

PRELIMINARY OFFICIAL STATEMENT

Dated June 14, 2006

(Notes to be sold June 22, 2006, 1:00 p.m. E.D.S.T.)

BOOK-ENTRY-ONLY-SYSTEM

Bank Qualified

Rating: Moody's " "
See Ratings herein

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

ELECTRONIC BIDDING VIA PARITY

\$7,740,000*

**TAYLOR COUNTY PUBLIC COURTHOUSE CORPORATION
FIRST MORTGAGE REVENUE BOND ANTICIPATION NOTES
SERIES 2006 (JUSTICE CENTER PROJECT)**

Dated: June 1, 2006

Due: September 1, 2008

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

**SCHEDULE OF MATURITIES
(Plus accrued interest-when issued)**

Table with 5 columns: Due, Cusip #, Amount*, Rate, Yield. Row 1: 9/01/2008, \$7,740,000

The Notes are being issued by the Taylor County Public Courthouse Corporation (the "Corporation"), a nonprofit, non-stock corporation organized and existing under the laws of the Commonwealth of Kentucky and established for public and governmental purposes to provide adequate courthouse and related facilities to the County of Taylor, Kentucky (the "County"), and to serve as an agency, an instrumentality of, and constituted authority of, the County in financing the acquisition, construction, installation and equipping of a courthouse and related facilities for the County.

The Notes maturing on and after September 1, 2008, shall be subject to prior redemption at the option of the Corporation on and after September 1, 2007, as discussed herein.

THE NOTES AND THE INTEREST THEREON WILL NOT CONSTITUTE A GENERAL OBLIGATION OR INDEBTEDNESS OF THE CORPORATION OR THE COUNTY WITHIN THE MEANING OF THE CONSTITUTION AND LAWS OF THE COMMONWEALTH AND WILL NOT BE A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE COUNTY OR THE GENERAL CREDIT OF THE CORPORATION BUT WILL BE A LIMITED OBLIGATION OF THE CORPORATION PAYABLE SOLELY FROM THE PROCEEDS OF THE \$14,805,000* TAYLOR COUNTY PUBLIC COURTHOUSE CORPORATION FIRST MORTGAGE REVENUE BONDS (JUSTICE CENTER PROJECT), SERIES 2008 (THE "BONDS").

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

The Notes are offered when, as and if issued, subject to the approval of legality and tax exemption by Stites & Harbison, PLLC, Louisville, Kentucky, Note Counsel. Certain legal matters have been passed upon for the County and the Corporation by Craig Cox, Esq., County Attorney. The Notes are expected to be available for delivery on or about June 29, 2006.

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

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 Notes 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.

TAYLOR COUNTY PUBLIC COURTHOUSE CORPORATION

Steve Holt, President
John Gaines, Vice President
Bobby Roots, Secretary/Treasurer
James Jones, Director
James E. Cochran, Director
J. W. McFarland, Director

TAYLOR COUNTY FISCAL COURT

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

Craig Cox, County Attorney
Mark Carney, Clerk
Maxine White, Treasurer

BOND COUNSEL

Stites & Harbison, PLLC
Louisville, Kentucky

FINANCIAL ADVISOR

First Kentucky Securities Corporation
Frankfort, Kentucky

PAYING AGENT/BOND REGISTRAR

U.S. Bank National Association
Louisville, Kentucky

TABLE OF CONTENTS

	<u>Page</u>
Introduction	1
The County	1
The Corporation	2
The Notes.....	2
General	2
Book Entry Only System	2
Registration, Payment and Transfer	3
Optional Redemption	3
The Project.....	3
Estimated Sources and Uses of Funds	4
Security and Sources of Payment	4
General	4
Funds and Accounts	4
Investment of Funds	5
Arbitrage Restrictions	5
Litigation	5
Tax Treatment	5
Rating.....	6
Continuing Disclosure.....	7
Underwriting	7
Financial Advisor	8
Miscellaneous.....	8
Appendix A: Estimated Debt Service Requirements for the Notes	
Appendix B: Taylor County Demographic, Economic and Financial Data	
Appendix C: Taylor County Audited Financial Report for Fiscal Year Ended June 30, 2004	
Appendix D: Form of Final Approving Legal Opinion of Note Counsel	

PRELIMINARY OFFICIAL STATEMENT
Relating to the Issuance of
\$7,740,000*
TAYLOR COUNTY PUBLIC COURTHOUSE CORPORATION
FIRST MORTGAGE REVENUE BOND ANTICIPATION NOTES
SERIES 2006 (JUSTICE CENTER PROJECT)
Dated: June 1, 2006

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the \$7,740,000* Taylor County Public Courthouse Corporation (the "Corporation") First Mortgage Revenue Bond Anticipation Notes, Series 2006 (Justice Center Project) (the "Notes").

The Corporation was created by the County for the purpose, among others, of providing adequate courthouse and related facilities for the County, and to issue bonds and notes incident thereto. The County, through its Fiscal Court, adopted a Resolution directing the Corporation to act as its agency, instrumentality and constituted authority in financing the acquisition, construction, installation and equipping of a three-story approximately 54,135 square foot Justice Center to be leased to the Administrative Office of the Courts ("AOC") of the Commonwealth of Kentucky (the "Commonwealth") (the "Project"). The Corporation adopted, at the direction of the County acting through its Fiscal Court, a Resolution authorizing the issuance of the Notes in a principal amount of \$7,740,000 (plus or minus up to \$770,000) for the purpose of providing interim financing (i) to finance the costs of the acquisition, construction, installation and equipping of the Project, (ii) to reimburse the County for funds advanced for costs of the Project, (iii) to pay interest on the Notes through final maturity, and (iv) to finance the costs of issuance of the Notes. The Corporation's Resolution also authorizes the sale, issuance, execution and delivery of bonds in the principal amount of \$14,805,000, which may be increased or decreased by ten percent, to be denominated the Taylor County Public Courthouse Corporation First Mortgage Revenue Bonds (Justice Center Project), Series 2008 (the "Bonds") to finance (1) the cost of the acquisition, construction, improvement and equipping of the Project; (ii) the interest on the Bonds during the period of construction of the Project; and (iii) the cost of issuance of the Bonds.

The Notes will be issued pursuant to the authority contained in Chapter 58.010 through 58.190 of the Kentucky Revised Statutes, as revised. Neither the Bonds nor the Notes shall constitute an indebtedness of the Corporation within the meaning of any constitutional or statutory limitations or provisions, and neither the faith and credit nor the taxing power of the County, the Corporation, the Commonwealth, or any political subdivision thereof, is pledged to the payment of the principal of or interest on the Notes or the Bonds. The Notes are being issued in anticipation of the Bonds and shall be payable solely from the proceeds of the Bonds when issued. The County and AOC have entered into a Memorandum of Understanding, as amended ("MOU") pursuant to which the parties intend to enter into a Lease Agreement and Mortgage Deed of Trust providing for the lease of the Project to AOC in exchange for rental payments sufficient to pay the principal and interest on the Bonds when and as due. The lease payments under the intended lease agreement will constitute the sole source of revenue available for the payment of principal of and interest on the Bonds.

THE NOTES ARE NOT GENERAL OBLIGATIONS OF THE CORPORATION OR THE COUNTY BUT ARE SPECIAL AND LIMITED OBLIGATIONS PAYABLE ONLY FROM THE SOURCES HEREIN IDENTIFIED. THE NOTES DO NOT CONSTITUTE AN INDEBTEDNESS OR CHARGE AGAINST THE GENERAL CREDIT OF THE CORPORATION OR THE COUNTY, AGAINST THE TAXING POWER OF THE COUNTY OR AGAINST THE GENERAL CREDIT OR TAXING POWER OF THE COMMONWEALTH OF KENTUCKY.

THE COUNTY

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

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

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

*Preliminary, Subject to Adjustment

THE CORPORATION

The Corporation is a nonprofit, non-stock corporation organized and existing under Kentucky law, including particularly §§ 273.161 to 273.390, inclusive, of the Kentucky Revised Statutes.

The Corporation was established for public and governmental purposes to, among other things, provide adequate courthouse and related facilities to the County and to issue bonds, notes or other evidence of indebtedness to evidence its obligations and generally to do any and all things necessary and incident to such purpose.

The members of the Board of Directors of the Corporation are the Magistrates of the County. Their terms expire when they cease to hold public office and any successor Magistrate of the County automatically become directors of the Corporation upon assuming their public offices.

THE NOTES

General

The Notes will be dated June 1, 2006, and will bear interest from such date, payable semi-annually on March 1 and September 1 of each year, commencing on March 1, 2007. The Notes will mature on the date and in the principal amount as set forth on the cover page of this Official Statement.

Book Entry Only System

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

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

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

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

Principal, sinking fund, and interest payments on the Notes will be made to DTC or its nominee, as registered owner of the Notes. Upon receipt of moneys, DTC's current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case

with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such DTC Participant or Indirect Participant and not of DTC or the Agency, subject to any statutory and regulatory requirements as may be in effect from time to time.

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

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

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

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

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

Registration, Payment and Transfer

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

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

Optional Redemption

The Notes shall be subject to prepayment, in whole or in part, at anytime on or after September 1, 2007 with no less than 45 days notice to the Paying Agent, in multiples of \$5,000, plus accrued interest to the date of prepayment but without prepayment penalty. Notice of prepayment shall be given by regular United States mail to the Registered Owners of the Notes to be prepaid not less than thirty (30) days prior to the date fixed for prepayment.

THE PROJECT

The County has determined that it is necessary and desirable for the Corporation to acquire one or more parcels of real property and to construct, improve and equip thereon a three-story, approximately 54,135 square foot Justice Center to be leased to the AOC, and the County as the beneficiary thereof.

Estimated Sources and Uses of Funds

Sources

Principal Amount of Notes
TOTAL

Uses

Project Costs
Costs of Issuance
Underwriter's Discount
TOTAL

SECURITY AND SOURCES OF PAYMENT

General

The Notes are being issued in anticipation of the Bonds, and shall be payable solely from the proceeds of the Bonds when issued. The AOC and the County entered into a MOU to provide for a court facility construction project for the County, with an AOC occupancy of 100%. The parties expect to enter into a Lease Agreement and Mortgage Deed of Trust upon the issuance of the Bonds. The Bonds are expected to be secured by a first mortgage lien on the Project. The Bonds are also expected to be secured by the assignment by the Corporation of all of its right, title and interest in and to the Lease pursuant to which agreement the Project is expected to be leased by the Corporation to the AOC, for the benefit of the County, for automatically renewable biennial periods to the due date of the Bonds.

Funds and Accounts

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

Cost of Issuance Fund. The Resolution established a special and separate account of the Courthouse Corporation which shall be designated as the "Courthouse Corporation Series 2006 Bond Anticipation Note Cost of Issuance Fund" (the "Cost of Issuance Fund"). An amount shall be deposited in the Cost of Issuance Fund to cover all expenses incident to the authorization, issuance, sale and delivery of the said Notes. Amounts remaining in the Cost of Issuance Fund after payment of all costs of issuance of the Notes shall be transferred to the Construction Fund (defined below).

Capitalized Interest Fund. The Resolution created a special and separate account of the Courthouse Corporation which shall be designated as the "Courthouse Corporation Series 2006 Bond Anticipation Note Capitalized Interest Fund" (the "Capitalized Interest Fund"). An amount shall be deposited in the Capitalized Interest Fund, and used to pay interest on the Notes through final maturity. All proceeds of the Notes, and investment earnings thereon, remaining in the Capitalized Interest Fund on the maturity date of the Notes shall be used to redeem the Notes.

Sinking Fund. The Resolution created a special and separate account of the Courthouse Corporation which shall be designated as the "Courthouse Corporation Series 2006 Bond Anticipation Note Sinking Fund" (the "Sinking Fund"). There shall be deposited in the Sinking Fund Note proceeds received from the purchaser of said Notes representing accrued interest thereon. All proceeds of the Notes, and investment earnings thereon, remaining in the Sinking Fund shall be used to pay interest on the Notes.

Construction Fund. The Resolution established a separate and special account of the Courthouse Corporation which shall be designated as the "Courthouse Corporation Series 2006 Bond Anticipation Note Construction Fund" (the "Construction Fund"). The remaining proceeds of the Notes shall be deposited in the Construction Fund and shall be applied to meet the Costs of the Justice Center Project pending the delivery of the Bonds. Following the delivery of the Notes, disbursements of monies on deposit in the Construction Fund shall be made only upon order of the Courthouse Corporation approving such disbursement. All proceeds of the Notes, and investment earnings thereon, remaining in the Construction Fund on the maturity date of the Notes shall be used to redeem Notes.

Investment of Funds

The Courthouse Corporation is authorized to invest or reinvest Note proceeds or funds in one or more of the following "Investment Obligations:"

- a. Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian and may be accomplished through repurchase agreements with sources including, but not limited to, national or state banks chartered in the Commonwealth;
- b. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:
 - (i) United States Treasury;
 - (ii) Export-Import Bank of the United States;
 - (iii) Farmers Home Administration;
 - (iv) Government National Mortgage Corporation; and
 - (v) U.S. Maritime Administration; and
- c. Obligations of any corporation of the United States government, including but not limited to:
 - (i) Senior debt obligations of Federal Home Loan Mortgage Corporation rated "Aaa" by Moody's and "AAA" by Standard and Poor's;
 - (ii) Senior debt obligations of Federal Home Loan Banks; and
 - (iii) Senior debt obligations of Federal National Mortgage Association rated "Aaa" by Moody's and "AAA" by Standard and Poor's.

Arbitrage Restrictions

The Corporation has agreed to restrict the use of the proceeds of the Notes in such manner and to such extent, and take, or direct the taking of, such other action as may be necessary, after taking into account reasonable expectations at the time the Notes are issued, so none will constitute obligations the interest on which is subject to federal income taxation or "arbitrage bonds" under §§ 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations prescribed thereunder. Any one of the President and the other duly authorized officers of the Corporation on behalf of the Corporation is directed to give an appropriate certificate on behalf of the Corporation on the date of delivery of each of the Notes for inclusion in the applicable transcript of proceedings, setting forth the facts, estimates and circumstances and reasonable expectations pertaining to the use of the proceeds thereof and the provisions of §§ 103(b)(2) and 148 and regulations thereunder.

LITIGATION

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

TAX EXEMPTION

In the opinion of Note Counsel for the Notes, under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Notes is excludable from gross income for Federal income tax purposes, and interest on the Notes will not be treated as a specific item of tax preference under Section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code") in computing the alternative minimum tax for individuals and corporations. Furthermore, Note Counsel for the Notes is of the opinion that interest on the Notes is exempt from income taxation by the Commonwealth of Kentucky, and exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

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

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Notes. The Issuer has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Notes will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Notes being includable in income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Notes. The opinion of Note Counsel assumes compliance with these covenants. However, Note 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 Notes may adversely affect the tax status of the interest on the Notes.

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

Although Note Counsel for the Notes is of the opinion that interest on the Notes 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 Notes may otherwise affect a Noteholder'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 Noteholder or the Noteholder's other items of income or deduction. Note Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Noteholder or potential Noteholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Notes on the tax liabilities of the individual or entity.

For example, although Note Counsel for the Notes is of the opinion that interest on the Notes 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 Notes 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 Notes 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 Notes 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 Notes.

The County and Corporation have designated the Notes 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 Notes.

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

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

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule") and so long as the Notes are outstanding the Corporation, AOC and the County (the "Obligated Persons") will agree pursuant to a Continuing Disclosure Agreement dated as of June 1, 2006 (the "Disclosure Agreement") to be delivered on the date of delivery of the Notes, 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, of the Commonwealth, County or Corporation 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 C" of the Official Statement ("Financial Data"); such information shall be provided within a month 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 Notes:

- (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 Noteholders;
- (h) Note calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event;
- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the securities; and
- (k) Rating changes.

(iii) in a timely manner, to each NRMSIR or to the MSRB and to the SID, notice of a failure (of which the Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Agreement.

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

UNDERWRITING

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

FINANCIAL ADVISOR

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

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 and the Corporation from official and other sources and is believed by either the County or the Corporation to be reliable, but such information other than that obtained from official records of the County and the Corporation has not been independently confirmed or verified by the County or the Corporation 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 Notes.

This Official Statement has been duly executed and delivered for and on behalf of the Taylor County Public Courthouse Corporation, by its President.

TAYLOR COUNTY PUBLIC COURTHOUSE CORPORATION

By: /s/ Steve Holt
President

APPENDIX A

Estimated Debt Service Requirements for the Series 2006 Notes

**TAYLOR COUNTY PUBLIC COURTHOUSE CORPORATION
FIRST MORTGAGE REVENUE BOND ANTICIPATION NOTES
SERIES 2006 (JUSTICE CENTER PROJECT)**

Estimated Debt Service Requirements

Maturity Date	Principal	Interest	Total	Fiscal Year Total
03/01/2007		\$214,785.00	\$214,785.00	\$214,785.00
09/01/2007		143,190.00	143,190.00	
03/01/2008		143,190.00	143,190.00	286,380.00
09/01/2008	\$7,740,000	143,190.00	7,883,190.00	7,883,190.00
Totals	<u>\$7,740,000</u>	<u>\$644,355.00</u>	<u>\$8,384,355.00</u>	

Source: Fiscal Agent

APPENDIX B

County of Taylor Demographic, Economic and Financial Data

General Information

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

Total Population

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

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

Population Projections

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

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

Population by Selected Age Groups, 2005

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

Source: Applied Geographic Solutions, Simi Valley, CA

Population by Race and Hispanic Origin, 2005

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

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

Personal Income

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

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

Households

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

Source: Applied Geographic Solutions, Simi Valley, CA

Summary of Recent Locations and Expansions, 2003-Present

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

Click here for detailed location and expansion information.
Note: Totals include announced locations and expansions.
Source: Kentucky Cabinet for Economic Development (05/16/2006).

Employment by Major Industry by Place of Work, 2004

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

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

(THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK)

Major Business & Industry

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

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

TAYLOR COUNTY STATISTICAL SUMMARY

Business Cost

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

Labor Cost	85.9
Energy Cost	66.1
Overall Business Cost	83.8

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

Gross State Product Per Wage, 2004

Kentucky	\$2.21
U.S.	\$2.17

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

Industrial Electric Cost Per KWH, 2004

Kentucky	\$0.03
U.S.	\$0.05

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

Population 2005

Taylor County 23,726

Labor Market Area 168,071

Taylor County

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

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

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

Total Available Labor 2004

Taylor County 594

Labor Market Area 6,376

Unemployment Rate 2005

Taylor County 5.4

Labor Market Area 6.1

U.S. 5.1

Average Weekly Wage 2004

Taylor County \$475

Labor Market Area \$425

U.S. \$851

Tax Base Information

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

*Tax Rate has not been set

Assessment Rates

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

*Tax Rate has not been set

County Tax Collections ⁽¹⁾

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

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

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

Largest Corporate Taxpayers

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

APPENDIX C

County of Taylor Audited Financial Report for Fiscal Year Ended June 30, 2004

Due to State of Kentucky backlog, the 2005 financial statement has not been audited.

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

**For The Fiscal Year Ended
June 30, 2004**



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

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

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE TAYLOR COUNTY FISCAL COURT

June 30, 2004

The Auditor of Public Accounts has completed the audit of the Taylor County Fiscal Court for fiscal year ended June 30, 2004.

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

We have issued unqualified opinions, based on our audit, on the governmental activities, each major fund, and aggregate remaining fund information financial statements of Taylor County, Kentucky.

Financial Condition:

The fiscal court had unrestricted net assets of \$1,022,779 in its governmental activities as of June 30, 2004, with total net assets of \$4,502,623. The fiscal court's discretely presented component units had net assets of \$34,510,965 (Hospital), and \$386,037 (Airport) as of June 30, 2004. The discretely presented component units had net cash and cash equivalents of \$18,447,563 (Hospital), and \$68,455 (Airport). The fiscal court had total debt principal as of June 30, 2004 of \$597,909 with \$127,616 due within the next year. The discretely presented component units had total debt principal as of June 30, 2004 of \$9,660,705 with \$293,054 due within the next year (Hospital). No debt is related to the Taylor County Airport Board (Airport).

Report Comment:

- Additional Policies Should Be Implemented To Monitor Federal Funds

Deposits:

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

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
TAYLOR COUNTY OFFICIALS	5
MANAGEMENT’S DISCUSSION AND ANALYSIS	7
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	17
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	20
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	25
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	28
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	33
NOTES TO FINANCIAL STATEMENTS.....	35
BUDGETARY COMPARISON SCHEDULES	55
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	58
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	60
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	64
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	69
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	75
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	77
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	81
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	85
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Taylor County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the combined financial statements of the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, a discretely presented component unit, which represents 99.2 percent and 99.3 percent, respectively, of the assets and revenues of the discretely presented component opinion unit. We also did not audit the financial statements of the Taylor County Airport Board, a discretely presented component unit, which represents 0.8 percent and 0.7 percent, respectively, of the assets and revenues of the discretely presented component opinion unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Taylor County Hospital District, Taylor County Hospital District Health Facility Corporation, and Taylor County Airport Board, is based on the reports of the other auditors.

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

As described in Note 1, Taylor County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. However, the combined financial statements of Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation, a discretely presented component unit, and the Taylor County Airport Board, a discretely presented component unit, have been prepared under accounting principles generally accepted in the United State of America, which is inconsistent with the basis of accounting Taylor County, Kentucky, uses to prepare its financial statements.



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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation's combined financial statements and the Taylor County Airport Board's financial statements been prepared using the same basis of accounting as Taylor County, Kentucky, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component units of Taylor County, Kentucky, as of June 30, 2004, and the changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Taylor County, Kentucky, as of June 30, 2004, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Taylor County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2005, on our consideration of Taylor County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discuss the following report comment:

- Additional Policies Should Be Implemented To Monitor Federal Funds

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
November 29, 2005

TAYLOR COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

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

Other Elected Officials:

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

Appointed Personnel:

Maxine White	County Treasurer
Sherry Kerr	Occupational Tax Collector

THIS PAGE LEFT BLANK INTENTIONALLY

Paul W. Patton
Judge/Executive

Magistrates:

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



Maxine White
Treasurer

Magistrates:

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

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

Management's Discussion and Analysis
June 30, 2004

The financial management of Taylor County, Kentucky offers readers of Taylor County's financial statements this narrative overview and analysis of the financial activities of Taylor County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights.

- Taylor County had net assets of \$4,502,623 as of June 30, 2004. The fiscal court had unrestricted net assets of \$1,022,779 in governmental activities as of June 30, 2004. Total debt for governmental activities principal as of June 30, 2004 was \$597,909 with \$127,616 due within one year.
- The governmental activities' total net assets increased by \$416,126 from the prior year. This increase is primarily due to the inclusion of infrastructure (road and bridges) in capital assets.
- At the close of the current fiscal year, Taylor County governmental activities reported current assets of \$1,074,699. Of this amount, \$1,022,779 is available for spending at the government's discretion (unreserved fund balance).
- Taylor County's total indebtedness at the close of fiscal year June 30, 2004 was \$597,909, of which \$470,293 is long-term debt (due after 1 year) and \$127,616 is short-term debt (to be paid within 1 year). Debt additions were \$148,438, and debt reductions were \$190,049 for a net decrease of \$41,611 for the year. This decrease was due primarily to accumulated depreciation.

Overview of the Financial Statements.

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

**Taylor County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Overview of the Financial Statements. (Continued)

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function. This is the first year of implementation and these schedules will be presented next year.

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

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

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

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

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

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

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

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

Taylor County
Management's Discussion and Analysis
June 30, 2004
(Continued)

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

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

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

Major Funds:

- General Fund
- Road Fund
- Jail Fund

Non-major Funds:

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

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

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

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

**Taylor County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

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

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

**Governmental
Activities**

	2003	2004
Assets		
Current and other assets	1,017,355	1,074,699
Capital assets	3,708,662	4,025,833
Total Assets	4,726,017	5,100,532
Liabilities		
Current and other liabilities	0	127,616
Long-term liabilities	639,520	470,293
Total Liabilities	639,520	597,909
Net Assets		
Invested in capital assets, net of related debt	3,069,142	3,427,924
Restricted	117,452	51,920
Unrestricted	899,903	1,022,779
Total Net Assets	4,086,497	4,502,623

Changes in Net Assets.

Governmental Activities. Taylor County's net assets increased by \$416,126 in fiscal year 2004. Key elements of this are as follows:

- Current assets and cash increased \$57,344 due to unexpected intergovernmental and miscellaneous revenues.
- Capital assets increased \$317,171, primarily due to the inclusion of infrastructure (roads and bridges) capital assets of \$306,771.
- Investment in capital assets and infrastructure, net of related debt increased by \$358,782 primarily due to the inclusion of infrastructure (roads and bridges) capital assets.
- Current and long-term liabilities decreased by \$41,611, due to additional debt of \$148,438 offset by retirement of debt of \$190,049.

**Taylor County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Financial Analysis of the County's Funds.

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

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

As of the end of June 2004 fiscal year, the combined ending fund balances of County governmental funds were \$1,074,699. Approximately 95% (\$1,022,779) 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 (\$51,920) is reserved to indicate that it is not available for new spending because it is committed for the various grant projects.

The County has three major governmental, and eight non-major funds.

Major Funds:

- General Fund
- Road Fund
- Jail Fund

Non-major Funds:

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

1. The General Fund is the chief operating fund of Taylor County. At the end of June 30, 2004 fiscal year, unreserved fund balance of the General Fund was \$666,639, while total fund balance was \$670,639. The County received \$3,294,095 in real property, motor vehicle, occupational, and other taxes for approximately 79% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 21% of revenues.
2. The Road Fund is the fund related to County road and bridge construction and maintenance. The Road and Bridge Fund had a \$201,058 fund balance at June 30, 2004. The fiscal year 2004 expenditures for Road and Bridge Fund were \$1,253,996.
3. The Jail Fund is used to account for transporting and housing prisoners in other counties. The Jail Fund had a fund balance of \$108,259 at the end of June 30, 2004. The Jail Fund received \$87,837 for intergovernmental fees, primarily to house state prisoners in other counties. The General Fund contributed a total of \$687,245 to the Jail Fund during fiscal year 2004.

**Taylor County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

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

Governmental Funds Overview (Continued).

4. The Local Government Economic Assistance Fund had a fund balance of \$13,592 as of June 30, 2004, a decrease of \$11,155 over the previous fiscal year end.
5. The Forest Fire Fund had a fund balance of \$641 as of June 30, 2004, a decrease of \$218 over the previous fiscal year end.
6. The Special Fund had a reserved fund balance of \$1,854 as of June 30, 2004, a decrease of \$3,692 over the previous fiscal year end. This fund is used to account for a federal Juvenile Accountability Incentive Block Grant (JAIBG). The General Fund contributed \$24,327 in matching funds during fiscal year 2004.
7. The PRIDE Fund had a reserved fund balance of \$5,940 as of June 30, 2004, an increase of \$4,997 over the previous fiscal year end. This fund is used to account for a federal Personal Responsibility In a Desirable Environment Grant (PRIDE).
8. The Adanta Fund had a reserved fund balance of \$2,000 as of June 30, 2004. This fund is used to account for a major federal Target Expansion Capacity grant for the purpose of funding the Abuse Treatment Women's Recovery Project administered by Team Taylor County and Adanta.
9. The Tebbs Bend Fund had a reserved fund balance of \$45,423 as of June 30, 2004, a decrease of \$28,921 over the previous fiscal year end. This fund is used to account for a state Kentucky Heritage Land Conservation Fund grant administered by the Kentucky Department of Natural Resources for the purpose of funding the Tebbs Bend Nature and Recreation Area in Taylor County.
10. The Kentucky Agency On Substance Abuse Prevention Fund (ASAP) had a fund balance of \$24,225 as of June 30, 2004, a decrease of \$11,535 over the previous fiscal year end.
11. The Title V Grant Fund had a reserved fund balance of \$1,068 as of June 30, 2004. This fund is used to account for a federal Title V Juvenile Delinquency Prevention Program grant. These funds are restricted for debt service.

General Fund Budgetary Highlights.

Taylor County's General Fund budget was amended during the fiscal year increasing the budgeted amount by \$850,390. Budget amendments were made to various revenues and expenditures due to grants awarded in the fiscal year, intergovernmental revenues, miscellaneous medical enhancement revenue, surplus cash carried forward.

**Taylor County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Capital Assets and Debt Administration.

Capital Assets. Taylor County's investment in capital assets for its governmental activities as of June 30, 2004, amount to \$4,025,833 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings, other equipment, vehicles and equipment, infrastructure (roads and bridges).

Taylor County did not have any major capital asset events during the 2004 fiscal year.

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

**Table 2
Taylor County's Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities	
	2003	2004
Infrastructure Assets	0	306,771
Land and Land Improvements	1,077,129	1,077,129
Buildings and Improvements	1,701,765	1,679,240
Other Equipment	386,410	379,111
Vehicles & Equipment	543,358	583,582
Total Net Capital Assets	3,708,662	4,025,833

Long-Term Debt. At the end of the 2004 fiscal year, Taylor County had total debt outstanding of \$597,909, which consists of 11 other financing obligations for various equipment and vehicles.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2005 fiscal year budget:

- The 2005 fiscal year adopted budget continues most services at current levels.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, may have a negative impact on funding for county programs.
- Economic factors indicate continued growth for Taylor County.

Requests For Information.

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

THIS PAGE LEFT BLANK INTENTIONALLY

TAYLOR COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

TAYLOR COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Component Unit</u>
		Taylor County Hospital District/Health Facility Corporation	Taylor County Airport Board
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,074,699	\$ 18,447,563	\$ 68,455
Investment in JHHN Regional Service Center		592,000	
Accounts Receivable		6,327,174	1,043
Supplies and Inventory		573,372	38,882
Prepaid Expenses and Other Assets		1,668,251	5,509
Total Current Assets	<u>\$ 1,074,699</u>	<u>\$ 27,608,360</u>	<u>\$ 113,889</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	\$ 1,077,129	\$ 392,025	\$ 13,000
Construction In Progress		506,814	
Buildings and Improvements	1,679,240		224,544
Other Equipment	379,111		35,883
Vehicles and Equipment	583,582		
Hospital Buildings and Equipment - Net of Accumulated Depreciation		19,387,135	
Infrastructure Assets - Net of Depreciation	306,771		
Total Noncurrent Assets	<u>4,025,833</u>	<u>20,285,974</u>	<u>273,427</u>
Total Assets	<u>\$ 5,100,532</u>	<u>\$ 47,894,334</u>	<u>\$ 387,316</u>
LIABILITIES			
Current Liabilities:			
Financing Obligations Payable	\$ 127,616	\$	\$
Accounts Payable		1,922,929	1,279
Accrued Payroll Payable		867,417	
Accrued Compensated Absences		800,645	
Estimated Medicare and Medicaid Payable		131,673	
Hospital Current Portion of Long Term Obligations Payable		293,054	
Total Current Liabilities	<u>\$ 127,616</u>	<u>\$ 4,015,718</u>	<u>\$ 1,279</u>
Noncurrent Liabilities:			
Financing Obligations Payable	\$ 470,293	\$	\$
Hospital Long Term Obligations Payable		9,367,651	
Total Noncurrent Liabilities	<u>470,293</u>	<u>9,367,651</u>	
Total Liabilities	<u>\$ 597,909</u>	<u>\$ 13,383,369</u>	<u>\$ 1,279</u>

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

TAYLOR COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Component Unit</u>
		Taylor County Hospital District/Health Facility Corporation	Taylor County Airport Board
	<u>Governmental Activities</u>		
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ 3,427,924	\$ 6,902,605	\$ 272,148
Restricted For:			
Grant Projects	51,920		
Investment in JHHN Regional Service Center		592,000	
Hospital Depreciation Reserve		13,174,089	
Hospital Retirement Funds and Unemployment Compensation		331,788	
Unrestricted	<u>1,022,779</u>	<u>13,510,483</u>	<u>113,889</u>
Total Net Assets	<u>\$ 4,502,623</u>	<u>\$ 34,510,965</u>	<u>\$ 386,037</u>

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

TAYLOR COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

TAYLOR COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Functions/Programs Reporting Entity	Program Revenues Received			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,117,872	\$ 106,105	\$ 138,882	\$
Protection to Persons and Property	1,420,186	7,589	950,861	
General Health and Sanitation	253,642	27,389	41,715	
Social Services	573,554			
Recreation and Culture	109,081	16,105		4,000
Road Facilities	18,042			
Roads	648,339	104,370	1,049,968	
Airports	70,588			
Capital Projects	5,398			
Total Governmental Activities	<u>6,216,702</u>	<u>261,558</u>	<u>2,181,426</u>	<u>4,000</u>
Total Primary Government	<u>\$ 6,216,702</u>	<u>\$ 261,558</u>	<u>\$ 2,181,426</u>	<u>\$ 4,000</u>
Component Units:				
Taylor County Hospital District/Health Facility Corp	\$ 37,554,014	\$ 38,271,574	\$	\$
Taylor County Airport Board	94,295	60,746		162,229
Total Component Units	<u>\$ 37,648,309</u>	<u>\$ 38,332,320</u>	<u>\$ 0</u>	<u>\$ 162,229</u>

General Revenues:

Taxes:

Real Property Taxes

Motor Vehicle Taxes

Occupational Taxes

Ad valorem Taxes

Other Taxes

Excess Fees

Unrestricted Investment Earnings

Equity Gains of JHHN Regional Service Center

Contributions for Capital Equipment

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

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

TAYLOR COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government	Component Unit	Component Unit
	Taylor County Hospital District/Health Facility Corporation	Taylor County Airport Board
Governmental Activities		
\$ (2,872,885)		
(461,736)		
(184,538)		
(573,554)		
(88,976)		
(18,042)		
505,999		
(70,588)		
(5,398)		
<u>(3,769,718)</u>		
<u>(3,769,718)</u>		
	\$ 717,560	\$ 128,680
545,852		
102,124		
2,242,621		
	734,907	
403,498		
159,783		
34,351		
	152,000	
	29,219	
<u>697,615</u>	<u>324,763</u>	<u>45,466</u>
<u>4,185,844</u>	<u>1,958,449</u>	<u>174,146</u>
416,126	1,958,449	174,146
<u>4,086,497</u>	<u>32,552,516</u>	<u>211,891</u>
<u>\$ 4,502,623</u>	<u>\$ 34,510,965</u>	<u>\$ 386,037</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

TAYLOR COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

TAYLOR COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 670,639	\$ 201,058	\$ 108,259	\$ 94,743	\$ 1,074,699
Total Assets	<u>\$ 670,639</u>	<u>\$ 201,058</u>	<u>\$ 108,259</u>	<u>\$ 94,743</u>	<u>\$ 1,074,699</u>
FUND BALANCES					
Unreserved:					
General Fund	\$ 666,639	\$	\$	\$	\$ 666,639
Special Revenue Funds		201,058	108,259	46,823	356,140
Reserved for:					
Cemetery Preservation Grant	4,000				4,000
Target Capacity Expansion Grant				2,000	2,000
PRIDE Grant				4,497	4,497
Tebbs Bend Project Grant				41,423	41,423
Total Fund Balances	<u>\$ 670,639</u>	<u>\$ 201,058</u>	<u>\$ 108,259</u>	<u>\$ 94,743</u>	<u>\$ 1,074,699</u>

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

Total Fund Balances	\$ 1,074,699
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	5,098,421
Accumulated Depreciation	(1,072,588)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	<u>(597,909)</u>
Net Assets Of Governmental Activities	<u>\$ 4,502,623</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2004

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

For The Year Ended June 30, 2004

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Non-Major Governmental Funds</u>
REVENUES				
Taxes	\$ 3,261,250	\$	\$	\$ 997
In Lieu Tax Payments	31,707			
Excess Fees	159,783			
Licenses and Permits	105,296			
Intergovernmental	302,744	1,074,847	87,837	730,224
Charges for Services	43,493	104,370		
Miscellaneous	676,988	18,941		
Interest	19,966	8,423	5,185	777
Total Revenues	<u>4,601,227</u>	<u>1,206,581</u>	<u>93,022</u>	<u>731,998</u>
EXPENDITURES				
General Government	869,136	14,475		
Protection to Persons and Property	660,416		750,449	112,399
General Health and Sanitation	192,606	88		61,597
Social Services	4,471			566,995
Recreation and Culture	106,386			
Road Facilities		18,042		
Roads		1,099,689		3,345
Airports	59,945			
Capital Projects			5,398	
Administration	2,010,218	121,702	7,120	59,445
Total Expenditures	<u>3,903,178</u>	<u>1,253,996</u>	<u>762,967</u>	<u>803,781</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>698,049</u>	<u>(47,415)</u>	<u>(669,945)</u>	<u>(71,783)</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds	80,521	67,917		
Transfers From Other Funds	1,110		688,355	31,551
Transfers To Other Funds	(712,682)		(1,110)	(7,224)
Total Other Financing Sources (Uses)	<u>(631,051)</u>	<u>67,917</u>	<u>687,245</u>	<u>24,327</u>
Net Change in Fund Balances	66,998	20,502	17,300	(47,456)
Fund Balances - Beginning	603,641	180,556	90,959	142,199
Fund Balances - Ending	<u>\$ 670,639</u>	<u>\$ 201,058</u>	<u>\$ 108,259</u>	<u>\$ 94,743</u>

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

TAYLOR COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Total Governmental Funds
\$ 3,262,247
31,707
159,783
105,296
2,195,652
147,863
695,929
34,351
<u>6,632,828</u>
883,611
1,523,264
254,291
571,466
106,386
18,042
1,103,034
59,945
5,398
2,198,485
<u>6,723,922</u>
<u>(91,094)</u>
148,438
721,016
<u>(721,016)</u>
<u>148,438</u>
57,344
1,017,355
<u>\$ 1,074,699</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

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

For The Year Ended June 30, 2004

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

For The Year Ended June 30, 2004

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ 57,344
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	446,503
Depreciation Expense	(129,332)
The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. These transactions however, have no effect on net assets.	
Financing Obligation Proceeds	(148,438)
Financing Obligations Principal Payment	<u>190,049</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 416,126</u></u>

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

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	26
NOTE 2.	DEPOSITS AND INVESTMENTS.....	32
NOTE 3.	CAPITAL ASSETS.....	32
NOTE 4.	LONG-TERM DEBT.....	35
NOTE 5.	EMPLOYEE RETIREMENT SYSTEM.....	42
NOTE 6.	INSURANCE.....	42
NOTE 7.	CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS.....	42
NOTE 8.	ESTIMATED BUILDINGS HISTORICAL COST.....	42

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

B. Reporting Entity

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

Discretely Presented Component Units

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

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

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

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

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

Taylor County Airport Board

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

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

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

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

C. Government-wide and Fund Financial Statements

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

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

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

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

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

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

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Forest Fire Fund, Special Fund, PRIDE Fund, Adanta Fund, Tebbs Bend Fund, Kentucky Agency on Substance Abuse Prevention Fund, and Title V Grant Fund. These funds are used to account for the proceeds of specific revenue sources and expenditures that are restricted for specific purposes.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental Funds (Continued)

Special Revenue Funds:

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

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

Presentation of Component Units

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

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

D. Deposits and Investments

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

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

E. Capital Assets

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

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Capital Assets (Continued)

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

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

F. Long-term Obligations

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

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

G. Fund Equity

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

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

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

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Budgetary Information

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

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

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

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

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

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

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

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

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

Emergency 911 Board.

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits and Investments

A. Deposits

The primary government (County) and component units (Hospital & Airport) maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and 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, and as of June 30, 2004, the primary government and component units' deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the primary government or component units as beneficiary/obligee on the bond.

Note 3. Capital Assets

Primary Government capital asset activity for the year ended June 30, 2004 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,077,129	\$	\$	\$ 1,077,129
Construction In Progress				
Total Capital Assets Not Being Depreciated	<u>1,077,129</u>			<u>1,077,129</u>
Capital Assets, Being Depreciated:				
Buildings	1,933,186			1,933,186
Other Equipment	599,730	18,553		618,283
Vehicles and Equipment	1,041,873	103,989		1,145,862
Infrastructure		323,961		323,961
Total Capital Assets Being Depreciated	<u>3,574,789</u>	<u>446,503</u>		<u>4,021,292</u>
Less Accumulated Depreciation For:				
Buildings	(231,421)	(22,525)		(253,946)
Other Equipment	(213,320)	(25,852)		(239,172)
Vehicles and Equipment	(498,515)	(63,765)		(562,280)
Infrastructure		(17,190)		(17,190)
Total Accumulated Depreciation	<u>(943,256)</u>	<u>(129,332)</u>		<u>(1,072,588)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,631,533</u>	<u>317,171</u>		<u>2,948,704</u>
Government Activities Capital Assets, Net	<u>\$ 3,708,662</u>	<u>\$ 317,171</u>	<u>\$ 0</u>	<u>\$ 4,025,833</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Capital Assets (Continued)

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

Governmental Activities:

General Government	\$ 39,771
Protection to Persons and Property	15,272
General Health and Sanitation	3,215
Social Services	2,088
Recreation and Culture	2,695
Roads, Including Depreciation of General Infrastructure Assets	55,648
Airport	<u>10,643</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 129,332</u></u>

Capital asset activity for discretely presented component units (Hospital and Airport) for the year ended June 30, 2004.

(in thousands)	Discretely Presented Component Unit				
	Taylor County Hospital District/Health Facility Corporation				
	(Hospital) (in thousands)				
	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets Not Being Depreciated:					
Land and Improvements	\$ 862	\$ 41	\$ (60)	\$ 10	\$ 853
Construction in Progress	5,737	4,707		(9,937)	507
Total Capital Assets Not Being Depreciated	<u>6,599</u>	<u>4,748</u>	<u>(60)</u>	<u>(9,927)</u>	<u>1,360</u>
Capital Assets, Being Depreciated:					
Buildings	13,425	37	(111)	9,777	23,128
Equipment	17,230	2,157	(1,593)	150	17,944
Total Capital Assets Being Depreciated	30,655	2,194	(1,704)	9,927	41,072
Less Accumulated Depreciation For:					
Buildings and Equipment	(21,475)	(2,324)	1,653		(22,146)
Total Accumulated Depreciation	<u>(21,475)</u>	<u>(2,324)</u>	<u>1,653</u>		<u>(22,146)</u>
Total Capital Assets, Being Depreciated, Net	<u>9,180</u>	<u>(130)</u>	<u>(51)</u>	<u>9,927</u>	<u>18,926</u>
Capital Assets, Net	<u><u>\$ 15,779</u></u>	<u><u>\$ 4,618</u></u>	<u><u>\$ (111)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 20,286</u></u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Capital Assets (Continued)

	Discretely Presented Component Unit			Ending
	Taylor County Airport Board			
	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
	<u>Balance</u>			<u>Balance</u>
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 13,000	\$	\$	\$ 13,000
Total Capital Assets Not Being Depreciated	<u>13,000</u>			<u>13,000</u>
Capital Assets, Being Depreciated:				
Buildings and improvements	235,982	154,973		390,955
Equipment	<u>265,295</u>	<u>6,159</u>		<u>271,454</u>
Total Capital Assets Being Depreciated	501,277	161,132		662,409
Less Accumulated Depreciation For:				
Buildings and Improvements	(160,758)	(5,653)		(166,411)
Equipment	<u>(229,863)</u>	<u>(5,708)</u>		<u>(235,571)</u>
Total Accumulated Depreciation	<u>(390,621)</u>	<u>(11,361)</u>		<u>(401,982)</u>
Total Capital Assets, Being Depreciated, Net	<u>110,656</u>	<u>149,771</u>		<u>260,427</u>
Capital Assets, Net	<u>\$ 123,656</u>	<u>\$ 149,771</u>	<u>\$ 0</u>	<u>\$ 273,427</u>

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

Taylor County Hospital District/Health Facility Corporation	\$ 2,323,935
Taylor County Airport Board	<u>11,361</u>
Total Depreciation Expense - Component Units	<u>\$ 2,335,296</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-term Debt

Primary Government

A. Dump Trucks

On August 2, 1999, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of dump trucks. The principal was \$92,580 at a variable percent interest rate for a period of 5 years, interest and principal paid monthly. Principal outstanding as of June 30, 2004 was \$3,370. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 3,370	\$ 13
Totals	\$ 3,370	\$ 13

B. 911 Equipment

On October 14, 1999, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of equipment for 911. The principal was \$300,000 at a variable percent interest rate for a period of 5 years, interest and principal paid monthly. Principal outstanding as of June 30, 2004 was \$21,825. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 21,825	\$ 163
Totals	\$ 21,825	\$ 163

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-term Debt (Continued)

Primary Government (Continued)

C. 911 Equipment

On April 4, 2001, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of equipment for 911. The principal was \$81,000 at a variable percent interest rate for a period of 5 years, interest and principal paid monthly. Principal outstanding as of June 30, 2004 was \$34,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 17,000	\$ 1,216
2006	17,000	448
Totals	<u>\$ 34,000</u>	<u>\$ 1,664</u>

D. Fire Truck

On April 4, 2001, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a fire truck. The principal was \$215,138 at a variable percent interest rate for a period of 10 years, interest and principal paid monthly. Principal outstanding as of June 30, 2004 was \$160,138. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 20,000	\$ 7,577
2006	21,000	6,558
2007	22,000	5,489
2008	23,000	4,370
2009	24,000	3,202
2010-2011	50,138	2,715
Totals	<u>\$ 160,138</u>	<u>\$ 29,911</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-term Debt (Continued)

Primary Government (Continued)

E. Backhoe

On December 13, 2002, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a backhoe. The principal was \$51,957 at a variable percent interest rate for a period of 5 years, principal is paid semi-annually with interest paid monthly. Principal outstanding as of June 30, 2004 was \$32,016. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 10,384	\$ 965
2006	10,669	599
2007	10,963	223
Totals	<u>\$ 32,016</u>	<u>\$ 1,787</u>

F. Tractor/Mower

On December 6, 2002, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of a tractor and mower. The principal was \$71,183 at a variable percent interest rate for a period of 5 years, principal is paid semi-annually with interest paid monthly. Principal outstanding as of June 30, 2004 was \$44,170. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 14,220	\$ 1,375
2006	14,717	856
2007	15,233	319
Totals	<u>\$ 44,170</u>	<u>\$ 2,550</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-term Debt (Continued)

Primary Government (Continued)

G. Animal Shelter Vehicle

On November 1, 2002, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program for the purchase of an animal shelter vehicle. The principal was \$19,949 at a variable percent interest rate for a period of 5 years, principal is paid semi-annually with interest paid monthly. Principal outstanding as of June 30, 2004 was \$12,339. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 3,986	\$ 354
2006	4,112	220
2007	4,241	82
Totals	<u>\$ 12,339</u>	<u>\$ 656</u>

H. Land Acquisition

On June 16, 2003, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program the purchase of land. The principal was \$175,000 at a fixed 3.08 percent interest rate for a period of 10 years; principal is paid annually on January 20th with interest paid monthly. Principal outstanding as of June 30, 2004 was \$160,000. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 16,000	\$ 5,919
2006	16,000	5,311
2007	17,000	4,677
2008	17,000	4,026
2009	18,000	3,341
2010-2013	76,000	6,250
Totals	<u>\$ 160,000</u>	<u>\$ 29,524</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-term Debt (Continued)

Primary Government (Continued)

I. Dump Truck

On October 9, 2003, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program the purchase of a dump truck. The principal was \$67,917 at a fixed 2.97 percent interest rate for a period of 5 years; principal is paid annually on January 20th with interest paid monthly. Principal outstanding as of June 30, 2004 was \$55,078. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 13,201	\$ 1,861
2006	13,573	1,363
2007	13,956	847
2008	14,348	317
Totals	<u>\$ 55,078</u>	<u>\$ 4,388</u>

J. E911 Upgrade

On March 23, 2004, the Taylor County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program the purchase of a E911 upgrade. The principal was \$61,949 at a variable interest rate for a period of 15 years; principal and interest is paid monthly. Principal outstanding as of June 30, 2004 was \$61,403. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 3,334	\$ 1,774
2006	3,436	1,675
2007	3,541	1,572
2008	3,649	1,468
2009	3,761	1,359
2010-2014	20,598	5,047
2015-2019	23,084	1,792
Totals	<u>\$ 61,403</u>	<u>\$ 14,687</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-term Debt (Continued)

Primary Government (Continued)

K. 911 Mapping Vehicle

On November 10, 2003, the Taylor County Fiscal Court entered into an agreement with the Ford Motor Credit Company for the purchase of a 911 mapping vehicle. The principal was \$18,572 at a fixed 5.20 percent interest rate for a period of 4 years; principal and interest is paid annually. Principal outstanding as of June 30, 2004 was \$13,570. Future lease principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 4,295	\$ 706
2006	4,520	482
2007	4,755	247
Totals	<u>\$ 13,570</u>	<u>\$ 1,435</u>

L. Changes in Long-Term Debt - Primary Government

Primary Government:	Beginning			Ending	Due Within
Governmental Activities:	Balance	Additions	Reductions	Balance	One Year
Financing Obligations	\$ 639,520	\$ 148,438	\$ 190,049	\$ 597,909	\$ 127,616
Governmental Activities Long-term Liabilities	<u>\$ 639,520</u>	<u>\$ 148,438</u>	<u>\$ 190,049</u>	<u>\$ 597,909</u>	<u>\$ 127,616</u>

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-term Debt (Continued)

Discretely Presented Component Units:

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

In November 2002, the Taylor County Hospital District/Health Facility Corporation (Hospital) entered into a Loan Agreement with Taylor County Fiscal Court (Issuer) and Community Trust Bank (Lender), to borrow an amount not exceed \$10,000,000. The draws on the loan have been and will continue to be used for the construction of a Hospital expansion, which includes an ER renovation, an ICU addition, a wing two and three addition, a central plant addition, and a helipad relocation. The amount drawn on the loan equaled \$9,642,384 with an interest rate of 2.84 percent. Interest only payments are required until November 30, 2004, at which point principal payments will begin being paid and will continue through November 15, 2022. Interest expense on the note payable totaled \$189,252 for fiscal year 2004. The Hospital is required to maintain a debt coverage ratio of 1.25:1.00. Note payable outstanding for the Hospital as of June 30, 2004, was \$9,642,384.

The Hospital's outstanding capital leases as of June 30, 2004 were \$18,321.

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

Fiscal Year Ended June 30	Governmental Activities	
	Principal	
2005	\$	293,054
2006		431,145
2007		441,547
2008		449,113
2009		462,035
2010-2022		7,583,811
Totals	\$	9,660,705

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

Hospital	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Note Payable	\$ 3,585,091	\$ 6,057,293	\$	\$ 9,642,384	\$ 284,418
Capital Lease	26,957		8,636	18,321	8,636
Governmental Activities					
Long-term Liabilities	\$ 3,612,048	\$ 6,057,293	\$ 8,636	\$ 9,660,705	\$ 293,054

TAYLOR COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 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 18.51 percent.

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

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

Note 6. Insurance

For the fiscal year ended June 30, 2004, Taylor County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 7. Changes in Accounting Principles and Prior Period Adjustments

The county has elected to implement Governmental Accounting Standards Board (GASB) Statements 33, 34, and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The primary government's beginning fund balance of \$1,017,355 has been adjusted to include a total of \$15 for prior year adjustments. These adjustments include an increase of \$15 to the General Fund, a \$1 decrease in the Forest Fire Fund, and a \$1 increase to the Special Fund.

The beginning net asset balance for governmental activities was \$4,086,497 and the beginning fund balance was \$1,017,355. The effect of this change on the beginning net assets of the governmental activities is an increase of \$3,069,142 due to capital assets previously not reported and the effect of long-term debt previously omitted.

Note 8. Estimated Buildings Historical Cost

Buildings historical cost is an estimate. The primary government estimated the year the buildings were built and used the current assessed value of the buildings based upon a report from the Property Valuation Administrator and the Taylor County Attorney's research. The current assessed value was deflated back to this estimated year of construction or reconstruction to arrive at estimated historical cost.

THIS PAGE LEFT BLANK INTENTIONALLY

TAYLOR COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

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

For The Year Ended June 30, 2004

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,040,900	\$ 3,040,900	\$ 3,261,250	\$ 220,350
In Lieu Tax Payments	23,000	23,000	31,707	8,707
Excess Fees	99,067	99,067	159,783	60,716
Licenses and Permits	85,000	85,000	105,296	20,296
Intergovernmental Revenue	116,771	285,116	302,744	17,628
Charges for Services	33,583	33,583	43,493	9,910
Miscellaneous	12,967	688,819	676,988	(11,831)
Interest	25,000	25,000	19,966	(5,034)
Total Revenues	<u>3,436,288</u>	<u>4,280,485</u>	<u>4,601,227</u>	<u>320,742</u>
EXPENDITURES				
General Government	1,033,047	962,765	869,136	(93,629)
Protection to Persons and Property	409,993	584,652	660,416	75,764
General Health and Sanitation	173,498	203,524	192,606	(10,918)
Social Services	12,500	12,500	4,471	(8,029)
Recreation and Culture	120,000	120,000	106,386	(13,614)
Airports	60,958	60,958	59,945	(1,013)
Administration	1,340,100	2,028,793	2,010,218	(18,575)
Total Expenditures	<u>3,150,096</u>	<u>3,973,192</u>	<u>3,903,178</u>	<u>(70,014)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>286,192</u>	<u>307,293</u>	<u>698,049</u>	<u>390,756</u>
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds			80,521	80,521
Transfers From Other Funds			1,110	1,110
Transfers To Other Funds	(685,388)	(712,682)	(712,682)	
Total Other Financing Sources (Uses)	<u>(685,388)</u>	<u>(712,682)</u>	<u>(631,051)</u>	<u>81,631</u>
Net Changes in Fund Balance	(399,196)	(405,389)	66,998	472,387
Fund Balance - Beginning	399,196	405,389	603,641	198,252
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 670,639</u>	<u>\$ 670,639</u>

TAYLOR COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 895,084	\$ 948,262	\$ 1,074,847	\$ 126,585
Charges for Services	61,000	61,000	104,370	43,370
Miscellaneous	500	500	18,941	18,441
Interest	10,050	10,050	8,423	(1,627)
Total Revenues	<u>966,634</u>	<u>1,019,812</u>	<u>1,206,581</u>	<u>186,769</u>
EXPENDITURES				
General Government	14,900	14,475	14,475	
General Health and Sanitation	26,000	88	88	
Transportation Facilities and Services	15,000	18,042	18,042	
Roads	761,000	1,045,961	1,099,689	53,728
Administration	149,734	121,802	121,702	(100)
Total Expenditures	<u>966,634</u>	<u>1,200,368</u>	<u>1,253,996</u>	<u>53,628</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)		<u>(180,556)</u>	<u>(47,415)</u>	<u>133,141</u>
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds			<u>67,917</u>	<u>67,917</u>
Total Other Financing Sources (Uses)			<u>67,917</u>	<u>67,917</u>
Net Changes in Fund Balance		(180,556)	20,502	201,058
Fund Balance - Beginning		<u>180,556</u>	<u>180,556</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 201,058</u>	<u>\$ 201,058</u>

TAYLOR COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 72,612	\$ 72,612	\$ 87,837	\$ 15,225
Interest	2,000	2,000	5,185	3,185
Total Revenues	<u>74,612</u>	<u>74,612</u>	<u>93,022</u>	<u>18,410</u>
EXPENDITURES				
Protection to Persons and Property	672,910	750,449	750,449	
Social Services	2,500			
Capital Projects		5,398	5,398	
Administration	84,590	7,120	7,120	
Total Expenditures	<u>760,000</u>	<u>762,967</u>	<u>762,967</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(685,388)</u>	<u>(688,355)</u>	<u>(669,945)</u>	<u>18,410</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	685,388	688,355	688,355	
Transfers To Other Funds			(1,110)	(1,110)
Total Other Financing Sources (Uses)	<u>685,388</u>	<u>688,355</u>	<u>687,245</u>	<u>(1,110)</u>
Net Changes in Fund Balance			17,300	17,300
Fund Balance - Beginning			<u>90,959</u>	<u>90,959</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 108,259</u>	<u>\$ 108,259</u>

TAYLOR COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

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.

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

June 30, 2004

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

June 30, 2004

	Local Government Economic Assistance Fund	Forest Fire Fund	Special Fund	PRIDE Fund
ASSETS				
Cash and Cash Equivalents	<u>\$ 13,592</u>	<u>\$ 641</u>	<u>\$ 1,854</u>	<u>\$ 5,940</u>
Total Assets	<u><u>\$ 13,592</u></u>	<u><u>\$ 641</u></u>	<u><u>\$ 1,854</u></u>	<u><u>\$ 5,940</u></u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	\$ 13,592	\$ 641	\$ 1,854	\$ 1,443
Reserved for:				
Target Capacity Expansion Grant				
PRIDE Grant				4,497
Tebbs Bend Project Grant				
Total Fund Balances	<u><u>\$ 13,592</u></u>	<u><u>\$ 641</u></u>	<u><u>\$ 1,854</u></u>	<u><u>\$ 5,940</u></u>

TAYLOR COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2004
(Continued)

<u>Adanta Fund</u>	<u>Tebbs Bend Fund</u>	<u>Kentucky Agency On Substance Abuse Prevention Fund</u>	<u>Title V Grant Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$ 2,000	\$ 45,423	\$ 24,225	\$ 1,068	\$ 94,743
<u>\$ 2,000</u>	<u>\$ 45,423</u>	<u>\$ 24,225</u>	<u>\$ 1,068</u>	<u>\$ 94,743</u>
\$	\$ 4,000	\$ 24,225	\$ 1,068	\$ 46,823
2,000				2,000
				4,497
	41,423			41,423
<u>\$ 2,000</u>	<u>\$ 45,423</u>	<u>\$ 24,225</u>	<u>\$ 1,068</u>	<u>\$ 94,743</u>

THIS PAGE LEFT BLANK INTENTIONALLY

TAYLOR COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004

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

For The Year Ended June 30, 2004

	Local Government Economic Assistance Fund	Forest Fire Fund	Special Fund	PRIDE Fund
REVENUES				
Taxes	\$	\$ 997	\$	\$
Intergovernmental	19,191		38,650	41,715
Interest	744	33		
Total Revenues	<u>19,935</u>	<u>1,030</u>	<u>38,650</u>	<u>41,715</u>
EXPENDITURES				
Protection to Persons and Property	2,866	1,248		
General Health and Sanitation	24,879			36,718
Social Services				
Roads	3,345			
Administration			59,445	
Total Expenditures	<u>31,090</u>	<u>1,248</u>	<u>59,445</u>	<u>36,718</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(11,155)</u>	<u>(218)</u>	<u>(20,795)</u>	<u>4,997</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(7,224)	
Transfers From Other Funds			24,327	
Total Other Financing Sources (Uses)			<u>17,103</u>	
Net Change in Fund Balances	(11,155)	(218)	(3,692)	4,997
Fund Balances - Beginning	24,747	859	5,546	943
Fund Balances - Ending	<u>\$ 13,592</u>	<u>\$ 641</u>	<u>\$ 1,854</u>	<u>\$ 5,940</u>

TAYLOR COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004
(Continued)

Adanta Fund	Tebbs Bend Fund	Kentucky Agency On Substance Abuse Prevention Fund	Title V Grant Fund	Total Non-Major Governmental Funds
\$ 510,899	\$ 4,000	\$ 13,640	\$ 102,129	\$ 997
				730,224
				777
<u>510,899</u>	<u>4,000</u>	<u>13,640</u>	<u>102,129</u>	<u>731,998</u>
			108,285	112,399
				61,597
508,899	32,921	25,175		566,995
				3,345
				59,445
<u>508,899</u>	<u>32,921</u>	<u>25,175</u>	<u>108,285</u>	<u>803,781</u>
2,000	(28,921)	(11,535)	(6,156)	(71,783)
				(7,224)
			7,224	31,551
			<u>7,224</u>	<u>24,327</u>
2,000	(28,921)	(11,535)	1,068	(47,456)
	74,344	35,760		142,199
<u>\$ 2,000</u>	<u>\$ 45,423</u>	<u>\$ 24,225</u>	<u>\$ 1,068</u>	<u>\$ 94,743</u>

THIS PAGE LEFT BLANK INTENTIONALLY

TAYLOR COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2004

TAYLOR COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, each major fund, and the aggregate remaining fund information of Taylor County, Kentucky. The auditor's report also expresses a qualified opinion on the combined Taylor County Hospital District and Taylor County Hospital District Health Facility Corporation (Hospital), a discretely presented component unit of Taylor County, Kentucky, and on the Taylor County Airport Board (Airport), also a discretely presented component unit of Taylor County.
2. No reportable conditions relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Taylor County were disclosed during the audit.
4. One reportable condition relating to the audit of the major federal awards programs is reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Taylor County expresses an unqualified opinion.
6. Audit findings relative to the major federal awards programs for Taylor County are reported in Part C of this schedule.
7. The programs tested as major programs were: Targeted Capacity Expansion CFDA # 93.230.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Taylor County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

NONCOMPLIANCES

None

REPORTABLE CONDITIONS

None

**TAYLOR COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2004
(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT**

REPORTABLE CONDITION

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES -
Targeted Capacity Expansion Program CFDA #93.230

Reference Number 2004-1.

Additional Policies Should Be Implemented To Monitor Federal Funds

The fiscal court receives and deposits all grant funds into their bank account, and then they remit grant funds to the subrecipient (Adanta) and pay other federal grant expenditures. The fiscal court has contracted with Team Taylor County to serve as grant administrator on federal grants. The grant administrator reviewed supporting documentation for expenditures and draw down requests as required by their contract, however the fiscal court did not review and approve draw down requests as required by the same contract and one expenditure was not approved by the fiscal court. The grant administrator failed to obtain and review the subrecipient's (Adanta) audit report conducted in accordance with United States Office and Management Budget Circular Number - A- 133, which is required by their contract. The auditor had to obtain the report directly from the subrecipient (Adanta).

The Single Audit Act Amendments of 1996 Section 7502(f)(2) requires each pass-through entity to:

- a) Monitor the subrecipient's use of Federal awards through site visits, limited scope audits, or other means; and
- b) Review the audit of a subrecipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the Director, pertaining to Federal awards provided to the subrecipient by the pass-through entity.

We recommend that the Taylor County Fiscal Court:

- a) Contact their grant administrator and require them to comply with their contract agreement with the fiscal court.
- b) Approve all draw down requests of federal funds, payments to the subrecipient, and other federal expenditures made from their bank account.

County Judge/Executive Paul W. Patton's Response:

The County has spoken with the grant administrator in charge of this grant and has requested that in the future, we be provided with a list of allowable/unallowable expenditures and a copy of the grant agreement. Additionally, the court has addressed the issue of reviewing the sub-recipient's audit report and will do so in a timely manner.

**TAYLOR COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2004
(Continued)**

D. PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

None.

E. PRIOR YEAR FINDINGS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

Reference Number 2003-1.

Additional Policies Should Be Implemented To Monitor Federal Funds

This finding was partially corrected in the current year.

THIS PAGE LEFT BLANK INTENTIONALLY

TAYLOR COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**TAYLOR COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For The Year Ended June 30, 2004

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of Health and Human Services</u>		
Direct Program:		
Targeted Capacity Expansion (CFDA #93.230)	6H79T112354	\$ 508,899
Total U.S. Department of Health and Human Services		508,899
<u>U.S. Department of Justice</u>		
Passed-Through State Justice Cabinet:		
Juvenile Accountability Incentive Block Grant (CFDA # 16.523)	02-JB-BX-0023(202)	10,029
Juvenile Accountability Incentive Block Grant (CFDA # 16.523)	03-JB-BX-0033(202)	25,088
Title V - Juvenile Delinquency Prevention Program (CFDA # 16.548)	01-JP-FX-0021(Taylor)	108,285
Total U.S. Department of Justice		143,402
<u>U.S. Department of Homeland Security</u>		
Passed-Through State Department of Military Affairs:		
Weapons of Mass Destruction 03 (CFDA # 97.004)	M-03138124	24,926
Weapons of Mass Destruction 03 (CFDA # 97.004)	M-03254738	59,025
Total U.S. Department of Homeland Security		83,951

TAYLOR COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2004
(Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of Commerce</u>		
Direct Program:		
Personal Responsibility In A Desirable Environment (CFDA #11.469)	CF02-40	\$ <u>33,218</u>
Total U.S. Department of Commerce		33,218
<u>U.S. Federal Emergency Management Agency</u>		
Passed-Through State Department of Military Affairs:		
State and Local All Hazards Emergency (CFDA #83.562)	M-03055032	7,947
Disaster and Emergency Assistance Grant Coordinator Salary (CFDA #83.503)	N/A	<u>1,321</u>
Total U.S. Federal Emergency Management Agency		<u>9,268</u>
Total Cash Expenditures of Federal Awards		<u>\$ 778,738</u>

TAYLOR COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Ended June 30, 2004

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Taylor County, Kentucky, and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - Of the federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards, Taylor County Fiscal Court provided federal awards to the following subrecipient:

FYE 6/30/04

<u>Program</u>	<u>CFDA Number</u>	<u>Subrecipient</u>	<u>Pass-Through Grant Amount</u>
Targeted Capacity Expansion	93.23	Adanta	<u>\$ 333,566</u>

THIS PAGE LEFT BLANK INTENTIONALLY

**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**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

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

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Taylor County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated November 29, 2005. Taylor County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance And Other Matters

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



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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
November 29, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

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

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Taylor County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Taylor County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Taylor County's management. Our responsibility is to express an opinion on Taylor County's compliance based on our audit.

We conducted our audit of compliance 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Taylor County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Taylor County's compliance with those requirements.

In our opinion, Taylor County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Taylor County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Taylor County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Taylor County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs.

- Reference Number 2004-1: Additional Policies Should Be Implemented To Monitor Federal Funds

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 noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

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

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
November 29, 2005

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

TAYLOR COUNTY FISCAL COURT

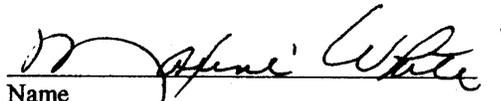
**For The Year Ended
June 30, 2004**

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

For The Fiscal Year Ended June 30, 2004

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


Name
County Judge/Executive


Name
County Treasurer

APPENDIX D

Form of Final Approving Legal Opinion of Bond Counsel

June __, 2006

Taylor County Public Courthouse Corporation
Campbellsville, Kentucky

County of Taylor, Kentucky
Campbellsville, Kentucky

**Re: \$_____ Taylor County Public Courthouse Corporation First
Mortgage Revenue Bond Anticipation Notes, Series 2006 (the "Notes")**

Ladies and Gentlemen:

We have examined the transcript of proceedings, including a specimen note (the "Transcript") relating to the issuance of the Notes by the Taylor County Public Courthouse Corporation (the "Corporation") a nonprofit, nonstock corporation, organized and existing under the laws of the Commonwealth of Kentucky, acting as an agency, instrumentality and constituted authority of the County of Taylor, Kentucky (the "County"). The Notes are being issued for the purpose of providing interim financing pending the issuance and delivery by the Corporation of its First Mortgage Revenue Bonds, Series 2008 (Judicial Center Project) (the "Bonds") in the principal amount of \$14,805,000 (which amount may be increased or decreased by ten percent), to be dated September 1, 2008. The proceeds of the Bonds will be used to finance (i) costs of the acquisition, construction, improvement and equipping of a three-story, approximately 54,135 square foot judicial facility to be leased to the Administrative Office of the Courts of the Commonwealth of Kentucky (the "Justice Center Project"), (ii) interest on the Bonds during the period of construction of the Justice Center Project; and (iii) the costs of issuance of the Bonds (the "Costs of the Justice Center Project"). The proceeds of the Notes will be used in the interim (i) to finance Costs of the Justice Center Project; (ii) to reimburse the County for funds advanced for Costs of the Justice Center Project, (iii) to pay interest on the Notes through final maturity, and (iv) to finance the costs of issuance of the Notes.

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

1. The Notes are legal, valid, binding and enforceable in accordance with their terms.
2. The Notes constitute special, limited obligations of the Corporation payable solely from the proceeds of the Bonds. The Notes are not secured by an obligation or pledge of any moneys raised by taxation and the Notes do not represent or constitute an indebtedness of the County or the Corporation, or a pledge of the full faith and credit or taxing power of the County, the Corporation or the Commonwealth of Kentucky or any political subdivision thereof.

3. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, the interest on the Notes 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 Notes will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, we have assumed continuing compliance by the Corporation with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Notes.

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

5. The Notes are "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

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

Very truly yours,

STITES & HARBISON, PLLC

OFFICIAL TERMS AND CONDITIONS OF SALE OF NOTES

TAYLOR COUNTY PUBLIC COURTHOUSE CORPORATION FIRST MORTGAGE REVENUE BOND ANTICIPATION NOTES, SERIES 2006 IN THE AMOUNT OF \$7,740,000 (PLUS OR MINUS UP TO \$770,000)

1. DATE AND HOUR OF SALE

Sealed bids will be received by the Taylor County Public Courthouse Corporation (the "Issuer") at the office of the Judge Executive of Taylor County, County Courthouse, 203 N. Court St., Suite 4, Campbellsville, Kentucky 42718 (address mailed bids c/o the undersigned), and via **PARITY** electronic bidding, until 1 P.M., E.D.T., on June 22, 2006 for the purchase of \$7,740,000 (plus or minus up to \$770,000) principal amount of the Taylor County Public Courthouse Corporation First Mortgage Revenue Bond Anticipation Notes, Series 2006 (the "Notes").

2. DESCRIPTION AND MATURITY OF NOTES

The Notes will be dated June 1, 2006, will bear interest from that date, payable beginning on March 1, 2007 and thereafter semiannually on March 1 and September 1 of each year, at the rates specified in the accepted bid, and will be issued as fully registered notes. The Notes will mature as to principal on September 1, 2008. The Notes are subject to prepayment on or after September 1, 2007, in whole or in part.

3. SECURITY

The Notes will not be general obligation notes of the Issuer or of the County of Taylor, Kentucky (the "County"). The Notes will be issued pursuant to a Resolution of the Issuer (the "Issuer Resolution") adopted on June 13, 2006, a Resolution of the County adopted on June 13, 2006 (the "County Resolution") and pursuant to the provisions of Sections 58.010 through 58.190, inclusive, of the Kentucky Revised Statutes, as amended. The Notes will be payable solely from the proceeds of the Taylor County Public Courthouse Corporation First Mortgage Revenue Bonds (Justice Center Project), Series 2008 in the principal amount of \$14,805,000 (plus or minus ten percent) (the "Bonds"). The County and the Administrative Office of the Courts ("AOC") of the Commonwealth of Kentucky have entered into a Memorandum of Understanding, as amended, pursuant to which the AOC, the County and the Issuer intend, simultaneously with the issuance of the Bonds, to enter into a Lease Agreement and Mortgage Deed of Trust providing for the lease of the Justice Center Project to AOC in exchange for rental payments sufficient to pay the principal of and interest on the Bonds as and when due. A copy of the County Resolution, the Issuer Resolution and the Preliminary Official Statement are available from the Fiscal Court Clerk or the Financial Advisor, First Kentucky Securities Corporation, 305 Ann Street, Suite 400, Frankfort, Kentucky 40601.

4. AUTHORITY AND PURPOSE

The Notes have been authorized by the Issuer Resolution pursuant to the authority of Sections 58.010 through 58.190, inclusive, of the Kentucky Revised Statutes, as amended, for the purpose of providing interim financing pending the issuance of the Bonds, (i) to finance the cost of the acquisition, construction, improvement and equipping of a three-story, approximately 54,135 square foot Justice Center (the "Justice Center Project") to be leased to the AOC for the benefit of the County; (ii) to reimburse the County for funds advanced for costs of the Justice Center Project, (iii) to pay interest on the Notes through final maturity, and (iv) to finance the costs of issuance of the Notes.

5. CONTINUING DISCLOSURE

In order to assist bidders in complying with the requirements of SEC Rule 15c2-12(b)(5), the Issuer, the County and the AOC intend to enter into a Continuing Disclosure Agreement dated as of June 1, 2006 (the "Continuing Disclosure Agreement"), setting forth the undertaking of the parties to provide certain annual reports and notices of certain events. A description of this undertaking, including certain limitations thereon, is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

6. LEGAL OPINION

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

Under the laws, regulations, rulings and judicial decisions in effect as of the date of its final opinion, interest payable with respect to the Notes will be excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Notes, will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. Such Legal Opinion of Note Counsel will be issued based on the assumption by Note Counsel that the Issuer complies with certain covenants made by the Issuer designed to meet the requirements of Section 103 of the Code. The County and the Issuer have designated the Notes as "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b)(3) of the Code, since neither the County, the Issuer, nor any other subordinate entity thereof expects to issue "qualified tax-exempt obligations" (other than private activity bonds) in excess of \$10,000,000 in 2006. It is the opinion of Note Counsel that interest payable with respect to the Notes is exempt from Kentucky income taxation and the Notes are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions on the date of delivery of the Notes to the successful purchaser.

If, prior to the delivery of the Notes, any event shall occur which alters the tax-exempt status of the Notes, the purchaser shall have the privilege of voiding the purchase contract by giving immediate written notice to the Issuer, whereupon the amount of the good faith deposit of

the purchaser will be returned to the purchaser, and all respective obligations of the parties will be terminated.

7. TERMS OF SALE

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

- A. Bids will be considered only for the entire \$7,740,000 (plus or minus up to \$770,000) of Notes, at a minimum price of \$7,710,975 (99.625% of par), plus accrued interest from the date of the Notes (June 1, 2006) to the date of delivery.
- B. The successful bidder will be required to deposit with U.S. Bank National Association, Louisville, Kentucky, for the account of the Issuer immediately available funds in the amount of \$154,800 representing the good faith deposit, by the close of business on the next succeeding business day. The amount of said good faith deposit will be deducted from the purchase price at the time of delivery of the Notes.
- C. Bidders must state an interest rate in a multiple of 1/8, 1/10 or 1/20 of 1%. **There is a maximum interest rate of 12%.**
- D. The right to reject bids for any reason deemed advisable by the Issuer, and the right to waive any possible informalities, irregularities or defects in any bid which, in the judgment of the Issuer, with the advice of the Financial Advisor, shall be minor or immaterial, is expressly reserved.
- E. Except as set forth in F below, bids are required to be made on the official Bid Form in order to provide for uniformity in submission of bids and ready determination of best bid. Except as set forth in F below, bids must be enclosed in sealed envelopes marked "Proposal for Taylor County Public Courthouse Corporation Bond Anticipation Notes, Series 2006" and bids must be received in the Judge Executive's office prior to the date and hour set for the sale.
- F. Bids may alternatively be submitted electronically via PARITY®. Electronic bids for the Notes must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Issuer will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of these Official Terms and Conditions of Sale of Notes, these Official Terms and Conditions of Sale of

Notes shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Note Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Issuer. The Issuer shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102.

- G. The purchaser of the Notes will pay the CUSIP Service Bureau charge for the assignment of CUSIP numbers, which numbers will be printed on the Notes at no expense or cost to the purchaser. Neither the failure to print a CUSIP number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Notes in accordance with the terms of the sale.
- H. It shall be the responsibility of the purchaser to furnish or cause to be furnished to the Payee Bank/Bond Registrar at least 5 days prior to the date of delivery of the Notes, a list of the names, addresses, social security numbers or employer identification numbers of each of the parties of whom the Notes are to be registered, and the principal amounts and maturities thereof. In the event of the failure to so deliver such list, the Notes delivered to the purchaser shall be registered in the name or names of such purchaser or their designated representatives appearing as the first name on the successful Bid Form, or otherwise appropriately designated, and shall be issued in denominations as shall be determined by the Payee Bank/Bond Registrar.
- I. Upon wrongful refusal of the purchaser to take delivery of and pay for the Notes when tendered for delivery, the amount of the good faith check shall be forfeited by such purchaser, and such amount shall be deemed liquidated damages for such default, provided, however, if said Notes are not ready for delivery and payment within forty-five (45) days from the date of sale herein provided for, said purchaser shall be relieved of any liability to accept the Notes hereunder.
- J. As required by the Code, the purchaser will be required to certify to the Issuer (i) the reoffering price of the Notes at which price a substantial amount (at least 10%) has been sold to members of the public (excluding bond houses, brokers and other intermediaries), and (ii) the principal amount sold to the public of the Notes on the reoffering date. This information shall also be made available to the Financial Advisor immediately after the sale of the Notes.
- K. Unless the successful bidder notifies the Issuer in writing within twenty-four hours of the award of the Notes that it has elected (at such purchaser's expense) to take physical delivery of the Notes, The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Notes. If issued in the book-entry only system, they will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-

registered Note will be issued in the aggregate principal amount and will be deposited with DTC. Purchases of the Notes 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 Notes on DTC's records. The ownership interest of each actual purchaser of each Note (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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

- L. At the election and cost of the purchaser of the Notes, the Notes may be insured under a municipal bond insurance policy. In such event, the Issuer agrees to cooperate with the purchaser to qualify the Notes for bond insurance; however, the Issuer will not assume any of the expenses incident to the issuance of such a bond insurance policy, other than the costs for securing a rating of the Notes from Moody's Investors Service, Inc.

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

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

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

Secretary, Taylor County Public
Courthouse Corporation

BID FORM

Subject to the terms and conditions set forth in a Resolution of the Taylor County Public Courthouse Corporation providing for the sale of \$7,740,000 (plus or minus up to \$740,000) of Taylor County Public Courthouse Corporation First Mortgage Revenue Bond Anticipation Notes, Series 2006, dated June 1, 2006, and in accordance with the Notice of Note Sale as advertised, and in accordance with the Official Terms and Conditions of Sale of Notes, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase said Notes.

We hereby bid for said \$7,740,000 principal amount of Notes the sum of \$_____ (not less than \$7,710,975), plus accrued interest from June 1, 2006, to the date of delivery of the Notes. The Notes shall bear interest, payable commencing March 1, 2007 and semiannually thereafter on each March 1 and September 1, at the following rate:

<u>MATURITY</u>	<u>AMOUNT*</u>	<u>INTEREST RATE</u>
September 1, 2008	\$7,740,000	_____%

We understand that the Issuer will furnish the final, approving legal opinion of Stites & Harbison, PLLC of Louisville, Kentucky. If we are the successful bidder, we will cause to be deposited with U.S. Bank National Association for the account of the Issuer, immediately available funds in the amount of \$154,800 representing the good faith deposit, prior to the close of business on June 23, 2006, which amount, without interest, will be deducted from the purchase price of the Notes when tendered to us for delivery. If we are the successful bidder, we agree to accept and make payment for the Notes in accordance with the terms of sale.

Respectfully submitted,

Bidder

Address

Telephone Number

Signature

*Subject to permitted adjustment.

Total interest cost from June 1, 2006 to final maturity	\$ _____
Plus discount	\$ _____
Net interest cost (Total interest cost plus discount)	\$ _____
Average interest rate or cost (i.e. N.I.C.)	_____ %

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

Accepted by the Issuer this ____ day of June, 2006

TAYLOR COUNTY PUBLIC
COURTHOUSE CORPORATION

President