018	\$ _____	_____ %
December 1, 2009	\$ _____	_____ %	December 1, 2019	\$ _____	_____ %
December 1, 2010	\$ _____	_____ %	December 1, 2020	\$ _____	_____ %
December 1, 2011	\$ _____	_____ %	December 1, 2021	\$ _____	_____ %
December 1, 2012	\$ _____	_____ %	December 1, 2022	\$ _____	_____ %
December 1, 2013	\$ _____	_____ %	December 1, 2023	\$ _____	_____ %
December 1, 2014	\$ _____	_____ %	December 1, 2024	\$ _____	_____ %
December 1, 2015	\$ _____	_____ %	December 1, 2025	\$ _____	_____ %
December 1, 2016	\$ _____	_____ %	December 1, 2026	\$ _____	_____ %
December 1, 2017	\$ _____	_____ %			

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Judge/Executive