

**NEW ISSUE
BANK QUALIFIED**

**Moody's: "___"
See "Bond Rating" herein**

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

\$11,175,000*

**TODD COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BONDS (COURT FACILITIES PROJECT), SERIES 2010**

Dated: Date of Initial Delivery

Due: June 1, as shown below

Interest on the Bonds is payable each June 1 and December 1, beginning December 1, 2010. The Bonds will mature as to principal on June 1, 2011 and each June 1 thereafter, as shown below. The Bonds are being issued as fully registered and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof.

<u>Maturity Date</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Price/Yield</u>	<u>CUSIP Number</u>	<u>Maturity Date</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Price/Yield</u>	<u>CUSIP Number</u>
June 1, 2011	\$450,000				June 1, 2021	\$540,000			
June 1, 2012	425,000				June 1, 2022	565,000			
June 1, 2013	430,000				June 1, 2023	585,000			
June 1, 2014	440,000				June 1, 2024	610,000			
June 1, 2015	450,000				June 1, 2025	635,000			
June 1, 2016	460,000				June 1, 2026	660,000			
June 1, 2017	470,000				June 1, 2027	690,000			
June 1, 2018	490,000				June 1, 2028	720,000			
June 1, 2019	505,000				June 1, 2030	750,000			
June 1, 2020	520,000				June 1, 2030	780,000			

Principal and interest on the Bonds are payable at the corporate trust office of U.S. Bank National Association, as Paying Agent, Registrar and Trustee (the "Trustee"). The Bonds will be initially issued as fully registered bonds in book entry form in the name of The Depository Trust Company ("DTC") or its nominee. There will be no distribution of Bonds to owners of book entry interests. DTC will receive all payments of principal and interest with respect to the Bonds from the Trustee. DTC is required by its rules and procedures to remit such payments to participants in DTC for subsequent disbursement to the owners of book entry interests. So long as DTC or its nominee is the registered owner of the Bonds, references herein to the Bondholders or registered owners (other than under the captions "LEGAL MATTERS-Tax Exemption" and "CONTINUING DISCLOSURE") shall mean DTC or its nominee, and not the owners of book entry interests in the Bonds. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof.

The Bonds are subject to redemption prior to maturity as described herein.

The Bonds are special and limited obligations of the Todd County, Kentucky Public Properties Corporation (the "Corporation"), a nonprofit, non-stock public corporation and agency of the Todd County, Kentucky (the "County"), issued at the request of the County, and do not constitute a debt, liability or general obligation of the Corporation or the County within the meaning of the Constitution and laws of the Commonwealth of Kentucky, or a pledge of the faith and credit or the taxing power of the County. The Bonds are being issued by the Corporation for the purpose of: (i) financing the acquisition, construction, installation and equipping of a courthouse facility; (ii) retiring the outstanding Lease Agreement by and between the County and the Kentucky Association of Counties Leasing Trust, dated December 15, 2008 (the "Prior Lease"); and (iii) paying the cost of issuing the Bonds.

The Corporation, the County and the Administrative Office of the Courts ("AOC") have entered into a Lease Agreement, dated as of June 1, 2010 (the "Lease"), wherein the AOC will lease from the Corporation the Project and the Project Site (as described herein), at an agreed rental, which rental amount will be assigned by the Corporation to the Trustee and is anticipated to be adequate to pay no less than 100% of the principal and interest on the Bonds. The Lease does not require the County to make any rental payments toward the Project, however, the County is obligated to provide for the operation, maintenance, insurance and repair of the Project. See "The Lease" herein.

The Bonds are offered when, as and if issued, subject to the approval of legality and tax exemption by Peck, Shaffer & Williams LLP, Covington, Kentucky, Bond Counsel. Sealed Bids for the Bonds are to be opened Tuesday, June 16, 2010 at 12:00 p.m. (E.D.S.T.) in the Office of the County Judge/Executive, Todd County Courthouse, 200 Washington Street, Elkton, Kentucky 42220. The Series 2010 Bonds are expected to be available for delivery on or about June 30, 2010.

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



Kentucky Association of Counties Leasing Trust
Financial Advisor

Dated: _____, 2010

*Indicates preliminary, subject to change throughout.

**TODD COUNTY, KENTUCKY
PUBLIC PROPERTIES CORPORATION**

Arthur Green, President
Roy Addison Jr.
Howard Gorrell
Alice Jane Rager
Brent T. Spurlin
James M. Turner

**TODD COUNTY, KENTUCKY
FISCAL COURT**

Judge/Executive

Arthur Green

Magistrates

Roy Addison Jr.
Howard Gorrell
Alice Jane Rager
Brent T. Spurlin
James M. Turner

County Attorney

Harold Mac Johns, Esq.

County Treasurer

Tammy Robertson

Fiscal Court Clerk

Misty Glover

BOND COUNSEL

Peck, Shaffer & Williams LLP
Covington, Kentucky

FINANCIAL ADVISOR

Kentucky Association of Counties Leasing Trust
Frankfort, Kentucky

CONSULTANT/STRUCTURING AGENT TO THE FINANCIAL ADVISOR

C.D. Bowling & Associates
Lexington, Kentucky

TRUSTEE

U.S. Bank National Association
Louisville, Kentucky

REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the Todd County, Kentucky Public Properties Corporation identified on the cover page hereof. No person has been authorized by the Corporation to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

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

Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the Corporation and the County, will pass upon the accuracy or adequacy of this Official Statement or approve the Bonds for sale.

This Official Statement includes the front cover page immediately preceding this page and all Appendices hereto.

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\$11,175,000*
TODD COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BONDS
(COURT FACILITIES PROJECT), SERIES 2010

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the Todd County, Kentucky Public Properties Corporation, First Mortgage Revenue Bonds (Court Facilities Project), Series 2010 (the "Series 2010 Bonds" or the "Bonds").

The Todd County, Kentucky Public Properties Corporation (the "Corporation") adopted a Resolution on June 11, 2010, authorizing the issuance of the Bonds from which the net proceeds thereof will be used to (i) finance the acquisition, construction, installation and equipping of a courthouse facility (ii) refund the Prior Lease, hereinafter defined, and (iii) pay the cost of issuance of the Bonds. The Corporation was created by the Todd County, Kentucky (the "County") to act as the agency and instrumentality of the County in acquiring, developing and financing public improvements and public projects.

The Bonds are to be issued pursuant to the terms of a Mortgage and Deed of Trust dated as of June 1, 2010, the First Supplemental Mortgage Deed of Trust, dated as of June 1, 2010 and a Second Supplemental Mortgage Deed of Trust dated as of June 1, 2010 (collectively, the "Mortgage") by and between the Corporation and U.S. Bank National Association, Louisville, Kentucky, as Trustee (the "Trustee"), and are secured by a foreclosable first mortgage lien on the Project and by the assignment by the Corporation of all its right, title and interest to the Lease dated as of June 1, 2010 (the "Lease") by and among the Corporation, the Administrative Office of the Courts ("AOC") and the County (see "The Lease" herein).

This Official Statement should be considered in its entirety, and no one subject discussed should be considered more or less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents. Prior to issuance and delivery of the Bonds, copies of the Mortgage and the Lease may be obtained at the office of Peck Shaffer & Williams LLP, Covington, Kentucky.

THE COUNTY

The County of Todd, Kentucky, is a public body corporate and politic duly created and existing as a County and political subdivision of the Commonwealth of Kentucky (the "Commonwealth").

The County is governed by a Fiscal Court consisting of an elected County Judge/Executive and five (5) elected Magistrates. These six (6) members comprise the Fiscal Court and are elected to four (4) year terms. There is no limitation for succession by any member of the Fiscal Court.

Demographic, economic and financial data regarding the County is included in Appendices C, D and E.

THE CORPORATION

The Todd County, Kentucky Public Properties Corporation is a nonprofit, no-stock public and governmental corporation organized and existing under the law of the Commonwealth, including particularly Section 58.180 and Sections 273.161 to 273.390, inclusive, of the Kentucky Revised Statutes ("KRS").

The Corporation's principal purpose is to act as an agency and instrumentality of the County in the planning, promotion, development, financing and acquisition by the Corporation for and on behalf of the County of public improvements and public projects for the County which may properly be undertaken by the County pursuant to the general statutory laws of the Commonwealth, including Chapter 58 of the Kentucky Revised Statutes.

Any bonds or other indebtedness issued or contracted by the Corporation for or on behalf of the County shall, prior to the issuance thereof or incurrence thereon, be specifically approved by the County, acting by and through its Fiscal Court as its duly authorized and empowered governing body.

The members of the Board of Directors of the Corporation are the County Judge/Executive and the other members of the Todd County Fiscal Court. Their terms expire when they cease to hold the office and any successor members of the Fiscal Court and the County Judge/Executive, automatically become members of the Board of Directors of the Corporation upon assuming their public offices.

ADMINISTRATIVE OFFICE OF THE COURTS

The Court of Justice

In 1975, Kentucky voters elected to unify the Commonwealth's fragmented judicial system by amending the Constitution to provide for a four (4) tiered court system referred to as the Court of Justice. The tiered system consists of two appellate levels and two trial levels. Appellate courts include the Supreme Court (the State's court of last resort) and the Court of Appeals (an intermediate appellate court). The trial courts are divided into circuit courts (courts which have general jurisdiction) and the district courts (courts with limited jurisdiction).

Supreme Court. The Supreme Court consists of seven (7) justices, elected from the seven appellate districts and serve eight year terms. A Chief Justice is chosen by the seven justices for a four year term. The Chief Justice is the administrative head of the State's court system.

Court of Appeals. The Court of Appeals is made up by fourteen (14) judges, two elected from each of the seven appellate districts. Each member on the Court of Appeals serves for a term of eight years.

Circuit Court. Circuit courts are considered as the court of general jurisdiction and normally hears civil matters involving more than \$4,000. Circuit judges have jurisdiction over cases involving capital offenses and felonies, divorces, adoptions, termination of parental rights, land disputes and contested probates of will. Circuit courts have the power to issue injunctions, writs of prohibition, writs of mandamus and hear appeals from district courts and administrative agencies. Currently, there are 97 circuit judges serving Kentucky's circuit court system. Circuit judges serve eight year terms and are assigned to one or more counties depending upon population and caseload.

District Court. District courts have limited jurisdiction and are often referred to as the "people's court." District courts hear matters involving civil matters less than \$4,000, juvenile offenses, city and county ordinances, traffic offenses, probates of will, felony preliminaries, cases involving guardianship, conservatorship, voluntary or involuntary commitment and domestic violence and abuse. Currently, there are 125 district judges in Kentucky. District judges serve four year terms and are assigned to one or more counties depending upon population and caseload.

Administrative Office of The Courts

The AOC serves as the staff for the Court of Justice, administered by the Commonwealth's Chief Justice of the Supreme Court. AOC's primary duties involve:

- Prepare the biennial budget and administer the funds and accounts of the Court of Justice
- Maintain data processing systems for the purpose of publishing statistical reports, evaluating special projects and operating case management systems
- Disperse and maintain supplies and equipment
- Provide offices and court space for the entire court system
- Supervise the State Law Library
- Oversee the pretrial and juvenile services, drug court and mediation programs

The Court of Justice is funded through State appropriations from the Kentucky's General Assembly. The Court of Justice budget represents approximately 2% of the total State's General Fund. With the exception of certain fees that are dedicated to specific use and application, fines and all other revenues collected by the Court of Justice are deposited to the State's General Fund. The Court of Justice is funded by four separate appropriations: Court Operations and Administration, Judicial Retirement System, Local Facilities Fund and Capital Projects. Rental payments of AOC as provided in the Lease are budgeted each biennium in the Local Facilities Fund of the Court of Justice budget.

Under the Supreme Court Rule 1.050 and KRS 26A.090 through 26A.130, AOC provides for office and court facilities to governmental units through its "Use Allowance" and "Operating Costs Allowance."

The Use Allowance is compensation to the governmental unit operating the court facility for capital costs of the facility based upon a statutory formula; application of the formula results in AOC being obligated for 100% of the debt service requirements for these Bonds.

The Operating Costs Allowance is compensation for the expenses borne by the governmental unit in providing janitorial, insurance, maintenance, repair and upkeep of the court facility.

THE BONDS

General

The Bonds shall be dated their date of delivery and will accrue interest from that date as described herein. Interest on the Bonds is payable semi-annually on June 1 and December 1 of each year commencing December 1, 2010. The Bonds will mature on June 1 of each year, in the years and in the principal amounts as set forth on the cover page of this Official Statement.

Book-Entry-Only System

The Bonds initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise provided herein with respect to tenders by beneficial owners of beneficial ownership interests, beneficial owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds under the Resolution.

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

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

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Corporation or the Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption, elections to tender the Bonds or other communications to or by DTC

which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

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

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

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CORPORATION BELIEVES TO BE RELIABLE, BUT THE CORPORATION TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

Registration, Payment and Transfer

The Bonds are to be issued in denominations of \$5,000 and any integral multiple thereof.

All Bonds shall be registered as to both principal and interest on the registration books maintained at the corporate office of the Trustee, acting as Paying Agent and Bond Registrar. No transfer of any Bonds shall be valid unless made on said books at the request of the Registered Owner in person or by his attorney duly authorized in writing, and similarly noted on such Bond. Bonds may be exchanged for Bonds of other authorized denominations upon surrender of the Bonds to be exchanged to the Registrar with a written request for such exchange, duly executed by the Registered Owner thereof or by his duly authorized attorney. The Registrar shall not be required to transfer or exchange any Bond on any date which is after the fifteenth day of the month preceding any interest payment date, or during any period beginning 15 days prior to the selection by the Trustee of Bonds to be redeemed prior to maturity and ending on the date of mailing of notice of any such redemption. The person in whose name a Bond is registered upon the books of the Corporation shall be deemed the Registered Owner thereof for all purposes.

Interest on each Bond shall be payable by check or draft mailed to the Registered Owner thereof as of the fifteenth date of the month immediately preceding that date for payment of such interest at the address shown on the registration books kept by the Trustee as Registrar. The principal of and premium, if any, on the Bonds shall be payable, without exchange or collection charges, in lawful money of the United States of America upon their presentation and surrender as they respectively become due and payable, whether at maturity or by prior redemption, at the principal corporate trust office of the Trustee.

Optional Redemption

The Bonds maturing on and after June 1, 2021 are subject to optional redemption on any date on and after June 1, 2020 in whole or in part, in such order of maturity as may be selected by the Corporation and by lot within a maturity, at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption

The Bonds maturing on the dates set forth below are subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on the dates, in the years and in the principal amounts as follows:

<u>Maturing June 1, 20__</u>		<u>Maturing June 1, 20__</u>	
<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
June 1, 20__	\$	June 1, 20__	\$
June 1, 20__	*	June 1, 20__	*

*Maturity

Notice of Redemption

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

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

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

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

Defeasance

The Corporation reserves the right at all times during the term of the Lease, to make provision for discharge of all Bonds by depositing into the Sinking Fund moneys sufficient to pay all principal and interest requirements on the Bonds to and on the first or next date of redemption, or to the date of maturity, together with sufficient additional moneys to redeem and discharge all outstanding Bonds on such redemption date, or to deposit into the Sinking Fund such principal amount of permissible Investment Obligations as shall, with earnings thereon, produce the identical result.

THE PROJECT

Project is comprised of the construction, acquisition, installation and equipping the Todd County Justice Center, a new judicial facility to be located in downtown Elkton, Kentucky on West Main Street approximately one block west of the public square. The 2.03 acre site is fronted on the south by West Main Street, on the east by Weathers Lane, on the north side by Jefferson Street and on the west by the "Community House", a public use community center. Site preparation includes demolition of approximately six buildings (one of which was a gasoline service station), and basic earthwork. Utilities are available at this site. The two story, 31,138 square foot facility, will house one Circuit Court and support facilities, one District Court and support facilities, Circuit Court Clerk facilities, one Family Court and support facilities, Grand Jury facilities, Pre-Trial, Drug Court, CDW, and Conference/Resource Services.

The Project itself will be constructed with concrete foundations, steel structural frame, metal stud infill walls, aluminum curtainwall and storefront entrances and windows, brick and stone veneer, and a standing seam metal roof. Interior shall include metal stud and gypsum board walls, C.M.U. walls where needed for structural and/or security considerations and steel floor joists, concrete slab second floor structure. Finishes shall include quarry tile, ceramic tile, porcelain tile, VCT, carpet, terrazzo, acoustical lay-in ceiling system, painted walls, wood interior doors, wood paneling and trim. Plumbing and HVAC systems shall be water and energy efficient systems, HVAC system shall be geothermal water source heat pump. Electrical systems shall be energy efficient equipment and shall include communications and safety equipment. Court recording and surveillance systems shall be furnished and installed by the Administrative Office of the Courts. The facility is 100% sprinkled.

A portion of the Project was financed on an interim basis with the proceeds of the Prior Lease which provided interim financing for the Project. A portion of the proceeds of the Bonds will be used to retire the Prior Notes on August 1, 2010.

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ESTIMATED SOURCES AND USES OF FUNDS

The following table shows the estimated sources and uses of proceeds of the Bonds, other than any portions thereof representing accrued interest:

Sources:

Bond Proceeds	\$
Interest Earnings	
Prior Issue Capitalized Interest Funds	
Total Sources	\$

Uses:

Underwriter's Discount	\$
Deposit to Lease Payment Fund	
Deposit to Construction Fund	
Cost of Issuance	
Total Uses	

SECURITY AND SOURCES OF PAYMENT

Security

The Bonds will, upon their issuance, be secured by a foreclosable first mortgage lien on the Project. The Bonds will also be secured by the assignment by the Corporation of its right, title, and interest in and to the Lease providing for the lease of the Project and the Project Site to the AOC and the County on an automatically renewable biennial and annual basis, respectively, and rental payments adequate to meet the maturing principal and interest payments of the Bonds to the due date of the Bonds (for a further description of such payments see "THE LEASE" herein).

Sources of Payment

The primary source of payment of the Bonds is the assignment by the Corporation of its right, title, and interest in and to the biennially renewable Lease with AOC which provides for rental payments adequate to meet the maturing principal and interest payments of the Bonds when due.

The only source of funds expected by the Corporation to meet the debt service on the Bonds is the rental payments to be received from AOC for its use of the Project. AOC must appropriate certain available revenues each biennium from its budget to meet the rental payments for its leasing of the Project, which rental payments are then assigned to service 100% of the net debt service of the Bonds. While AOC is legally obligated only for the rental period ending each June 30 of an even numbered year as long as any of the Bonds remain outstanding, AOC has covenanted that it will request a biennial appropriation at least equal to the Use Allowance and Operating Costs Allowance from the Kentucky General Assembly in order to continue to meet the rental payments and pay for the insurance, utilities, repair and upkeep of the Project.

The Bonds are limited obligations of the Corporation, and do not constitute a pledge of the faith and credit of the Corporation, the County or any taxing authority or political subdivision thereof for the payment of the principal or interest thereon. The Corporation has no taxing authority. The Bonds are payable solely from and secured by receipts and revenues of the Corporation under the Lease (for a further description of such payments see "THE LEASE" herein).

AOC's Use Allowance Payment

The County and the Corporation are acting as an agent for the AOC in the management and maintenance of the Project. The Corporation and the County expect the annual rentals for use of the Project (the "Use Allowance") to be in the full amount of the principal and interest requirements on the Bonds for each year in which the Lease is renewed. The County and the Corporation have entered into the Lease in reliance upon a Use Allowance in order to meet the debt service for the Bonds. Under the terms of the Lease, the AOC has agreed to pay semi-annually directly to the Trustee, the Use Allowance payment as provided in the Lease, subject to the constitutional restrictions limiting the commitment of state agencies to the then current biennial period; said amount to be applied only to the principal of and interest on the Bonds so long as the AOC renews the Lease. Under the Lease, the Corporation and County have pledged and assigned all of the AOC Use Allowance payments to the Trustee in order to secure the Bonds.

The AOC with the execution of the Lease will express its intention to continue to pay the full Use Allowance payment in each successive biennial budget period until June 1, 2030, but the Lease does not legally obligate AOC to do so. The AOC will covenant that it intends to request funding from the Kentucky General Assembly each biennium and to use the proceeds of such funding and/or its revenues from other sources to pay such Use Allowance payment.

AOC's Operating Costs Allowance Payment

In addition to the Use Allowance payment, AOC will advance to the County each year monies to pay for the expenses attributable to maintaining, operating and insuring that portion of the Project used by the AOC. The County expects to receive an operating cost allowance each year from AOC for insuring, maintaining and operating the Project (the "Operating Costs Allowance").

ADDITIONAL BONDS

The Corporation reserves the right and authority, but only upon specific direction of the County, to issue additional bonds which shall rank on a basis of parity and equality as to security and source of payment with the Bonds now being issued or authorized by the Corporation, but only for the purpose of (i) completing the Project, (ii) making necessary repairs and, (iii) reconstructing the Project in the event that insurance proceeds are insufficient to make repairs or reconstruct portions of the Project which have been damaged.

The Corporation further reserves the right to issue additional bonds which may be on a parity as to security with the Bonds in order to refund a portion of the Bonds then outstanding under the Mortgage; provided that additional bonds for such purpose may only be issued if the annual principal and interest payments on the Bonds after issuance of the additional bonds will be no greater in any fiscal year than the annual principal and interest payments on the Bonds prior to the issuance of the additional bonds and that the final maturity date of the Bonds is no later than their original final maturity date.

However, no additional bonds on a parity as to security with the Bonds for such specific purposes hereinbefore provided may be issued unless at such time the Corporation is in compliance with all of the provisions with reference to the payment of the principal of and interest on the Bonds and is in compliance with all of the covenants made in connection with the issuance of the Bonds. If any additional bonds are issued on a basis of parity as to security with the Bonds, the Lease shall provide for increased rentals sufficient to pay the principal of and interest on such additional parity bonds.

No other additional bonds may be issued at any time secured by a pledge of the specific revenues of the Project except and unless such pledge is made subject and subordinate to the priority of the pledges made

to secure the Bonds authorized issued under the Mortgage, and the additional bonds authorized to be issued under the Mortgage.

STATE SUPERVISION

Budget Process

The Department for Local Development (DLG) is an independent agency of the Commonwealth of Kentucky attached to the Governor's office. A principal function of DLG is to provide technical support, monitoring and evaluation of local units of government (cities, counties, and special districts).

The Division of County and Municipal Accounting of DLG has established a uniform system of accounting that all counties in the state must use in reporting their revenues and expenditures. The counties are required to prepare and submit an annual budget for each fiscal year.

Bond Issue Approval/Notice

Kentucky Revised Statutes 66.310 stipulates that no county may lease a public facility that is to be financed at the county's request through the issuance of bonds by another public body or by a non-profit corporation serving as an agency and instrumentality of the county, if the indebtedness of the county, is in excess of one-half of one percent (.5%) of the value of taxable property therein, without first securing the written approval of the State Local Debt Officer. No approval will be requested with respect to the issuance of the Bonds, because the obligation evidenced by the Bonds is not an indebtedness of the County or Corporation. Notice only of the issuance of the Bonds will be provided to DLG pursuant to Kentucky Revised Statutes Section 66.045.

THE LEASE

The following is a summary of certain of the terms and provisions of the Lease.

Lease Period and Amount

The Lease provides that the County and AOC will lease from the Corporation, the Project and the Project Site, together with all of the improvements thereon at an agreed and stipulated rental equal to (i) the aggregate of the interest on and principal of the Bonds which will become due and payable during such period, and (ii) the cost of operation and maintenance of such leased premises, and the cost of insuring the leased premises. Rent will be wired approximately two days preceding any date on which a payment of interest or principal is due on the Bonds. The biennial obligations of AOC under the Lease will be for an initial period ending June 30, 2010.

Following the initial term of the Lease, nothing in the Lease will be construed as binding the AOC for the payment of annual rentals beyond the rental for the current biennial period, but the AOC will in each biennium become indebted to the Corporation for the rentals stipulated for such biennial period only upon the exercise of its option to renew.

Option to Renew

The Lease may be renewed for another biennial period of two years by the AOC and another fiscal period by the County, provided that if the Lease is so renewed, the rentals for each period during which the Lease remains in effect shall be a sum equal to (i) the amount of the interest and principal payments due on the Bonds during such biennial period, (ii) the cost of operation and maintenance of such leased premises, and (iii) the cost of insuring the leased premises. The Lease renewal will automatically be considered to have been affirmatively exercised for each biennial period by the AOC and each fiscal period by the County, unless notice of the election not to exercise the option for the

and each fiscal period by the County, unless notice of the election not to exercise the option for the succeeding period is given by the AOC or County, as applicable, to the Corporation and the Trustee in writing at least 60 days prior to the renewal date.

Intent to Renew

In the Lease the County and AOC express their present intention to renew the Lease in accordance with its terms, and in accordance with the options to renew as set forth therein, for each succeeding fiscal period or biennial period, as the case may be, until all of the Bonds to be issued by the Corporation at the direction of the County are fully paid, canceled and retired, whether at maturity or by call for redemption, but such expression of intention will not be construed as a present election on the part of the County or AOC to extend the Lease beyond the original term.

Operation, Maintenance and Repair

The Lease, provides among other things, that the County agrees to maintain and repair in good order the leased premises at the expense of the County, to keep all of the said premises and improvements thereon in good repair, working order and first-class condition, and to return the same in as good condition as when received by the County, ordinary wear and tear, accident, damage by fire and the elements, and other unavoidable casualties excepted.

Insurance

The Lease provides that the County will, during the original term of the Lease and during each extended term of two years, apply such portion of the Operating Cost Allowance as may be necessary to provide that all insurable improvements presently existing, and all insurable improvements to be constructed and located upon the Project Site, are insured to the greater of the amount of Bonds outstanding or the full insurable value thereof against fire, flood, tornado, windstorm and other casualties in good and solvent insurance companies (with standard comprehensive coverage endorsement including rental interruption insurance in an amount sufficient to pay the maximum principal of and interest coming due on the Bonds during any twenty four month period in the event of damage or destruction to the Project rendering the Project unusable by AOC for its intended purposes during a maximum reconstruction or repair period of twenty-four months); and the County will make said policies payable to the County, AOC, the Corporation, and the Trustee as their respective interests may appear, or cause said policies to be endorsed in an appropriate manner so that in the event of loss the proceeds thereof will be payable to the County, the Corporation, and the Trustee, as their interests may appear. Further, the County will provide for title insurance on the Project and Project Site prior to the delivery of the Bonds.

Rights of the County Survive Events of Default

Should AOC fail to pay the stipulated rentals due under the Lease, or during any biennial period for which it is renewed, all rights of AOC and all future options granted to AOC or the County in respect of payments in whole of the Bonds will in any event remain in full force and effect; provided that the Trustee under the Mortgage will, upon occurrence of an event of default, be entitled to take certain actions for the benefit of the holders of the Bonds, including foreclosure of the mortgage lien on the Project and decretal sale thereof, but no such decretal sale will result or give rise to a deficiency judgment of any type or in any amount against AOC, the County or the Corporation, and until such sale AOC or the County may at any time by the discharge of the Bonds and interest thereon receive an unencumbered fee simple title to the Project Site and the Project.

Conveyance of the Project

If the AOC and the County renew the Lease for each period and pay the rentals for each year as provided and when from such rentals the Corporation will have fully paid and retired all of the

Outstanding Bonds, then the Corporation covenants and agrees that it will immediately procure the release, on the records of the clerk of the County, of the Mortgage securing the Bonds, and the Corporation further covenants and agrees that it will thereupon convey the Project and the Project Site to the County free and clear of all liens and encumbrances created by and under the Mortgage, such steps to be taken at the expense of the County.

Assignment of Rights to Trustee

The Corporation has assigned (i) the Lease, (ii) AOC's proportionate share of the annual principal and interest costs, and all rights, title and interest of the Corporation arising under the terms of the Lease and (iii) the proceeds of the Bonds (other than amounts transferred to retire the Prior Lease), the Project Site and the Project, and the Pledged Receipts due from AOC to the Trustee for the Bondholders, as additional security for the Bonds. AOC has agreed to make its rental payments in the amounts stipulated, directly to the Trustee, for application in strict accordance with the terms and provisions of the Mortgage.

THE MORTGAGE

The following is a summary of certain of the terms and provisions of the Mortgage entered into by the Corporation as Trustor and the Trustee in order to secure the payment of principal and interest on the Bonds. The Mortgage imposes a foreclosable first mortgage lien on the Project and Project Site. Terms not otherwise defined herein will have the meanings given in the Mortgage. See "Introduction" as to availability of copies of the Mortgage.

Funds and Accounts

Upon the delivery of the Bonds to the purchaser or purchasers thereof and receipt of the purchase price, the same will forthwith in each case be deposited with the Trustee as trust funds, and the Trustee will hold, treat and disburse the same, as follows:

Cost of Issuance Fund. There will be deposited in the Cost of Issuance Fund the amount of moneys necessary to pay the Cost of Issuance of the Bonds from the proceeds of the Bonds as specified and determined in the resolution of the Corporation authorizing the issuance of the Bonds or in written instructions of an Authorized Officer of the Corporation delivered to the Trustee.

The Cost of Issuance shall be paid only from moneys credited to the Cost of Issuance Fund for the Bonds. Upon receipt of a Certificate that the Cost of Issuance has been paid in full, or on the date which is one year from the date of the Bonds, whichever occurs first, the Trustee shall transfer all amounts remaining in the Cost of Issuance Fund to the Sinking Fund.

Construction Fund. There will be deposited into the Construction Fund the amount of the proceeds of the Bonds as will be specified in written instructions of an Authorized Officer of the Corporation. Moneys credited to the Construction Fund may be expended only for payment of the costs of the Project, including real property or interests therein, physical facilities, equipment, engineering costs, easements and rights of way, land and any other related costs, and interest on the Bonds during construction.

Amounts in the Construction Fund will be expended and applied by the Trustee upon written direction of the Corporation signed by an Authorized Officer of the Corporation, pursuant to the terms of the Construction Agreement and any other agreement pursuant to which the Project, or any part thereof, is to be acquired, and countersigned by the Architect unless certain exceptions apply. Amounts in the Construction Fund will be invested and reinvested in approved investment obligations so that the maturity date or date of redemption at the option of the holder of such investment obligations will coincide as nearly as practicable with the times at which moneys are required by the Corporation to be so expended

on the Project. All investment obligations purchased will be held by the Trustee and will be deemed at all times to be part of the Construction Fund.

Sinking Fund. The Trustee will establish and maintain a special fund or account created by the Mortgage and designated the "Sinking Fund," and upon issuance of the Bonds, the Trustee will set aside into the Sinking Fund all sums received from the purchaser or purchaser of the Bonds as representing accrued interest from the date of the Bonds to the date of delivery and payment.

The Sinking Fund will be held and maintained by the Trustee as the primary source of payment of the principal of and interest on the Bonds. All moneys from any source at any time deposited in the Sinking Fund will constitute Pledged Receipts for the benefit of the holders of the Bonds.

Sums from time to time in the Sinking Fund will be continuously invested by the Trustee in Investment Obligations as defined in the definition of Investment Obligations hereinafter described. The Trustee will sell or present for redemption, any Investment obligations purchased by it as an investment whenever it will be necessary in order to provide moneys to effectuate the purposes of the Sinking Fund.

All rentals at any time becoming due and payable to the Corporation from AOC pursuant to the terms and provisions of the Lease and all Pledged Receipts have been assigned by the Corporation to the Trustee and upon receipt thereof the same will immediately be deposited by the Trustee in the Sinking Fund so long as the Bonds are Outstanding and the same will be treated by the Trustee as Pledged Receipts, and will be used and applied to the payment of the Bonds and interest thereon as they become due from time to time.

Rebate Fund. From and after the issuance of the Bonds, the Rebate Fund will be held and maintained by the Trustee as a trust fund. There will be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Memorandum of Instructions. Subject to the transfer provisions provided in Section 502 of the Mortgage, all money at any time deposited in the Rebate Fund will be held by the Trustee in trust, to the extent required to satisfy the Rebate Amount (as defined in the Memorandum of Instructions), for payment to the federal government of the United States of America, and neither the Corporation nor the owner of any Bonds shall have any rights in or claim to such money.

Investment of Funds

Moneys held in any of the aforementioned funds may be invested until required for the purposes intended 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 reached with sources including, but not limited to, national or state banks chartered in the Commonwealth of Kentucky;

(b) obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:

- (i) United States Treasury;
- (ii) Export-Import Bank of the United States;
- (iii) Farmers Home Administration
- (iv) Government National Mortgage Corporation; and
- (v) U.S. Maritime Administration

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

- (i) Federal Home Loan Mortgage Corporation;
- (ii) Federal Farm Credit Banks;
- (iii) Bank for Cooperatives;
- (iv) Federal Intermediate Credit Banks;
- (v) Federal Land Banks;
- (vi) Federal Home Loan Banks;
- (vii) Federal National Mortgage Association; and
- (viii) Tennessee Valley Authority;

(d) certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by the following:

- (i) bonds, notes, or other obligations of or guaranteed by the United States, or those for which the credit of the United States is pledged for the payment of the principal and interest thereof, and any bonds, notes, debentures or any other obligations or securities issued or guaranteed by any federal governmental agency, presently or in the future established by an Act of Congress, as amended or supplemented from time to time;
- (ii) obligations of the Commonwealth of Kentucky including revenue bonds issued by its statutory authorities, commissions or agencies;
- (iii) revenue bonds issued by educational institutions of the Commonwealth of Kentucky as authorized by KRS 162.340 to 162.380;
- (iv) obligations of any city of the first, second, and third classes of the Commonwealth of Kentucky, or any county for the payment of principal and interest on which the full faith and credit of the issuing body is pledged;
- (v) school improvement bonds issued in accordance with the authority granted under KRS 162.080 to 162.100; or
- (vi) school building revenue bonds issued in accordance with the authority granted under KRS 162.120 to 162.300, provided that the issuance of such bonds is approved by the state board for elementary and secondary education; and
- (e) shares of mutual funds, each of which shall have the following characteristics:
 - (i) the mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 - (ii) the management company of the investment company shall have been in operation for at least five (5) years; and
 - (iii) all of the securities in the mutual fund shall be investments described in (a) - (d) above.

Additional Covenants

In the Mortgage, the Corporation, among other covenants, has covenanted, as follows:

Payments. To punctually pay the principal of and interest on the Bonds when due, and at the place and in the manner prescribed in the Mortgage from the funds pledged. The Bonds and the interest thereon are payable from the "Pledged Receipts" defined under the Mortgage and shall mean and include;

- (i) all Lease rental payments paid to or upon the order of the Corporation pursuant to the Lease, including both timely and delinquent payments with late charges, if any;
- (ii) any and all appropriations made to the Corporation by the County or any unit of government to the extent not otherwise required to be applied, nor otherwise committed and budgeted by the Corporation during any fiscal period of the Corporation;
- (iii) all interest earned and gains realized on Investment Obligations unless the terms hereof specifically require such interest earned and gains realized to remain in or to be transferred to the Rebate Fund;
- (iv) all rights arising under the Lease, including, but not by way of limitation, the duty of the County to continuously operate, maintain, insure, replace and renew the Project during the term of the Lease and during any renewal terms thereof;
- (v) all amounts in all funds and accounts created hereunder, including capitalized interest; provided that amounts in the Rebate Fund and the Note Payment Fund shall not constitute Pledged Receipts with respect to the Bonds; and
- (vi) any amounts realized from the foreclosure and decretal sale of the Project.

Maintenance and Operation Costs of the Project. In accordance with the Lease, the Corporation covenants to cause the County, at all times during which the Lease is in effect, to keep and maintain the Project in thorough repair, working order and first class condition, and to cause the County to make all needed repairs and replacements, so that the use and operation of said properties shall be at all times properly enjoyed.

Tax Covenant. The Corporation covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103(a) of the Code. The Corporation will not directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the Corporation, or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Code. To that end, the Corporation will comply with all requirements of Sections 103(b)(2) and 148 of the Code to the extent applicable to the Bonds. In the event that at any time the Corporation is of the opinion that for purposes of the Mortgage it is necessary to restrict or limit the yield on the investment of any moneys held by the Trustee under the Mortgage the Corporation will so instruct the Trustee in writing, and the Trustee will take such action as may be necessary in accordance with such instructions.

Insurance of Project. The Corporation further covenants and agrees that it will, at all times hereafter until the Bonds will be fully paid, require the County (to the extent such insurance is obtainable) to keep all insurable real properties and improvements thereon to be insured against loss or damage by fire and windstorm to their full replacement value, with standard comprehensive coverage endorsement, and the Corporation will cause all such insurance policies to be made payable in case of loss to the Trustee.

Accounts and Reports. The Corporation will keep, or cause to be kept, proper books of record and account in which complete and accurate entries will be made of all its transactions relating to the Project, and all Funds established by the Mortgage, which will at all reasonable times be subject to the inspection of the Trustee and the Owners of an aggregate of not less than five percent (5%) in a principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

Enforcement of the Lease. The Corporation covenants to enforce the Lease and all other contracts and agreements in respect of the Project to which the Corporation is or will be a party, to the fullest extent provided and permitted by law.

Release of Land

The parties have reserved the right, by mutual written consent at any time and from time to time, to amend the Mortgage for the purpose of effectuating the release of one or more parcels of or interest in land constituting a part of the Project Site and the removal from the lien of the Mortgage of such parcel or parcels of or interest in land subject to the following conditions:

(i) the parcel or parcels of or interest in land thus released or removed shall be used to construct public improvements, or for the granting of an easement, or other interest or title to a public utility, public or private carrier or public body for providing or improving utility services or transportation facilities, or for the acquisition or construction of any "public project" within the meaning of §58.010 of the Kentucky Revised Statutes; and

(ii) there shall be filed with the Trustee a copy of the instrument providing for such release together with (a) a certificate of an Authorized Officer of the Corporation describing the improvements or other facilities which will be constructed thereon or the utility or other facilities and services which will be provided or improved thereby and that, in the opinion of such Authorized Officer such parcel or parcels of land are not otherwise needed for the operation of the Project and that the release will not materially impair the efficiency or utilitarian value of the Project or the Project Site and will not impede the means of ingress or egress of any material extent and (b) evidence satisfactory to the trustee that the value of the project following such release shall not be less than the principal amount of bonds then outstanding;

(iii) the Corporation at the written direction of the County shall sell a portion of the Project Site not needed for public purposes as provided by law so long as the rentals payable under the Lease are not diminished by reason of such sale and release of a portion of the lien created by the Mortgage and provided that the Corporation shall have furnished the Trustee with evidence satisfactory to the Trustee that the value of the Project following such release shall be not less than the principal amount of Bonds then outstanding.

Amendments

Notwithstanding any other provisions of the Mortgage, the parties may at any time and from time to time supplement or make any amendment or change in the Mortgage:

(i) to cure any formal defect or ambiguity if, in the opinion of the Trustee, such amendment or change is not adverse to the interest of the Owners of the Bonds;

(ii) to grant to or confer upon the Trustee for the benefit of the Owners of the Bonds any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Mortgage;

(iii) to make necessary or advisable amendments in connection with the issuance of additional bonds in accordance with the terms of the Mortgage;

- (iv) to permit the Trustee to comply with any obligations imposed on it by law;
- (v) to achieve compliance with any federal tax law; or
- (vi) to provide for the release of land pursuant to and subject to the conditions specified in the Mortgage.

Any other amendment or change will be subject to the written consent of the Owners of at least two-thirds (2/3) in a principal amount of the Bonds outstanding at the time such consent is given, or in case less than all of the Bonds then outstanding are affected by the modifications or amendment, of the Owners of at least two-thirds (2/3) of the principal amount of the Bonds so affected.

Nothing will permit, however, or be construed as permitting without consent of the Owners of each Bond so affected, (i) an extension of the maturity of the principal of or the interest on any Bond, (ii) a reduction in the principal amount of any Bond or the rate of interest or premium thereon, or (iii) a reduction in the aggregate principal amount of the Bonds required for consent to amendments.

An amended or supplemental Mortgage for the purposes described in the Mortgage will be effective upon the execution thereof by the Corporation and the Trustee and delivery thereof to the Trustee, together with any necessary consent of Owners of the Bonds.

Events and Remedies of Default

Events of Default. Each of the following events is hereby declared an "Event of Default:"

(a) the Corporation will default in the payment of the principal of any Bonds when and as the same will become due, whether at maturity or upon call for redemption or otherwise or AOC or the County shall default in the payment of any rentals related thereto;

(b) payment of any installment of interest on any of the Bonds will not be made when and as the same will become due or AOC or the County shall default on the payment of any rentals related thereto; or

(c) the Corporation, the County or AOC shall fail or refuse to comply with the provisions of law, or shall default in the performance or observance of any other of the covenants, agreements or conditions on their part contained in the Mortgage or Lease, any authorizing resolution of the Corporation, the County or AOC, or the Bonds, and such failure, refusal or default will continue for a period of forty-five (45) days after written notice thereof by the Trustee or by Owners of not less than twenty-five percent (25%) in a principal amount of the Outstanding Bonds to the Corporation, the County or AOC, as applicable.

Remedies. Upon the happening and continuance of any Event of Default to protect and enforce its rights and the rights of the Owners of the Bonds by such of the following remedies, as the Trustee, being advised by counsel, will deem most effectual to protect and enforce such rights:

(a) by enforcement of the foreclosable mortgage lien on the Project Site and improvements granted by the Mortgage, and in such events the Trustee will take over possession, custody and control of the Project Site and will operate or carry out decretal sale of same with due regard to State and Federal law and the covenants contained in the Lease for the benefit of the Owners of the Bonds. Provided, however, that no such foreclosure sale will result in a deficiency judgment of any type or in any amount against AOC, the County or the Corporation, and until such sale the County may at any time by the discharge of the Bonds and interest thereon receive an unencumbered fee simple title to the mortgaged facilities; provided that in the event of any such enforcement of said lien by the Trustee, there will first be

paid all expenses incident to said document, and thereafter the Bonds then outstanding will be paid and retired;

(b) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Owners of the Bonds, including the right to require the Corporation to enforce fully the Lease and to charge, collect and fully account for the Pledged Receipts, and to require the Corporation to carry out any and all other covenants or agreements with the Bondholders and to perform its duties under the Act;

(c) by bringing suit upon the Bonds;

(d) by action or suit in equity, require the Corporation to account as if it were the trustee of an express trust for the Owners of the Bonds;

(e) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds;

(f) by declaring all Bonds due and payable, and if all defaults will be made good, then, with the written consent of the Owners of not less than fifty percent (50%) in a principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; and

(g) in the event that all Bonds are declared due and payable, by selling Investment Obligations of the Corporation (to the extent not theretofore set aside for redemption of the Bonds for which call has been made), and enforcing all choices in action of the Corporation to the fullest legal extent in the name of the Corporation for the use and benefit of the Owners of the Bonds.

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12 (the "Rule") and so long as the Bonds are outstanding the County, AOC and the Corporation will enter into a Continuing Disclosure Agreement dated as of June 1, 2010, for the benefit of all parties who may become Registered Owners of the Bonds, whereunder AOC, the Corporation and the County will cause the following information to be provided:

(i) to the Municipal Securities Rulemaking Board ("MSRB"), certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles as applied to governmental units, generally consistent with the information contained in "Appendix B" ("Financial Data") of the Official Statement; such information shall be provided by no later than nine (9) months after the end of each fiscal year, commencing with the fiscal year ending June 30, 2010, provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditor to the Obligated Person;

(ii) to the MSRB, notice of the occurrence of the following events, if material, with respect to the Bonds:

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

- (i) Defeasances;
- (j) Release, substitution or sale of property securing repayment of the securities;
- (k) Rating changes; and
- (l) The cure of any payment or nonpayment related default;

(iii) in a timely manner, to the MSRB, notice of a failure (of which the Obligated Person has knowledge) of an Obligated Person to provide the required Annual Financial Information on or before the date specified in the Continuing Disclosure Agreement.

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

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

- (a) there are no debt service reserve funds applicable to the Bonds; and
- (b) there are no liquidity providers applicable to the Bonds.

To the best of the County's knowledge, the County is currently in compliance the continuing disclosure undertaking requirements of the Rule in connection with its outstanding obligations which are subject to such requirements.

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 Bonds, the collection of revenues or the use of revenues to pay debt service on the Bonds, or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued or delivered, or the validity of the Bonds, or to prevent or restrict the operations of the Corporation.

TAX TREATMENT

General

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds is excludible from gross income for Federal income tax purposes. Bond Counsel for the Bonds is also of the opinion that interest on the Bonds is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal individual or corporate alternative minimum taxes. Furthermore, Bond Counsel for the Bonds is of the opinion that interest on the Bonds is exempt from taxation, including personal income taxation, by the Commonwealth of Kentucky and its political subdivisions.

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

However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bond documents and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Peck, Shaffer & Williams LLP.

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

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

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

Original Issue Premium

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

based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

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

Original Issue Discount

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

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

UNDERWRITING

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

FINANCIAL ADVISOR

Prospective bidders are advised that Kentucky Association of Counties Leasing Trust (the "Financial Advisor") has been employed as financial advisor in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof. The Preliminary Official Statement was prepared and distributed by the Financial Advisor. The information set forth herein was obtained from the County, the Corporation, AOC and other sources believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Financial Advisor. The Financial Advisor has contracted with the firm of C.D. Bowling & Associates to provide consulting and structuring advice.

BOND RATING

The Bonds have been assigned a rating of "___" by Moody's Investors Service, Inc. ("Moody's"). Such rating reflects only the view of said organization. Any explanation of the significance of such rating may only be obtained from Moody's, at the following address: Moody's Investors Service, 7 World Trade Center at 250 Greenwich Street, Public Finance Group - 23rd Floor, New York, New York 10007.

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

CONCLUDING STATEMENT

The Corporation has approved and caused this Official Statement to be executed and delivered by its President. In making this Official Statement the Corporation relied upon information furnished to it by the County and the Corporation, and does not assume any responsibility as to the accuracy or completeness of any of the information in this Official Statement except as to copies of documents denominated "Notice of Bond Sale," "Official Bid Form," and "Official Terms and Conditions of Bond Sale." The financial information supplied by the Todd County, Kentucky and the Administrative Office of the Courts and reproduced herein is represented by the County to be correct.

No dealer, broker, salesman, or other person has been authorized by the Corporation, the County, or the Financial Advisor to give any information or representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except when otherwise indicated, the information set forth herein has been obtained from the County and believed to be reliable, however, such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Financial Advisor or by Bond Counsel. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to the date hereof.

By: /s/

President

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APPENDIX A

TODD COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION FIRST MORTGAGE REVENUE BONDS (COURT FACILITIES PROJECT), SERIES 2010

Estimated Annual Debt Service Requirements

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**TODD COUNTY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BONDS (COURT FACILITIES PROJECT)
SERIES 2010**

**ANNUAL DEBT SERVICE REQUIREMENTS
(ESTIMATED)**

Fiscal Year	Series 2010 Bonds			Less: AOC Use Allowance	County Participation
	Principal	Interest	Total		
2011	\$450,000.00	\$365,655.24	\$815,655.24	\$815,655.24	\$0.00
2012	425,000.00	392,291.50	817,291.50	817,291.50	0.00
2013	430,000.00	386,129.00	816,129.00	816,129.00	0.00
2014	440,000.00	378,389.00	818,389.00	818,389.00	0.00
2015	450,000.00	368,709.00	818,709.00	818,709.00	0.00
2016	460,000.00	357,459.00	817,459.00	817,459.00	0.00
2017	470,000.00	344,119.00	814,119.00	814,119.00	0.00
2018	490,000.00	329,079.00	819,079.00	819,079.00	0.00
2019	505,000.00	312,419.00	817,419.00	817,419.00	0.00
2020	520,000.00	294,239.00	814,239.00	814,239.00	0.00
2021	540,000.00	274,999.00	814,999.00	814,999.00	0.00
2022	565,000.00	254,209.00	819,209.00	819,209.00	0.00
2023	585,000.00	231,891.50	816,891.50	816,891.50	0.00
2024	610,000.00	208,199.00	818,199.00	818,199.00	0.00
2025	635,000.00	183,189.00	818,189.00	818,189.00	0.00
2026	660,000.00	156,519.00	816,519.00	816,519.00	0.00
2027	690,000.00	128,469.00	818,469.00	818,469.00	0.00
2028	720,000.00	98,799.00	818,799.00	818,799.00	0.00
2029	750,000.00	67,479.00	817,479.00	817,479.00	0.00
2030	780,000.00	34,554.00	814,554.00	814,554.00	0.00
Totals	\$11,175,000.00	\$5,166,796.24	\$16,341,796.24	\$16,341,796.24	\$0.00

Source: Financial Advisor

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APPENDIX B

**TODD COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BONDS
(COURT FACILITIES PROJECT), SERIES 2010**

Administrative Office of the Courts Information

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JUDICIAL BRANCH Summary

	<u>Budgeted FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
SOURCE OF FUNDS:			
General Fund	279,560,900	265,835,800	295,885,800
Continuing Appropriation - GF	3,798,700	12,799,900	767,900
Restricted Funds	25,259,900	43,583,200	38,790,400
Federal Funds	3,073,100	1,131,400	1,170,600
Other	<u>(4,464,800)</u>	<u>-</u>	<u>-</u>
TOTAL FUNDS	307,227,800	323,350,300	336,614,700
EXPENDITURES BY CLASS:			
Personnel Costs	196,040,400	200,055,700	200,123,900
Operating Expenses	97,692,500	114,978,300	130,661,300
Capital Outlay	<u>695,000</u>	<u>7,548,400</u>	<u>5,570,000</u>
TOTAL EXPENDITURES	294,427,900	322,582,400	336,355,200
EXPENDITURES BY BUDGET LEVEL:			
Current Services	294,427,900	312,047,600	301,303,300
Additional Services	<u>-</u>	<u>10,534,800</u>	<u>35,051,900</u>
TOTAL EXPENDITURES	294,427,900	322,582,400	336,355,200
EXPENDITURES BY UNIT:			
Court Operations & Admin.	221,908,400	225,510,900	225,707,300
Local Facilities Fund	69,264,300	91,306,700	104,868,800
Use Allowance Contingency	-	-	-
Judicial Retirement	<u>3,255,200</u>	<u>5,764,800</u>	<u>5,779,100</u>
TOTAL EXPENDITURES	294,427,900	322,582,400	336,355,200

COURT OF JUSTICE Summary

	Budgeted FY 2007-08	FY 2008-09	FY 2009-10
SOURCE OF FUNDS:			
General Fund	276,305,700	260,071,000	290,106,700
Continuing Appropriation - GF	3,798,700	12,799,900	767,900
Restricted Funds	25,259,900	43,583,200	38,790,400
Federal Funds	3,073,100	1,131,400	1,170,600
Other	(4,464,800)	-	-
TOTAL FUNDS	303,972,600	317,585,500	330,835,600
EXPENDITURES BY CLASS:			
Personnel Costs	195,620,400	199,590,900	199,644,800
Operating Expenses	94,857,300	109,678,300	125,361,300
Capital Outlay	695,000	7,548,400	5,570,000
TOTAL EXPENDITURES	291,172,700	316,817,600	330,576,100
EXPENDITURES BY BUDGET LEVEL:			
Current Services	291,172,700	308,792,400	298,048,100
Additional Services	-	8,025,200	32,528,000
TOTAL EXPENDITURES	291,172,700	316,817,600	330,576,100
EXPENDITURES BY UNIT:			
Court Operations & Admin.	221,908,400	225,510,900	225,707,300
Local Facilities Fund	69,264,300	91,306,700	104,868,800
TOTAL EXPENDITURES	291,172,700	316,817,600	330,576,100

COURT OPERATIONS AND ADMINISTRATION

	<u>Budgeted</u> <u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
SOURCE OF FUNDS:			
General Fund	193,575,400	180,796,300	185,746,300
Restricted Funds	25,259,900	43,583,200	38,790,400
Federal Funds	<u>3,073,100</u>	<u>1,131,400</u>	<u>1,170,600</u>
TOTAL FUNDS	221,908,400	225,510,900	225,707,300
EXPENDITURES BY CLASS:			
Personnel Costs	193,855,800	197,469,100	197,410,700
Operating Expenses	27,482,600	27,331,800	27,726,600
Capital Outlay	<u>570,000</u>	<u>710,000</u>	<u>570,000</u>
TOTAL EXPENDITURES	221,908,400	225,510,900	225,707,300
EXPENDITURES BY BUDGET LEVEL:			
Current Services	221,908,400	217,611,400	212,465,200
Additional Services	<u>-</u>	<u>7,899,500</u>	<u>13,242,100</u>
TOTAL EXPENDITURES	221,908,400	225,510,900	225,707,300

Appropriations provided for the Court Operations and Administration supports all programs of the Judicial Branch except the Local Facilities Fund, the Use Allowance Contingency Fund, and Judicial Retirement. The Kentucky court system is a four-tiered system of adjudication including a Supreme Court, Court of Appeals, Circuit Court, and District Court. Moreover, in 2002, a constitutional amendment was approved formally sanctioning the creation of Family Court. The goals of these courts is to hear and determine expeditiously all cases which may come before the Court of Justice to interpret the laws of the Commonwealth, make decision and issue opinions related thereto.

The 120 circuit clerks' offices in the Commonwealth of Kentucky are responsible by the Constitution and statutes for providing an efficient and manageable system of clerical support and record keeping for circuit and district courts.

The Administrative Office of the Courts serves as the staff for the Chief Justice in executing the policies and programs of the Court of Justice pursuant to the Kentucky Constitution, Section 110(5)(b), KRS 27A.020, and the applicable court rules and orders. The Administrative Office of the Courts consists of a Director's Office and fifteen departments many of which consist of one or more divisions.

Funding for the Judiciary has been authorized via House Bill 408. House Bill 408 is the Judicial Appropriations Bill authorizing funds for the four major programs of the Judicial Branch.

LOCAL FACILITIES FUND

	<u>Budgeted</u> <u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
SOURCE OF FUNDS:			
General Fund	82,545,900	79,274,700	104,360,400
Continuing Appropriation - GF	3,539,200	12,540,400	508,400
Transfer	184,400		
Other - Reduction	(4,464,800)		
TOTAL FUNDS	<u>81,804,700</u>	<u>91,815,100</u>	<u>104,868,800</u>
EXPENDITURES BY CLASS:			
Personnel Costs	1,764,600	2,121,800	2,234,100
Operating Expenses	67,374,700	82,346,500	97,634,700
Capital Outlay	125,000	6,838,400	5,000,000
TOTAL EXPENDITURES	<u>69,264,300</u>	<u>91,306,700</u>	<u>104,868,800</u>
EXPENDITURES BY BUDGET LEVEL:			
Current Services	69,264,300	91,181,000	85,582,900
Additional Services		125,700	19,285,900
TOTAL EXPENDITURES	<u>69,264,300</u>	<u>91,306,700</u>	<u>104,868,800</u>

PROGRAM DESCRIPTION:

The objective of the local court facilities program, as administered by the Administrative Office of the Courts, is to provide an adequate physical environment for all court functions. The court facility reimbursements made to local governments are calculated according to statute (KRS 26A.090-26A.168), which provides for the sharing of operational expenses based upon the percentage of occupancy in the facility and for an annual use allowance payment of four percent of the pro rata occupancy share of the total capital invested. New construction or renovation projects that incur indebtedness receive the court's proportional share of annual principal and interest costs not to exceed eight percent annually of capital costs. Beginning with court facility construction or renovation projects authorized by the 2000 Regular Session of the General Assembly, "use allowance" means the court's proportional share of the annual principal and interest costs in connection with the construction or renovation of the facility, not to exceed the authorized annual use allowance.

In House Bill 408, the 2008-2010 Judicial Branch appropriation bill, the Local Facilities general fund appropriation included funding for fifteen court projects and three pool projects that were authorized in the 2005 Session of the General Assembly. Also included in FY 10 appropriation is partial funding for an additional seventeen court facility projects that were authorized in the 2006 Session of the General Assembly.

House Bill 408 provides authorization with deferred funding to the 2010-12 fiscal biennium for five additional court projects but provides partial funding in FY 10 for one of these projects to replace the courthouse in Carlisle County that burned down in late December 2007.

USE ALLOWANCE CONTINGENCY FUND

	<u>Budgeted</u> <u>FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
SOURCE OF FUNDS:			
Continuing Appropriation - GF	443,900	259,500	259,500
Transfer	<u>(184,400)</u>		
TOTAL FUNDS	<u>259,500</u>	<u>259,500</u>	<u>259,500</u>
EXPENDITURES BY CLASS:			
Operating Expenses	<u>-</u>		
TOTAL EXPENDITURES	<u>-</u>		
EXPENDITURES BY BUDGET LEVEL:			
Current Services	<u>-</u>		
TOTAL EXPENDITURES	<u>-</u>		

PROGRAM DESCRIPTION:

The court facility use allowance contingency fund is a mechanism for the Judicial Branch to provide for necessary cost overruns on court facility projects. It is governed by the provisions of KRS 26A.164 and House Bill 408, the Judicial Branch Appropriations Bill.

JUDICIAL RETIREMENT

	<u>Budgeted FY 2007-08</u>	<u>FY 2008-09</u>	<u>FY 2009-10</u>
SOURCE OF FUNDS:			
General Fund	3,255,200	5,764,800	5,779,100
TOTAL FUNDS	<u>3,255,200</u>	<u>5,764,800</u>	<u>5,779,100</u>
EXPENDITURES BY CLASS:			
Personnel Costs	420,000	464,800	479,100
Operating Expenses	2,835,200	5,300,000	5,300,000
TOTAL EXPENDITURES	<u>3,255,200</u>	<u>5,764,800</u>	<u>5,779,100</u>
EXPENDITURES BY BUDGET LEVEL:			
Current Services	3,255,200	3,255,200	3,255,200
Additional Services		2,509,600	2,523,900
TOTAL EXPENDITURES	<u>3,255,200</u>	<u>5,764,800</u>	<u>5,779,100</u>

PROGRAM DESCRIPTION:

The program of the Judicial Retirement Plan is to fund and pay judicial retirement benefits, as per statute, KRS 21.345 to 21.570. The rate of the funding is prescribed in KRS 21.525. The Judicial Retirement Plan covers the judges of all courts in Kentucky, and provides for retirement benefits for retired judges and surviving spouses.

This program's goal is to create an actuarially sound retirement fund to enable compliance with statutory requirements for benefits and to administer the benefit program on an efficient basis. The Plan is maintained on an actuarially sound basis through member's contributions, investment proceeds, and state appropriations.

Objectives are to fund and pay benefits on a continuing basis and to handle any other administrative requirements associated with judicial retirement such as maintaining suitable records and assisting in resolving questions of eligibility and disability. Beneficiaries are the appropriate commissioners, justices, judges of the Commonwealth, retired holders of such positions, and surviving spouses of former holders of such positions.

APPENDIX C

TODD COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION FIRST MORTGAGE REVENUE BONDS (COURT FACILITIES PROJECT), SERIES 2010

Todd County Administration; Demographic and Economic Data

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Organization and Services

The County of Todd Kentucky (the “County”) is a county and political subdivision of the Commonwealth of Kentucky. Its county seat is the City of Elkton, located approximately 155 miles Southwest of Louisville, Kentucky. In 2009, the County had an estimated population of 12,253. The County is governed by the Fiscal Court composed of an elected County Judge/Executive and five elected Magistrates, and its executive offices are located in the Todd County Courthouse, Elkton Kentucky.

The chief executive officer of the County is the County Judge/Executive, whose office carries out the day to day administration of County government and includes treasury management, occupational licensing, accounting, purchasing and payroll.

The County’s Public Works Department is assigned the task of maintaining approximately 344 miles of County roads, approximately 100 traffic signs and over 20 county vehicles and major pieces of equipment.

The County’s Emergency Medical Services maintains an around-the-clock ambulance medical response unit for the County, and has 26 employees.

Emergency response and preparedness is provided through the County’s E9/11 Emergency Management Department, consisting of 10 employees and multiple volunteers.

Demographic and Economic Data

Todd County is situated in southwestern Kentucky’s Mississippian Plateaus Region. Todd County is bordered on the south by the Tennessee state line and has a land area of 375 square miles. The county had an estimated 2009 population of 12,253 persons

Elkton, the county seat, is located in central Todd County, 63 miles northwest of Nashville, Tennessee; 161 miles southwest of Louisville, Kentucky; and 265 miles southeast of St. Louis, Missouri. Elkton had a 2008 estimated population of 1,981

The Economic Framework

The total number of Todd County residents employed in 2008 averaged 2,290. In 2008, trade, transportation and utilities provided 513 jobs; 104 people were employed in service occupations; informational, financial activities and public administration accounted for 272 employees; and contract construction and manufacturing firms provided 461 jobs.

Labor Supply

There is a current estimated labor supply of 10,916 persons available for industrial jobs in the labor market area. In addition, from 2009 through 2012, 27,992 young persons in the area will become 18 years of age and potentially available for industrial jobs.

Largest Manufacturing Employers in Todd County

The following represents the largest employers in Todd County as of January 2010:

Firm	Product	Avg. Employment
Cal-Main Foods, Inc.	Eggs	100
ReFine Tile LLC	Manufacturer specialty tile	60
Koppers Industries, Inc.	Railroad ties and wood perserving	57
RLR – Hop	Wooden light fixture parts	33
Martin Industries LLC	Machine Shop, welding, farm equipment	27

Source: Kentucky Cabinet for Economic Development, Division of Research and Planning.

**Todd County
Statistical Information**

Total Population

	2005	2006	2007	2008	2009
Labor Market Area	473,031	478,710	491,593	494,750	504,886
Todd County	11,850	11,950	12,007	12,157	12,253
Elkton	1,941	1,968	1,961	1,981	N/A

Source: Applied Geographic Solutions, Simi Valley, CA; U.S. Department of Commerce, Bureau of the Census

Personal Income

	2002	2007	Pct. Change
Todd County	\$19,285	\$22,622	17.3%
Kentucky	\$25,777	\$30,824	19.6%
U.S.	\$30,804	\$38,615	25.4%
Labor Market Area Range	\$19,285-\$26,091	\$22,622-\$35,337	

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

Civilian Labor Force

	Todd County		Labor Market Area	
	2009	March 2010	2009	March 2010
Civilian Labor Force	5,385	5,352	230,847	229,645
Employed	4,727	4,721	207,071	206,537
Unemployed	658	631	23,776	23,108
Unemployment Rate	12.2%	11.8%	10.3%	10.1%

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

Unemployment Rate (%)

Year	Todd County	Labor Market Area	Kentucky	U.S.
2004	6.6	5.6	5.5	5.5
2005	9.6	5.4	6.0	5.1
2006	6.7	5.0	5.7	4.6
2007	7.2	6.4	5.5	4.6
2008	12.2	10.3	6.4	5.8

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

APPENDIX D

TODD COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION FIRST MORTGAGE REVENUE BONDS (COURT FACILITIES PROJECT), SERIES 2010

Todd County Tax Base and Financial Data

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Property Subject to Taxation

The following table summarizes the assessed valuation of all classes of property subject to taxation by the Todd County Fiscal Court:

<u>Year</u>	<u>Real Estate</u>	<u>Tangible Personal</u>	<u>Franchise</u>	<u>Motor Vehicle</u>	<u>Total Assessed Value</u>
2009-10	\$381,845,958	\$15,453,457	\$46,007,429	\$54,263,801	\$497,570,645
2008-09	367,763,763	19,456,789	41,567,556	60,374,922	489,163,030
2007-08	351,675,929	14,501,467	38,902,124	55,419,955	460,499,475
2006-07	338,466,597	12,912,274	34,846,868	54,963,708	441,189,447
2005-06	323,817,116	14,726,684	37,048,033	51,728,070	427,319,903

Source: Kentucky Department of Property Valuation

History of Assessment Rates (per \$100 of assessments)

The following presents the assessment rates for the last five fiscal years for property subject to taxation and the occupational license fee levied by the Todd County Fiscal Court:

	<u>2009-10</u>	<u>2008-09</u>	<u>2007-08</u>	<u>2006-07</u>	<u>2005-06</u>
Real Estate	\$0.0960	\$0.0940	\$0.0930	\$0.0940	\$0.0910
Tangible	0.1099	0.1040	0.1040	0.1010	0.1010
Motor Vehicle	0.1010	0.1010	0.1010	0.1010	0.1010
Insurance License Fee	6%	2%	2%	N/A	N/A
Occupational License Fee	1%	1%	1%	0.5%	0.5%

Source: Todd County Fiscal Court

**TODD COUNTY (KENTUCKY)
BALANCE SHEET - MODIFIED CASH BASIS**

GOVERNMENTAL FUNDS

	As of June 30,			
	2009	2008	2007	2006
ASSETS				
Cash and Cash Equivalents	\$ 1,448,724	\$ 624,101	\$ 1,482,553	\$ 4,060,518
Total Assets	<u>\$ 1,448,724</u> #	<u>\$ 624,101</u>	<u>\$ 1,482,553</u>	<u>\$ 4,060,518</u>
FUND BALANCE				
Reserved for:				
Encumbrances	\$ 2,132	\$ 327	\$ 305,616	\$ -
Debt Service	\$ -	\$ 398	\$ 97,962	\$ -
Unreserved:				
General Fund	55,601	17,769	102,700	45,502
Special Revenue Fund	337,244	605,490	711,222	3,390,806
Capital Projects Fund	1,053,747	117	265,053	624,210
Total Fund Balances	<u>\$ 1,448,724</u>	<u>\$ 624,101</u>	<u>\$ 1,482,553</u>	<u>\$ 4,060,518</u>

Note: Certain reclassifications have been made for presentation purposes.

Source: Todd County Audited Financial Statements.

TODD COUNTY (KENTUCKY)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

	For the Year Ended June 30,			
	2009	2008	2007	2006
REVENUES				
Taxes	\$ 1,433,392	\$ 1,301,643	\$ 944,990	\$ 863,698
In Lieu Tax Payments	\$ 182,475	\$ 174,205	\$ 153,183	144,314
Excess Fees	63,046	55,738	24,455	15,211
Licenses and Permits	50,685	87,072	52,081	351
Intergovernmental	2,401,818	1,909,599	1,767,890	2,032,415
Charges for Services	576,249	538,789	467,330	491,364
Miscellaneous	75,567	73,528	82,773	48,385
Interest	27,730	36,387	151,770	33,622
Total Revenues	<u>4,810,962</u>	<u>4,176,961</u>	<u>3,644,472</u>	<u>3,629,360</u>
EXPENDITURES				
General Government	521,630	398,631	464,273	502,796
Protection to Persons and Property	2,007,785	2,263,044	1,295,795	1,260,548
General Health and Sanitation	180,490	162,931	250,953	120,118
Social Services	5,941	3,593	2,671	4,995
Recreation and Culture	31,982	8,777	5,243	0
Roads	1,177,873	950,272	1,085,088	1,298,885
Debt Service	805,056	657,065	363,549	404,774
Capital Projects	817,550	502,425	3,686,009	521,375
Administration	716,433	519,944	394,016	389,973
Total Expenditures	<u>6,264,740</u>	<u>5,466,682</u>	<u>7,547,597</u>	<u>4,503,464</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,453,778)</u>	<u>(1,289,721)</u>	<u>(3,903,125)</u>	<u>(874,104)</u>
Other Financing Sources (Uses)				
Debt Issuance & Proceeds of Sale of Assets	2,278,401	431,269	701,075	4,183,380
Transfers from Other Funds	1,421,716	2,005,286	1,008,435	1,206,106
Transfers to Other Funds	<u>(1,421,716)</u>	<u>(2,005,286)</u>	<u>(1,008,435)</u>	<u>(1,206,106)</u>
Total Other Financing Sources (Uses)	<u>2,278,401</u>	<u>431,269</u>	<u>701,075</u>	<u>4,183,380</u>
Net Change in Fund Balances	824,623	(858,452)	(3,202,050)	3,309,276
Fund Balances - Beginning	624,101	1,482,553	4,684,603	751,242
Fund Balances - Ending	<u>\$ 1,448,724</u>	<u>\$ 624,101</u>	<u>\$ 1,482,553</u>	<u>\$ 4,060,518</u>

Note: Certain reclassifications have been made for presentation purposes.

Source: Todd County Audited Financial Statements.

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APPENDIX E

**TODD COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BONDS
(COURT FACILITIES PROJECT), SERIES 2010**

Audited Financial Statements of Todd County for the Year Ended June 30, 2009

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

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



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

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Arthur Green, Todd County Judge/Executive

Members of the Todd County Fiscal Court

The enclosed report prepared by Percy and Gray, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Todd County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

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

Respectfully submitted,

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

Crit Luallen

Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE TODD COUNTY FISCAL COURT

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

Peercy and Gray, PSC, PSC has completed the audit of the Todd County Fiscal Court for fiscal year ended June 30, 2009. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

Financial Condition:

The fiscal court had total net assets of \$3,232,238 as of June 30, 2009. In its governmental activities, the fiscal court had unrestricted net assets of \$394,977 as of June 30, 2009, with total net assets of \$3,228,396. In its business-type activities, total net cash and cash equivalents were \$3,842 with total net assets of \$3,842. The fiscal court had total debt principal as of June 30, 2009 of \$6,891,576 with \$122,436 due within the next year.

Report Comment:

- The Fiscal Court Lacks An Adequate Segregation Of Duties

Deposits:

The fiscal court's deposits were fully insured and collateralized by bank securities.

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PEERCY AND GRAY, PSC

Certified Public Accountants

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Arthur W. Green, Todd County Judge/Executive

Members of the Todd County Fiscal Court

Independent Auditor's Report

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

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

As described in Note 1, Todd 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Todd County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by the GASB. 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.

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Arthur W. Green, Todd County Judge/Executive
Members of the Todd County Fiscal Court

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

In accordance with Government Auditing Standards, we have also issued our report dated October 21, 2009 on our consideration of Todd County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

- The Fiscal Court Lacks An Adequate Segregation Of Duties

Respectfully submitted,

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

Percy and Gray, PSC
Certified Public Accountants

October 21, 2009

TODD COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

Arthur Green	County Judge/Executive
Roy Addison	Magistrate
Howard Gorrell	Magistrate
Jane Rager	Magistrate
Brent Spurlin	Magistrate
Jimmy Turner	Magistrate

Other Elected Officials:

Harold Mac Johns	County Attorney
Greg Allen	Jailer
Billy Fowler	County Clerk
William Stokes	Sheriff
Perry Stokes	Property Valuation Administrator
Gerald Barnett	Coroner

Appointed Personnel:

Tammy Robertson	County Treasurer
Misty Glover	Finance Officer
Mandy Petrie	Personnel/Payroll Officer
Walton Epley	Road Supervisor
Mandy Petrie	Occupational Tax Administrator
Priscilla Wells	Jail Administrative Assistant/Bookkeeper
Timmy Wells	911 Administrator

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TODD COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

TODD COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,448,724	\$ 3,842	\$ 1,452,566
Total Current Assets	1,448,724	3,842	1,452,566
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation:			
Land and Land Improvements	746,386		746,386
Construction in Progress	82,533		82,533
Buildings	5,365,081		5,365,081
Vehicles and Equipment	627,687		627,687
Infrastructure	1,849,561		1,849,561
Total Noncurrent Assets	8,671,248		8,671,248
Total Assets	10,119,972	3,842	10,123,814
LIABILITIES			
Current Liabilities:			
Financing Obligations	37,436		37,436
Bonds Payable	85,000		85,000
Total Current Liabilities	122,436		122,436
Noncurrent Liabilities:			
Financing Obligations	2,199,140		2,199,140
Bonds Payable	4,570,000		4,570,000
Total Noncurrent Liabilities	6,769,140		6,769,140
Total Liabilities	6,891,576		6,891,576
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	1,779,672		1,779,672
Restricted For:			
Capital Projects	1,053,747		1,053,747
Unrestricted	394,977	3,842	398,819
Total Net Assets	\$ 3,228,396	\$ 3,842	\$ 3,232,238

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

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TODD COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

TODD COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 1,095,791	\$ 4,100	\$ 170,362	\$
Protection to Persons and Property	2,163,309	572,149	1,148,371	
General Health and Sanitation	216,746			
Social Services	5,941			
Recreation and Culture	33,302			
Roads	727,459		208,768	874,317
Interest on Long-term Debt	272,050			
Capital Projects	165,017			
Total Governmental Activities	4,679,615	576,249	1,527,501	874,317
Business-type Activities:				
Jail Canteen	8,217			
Total Business-type Activities	8,217			
Total Primary Government	\$ 4,687,832	\$ 576,249	\$ 1,527,501	\$ 874,317

General Revenues:

Taxes:

Real Property Taxes

Motor Vehicle Taxes

Occupational Tax

Net Profit Tax

Other Taxes

Telephone E-911 Surcharge

In Lieu Tax Payments

Excess Fees

License and Permits

Interest

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

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

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

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (921,329)	\$	\$ (921,329)
(442,789)		(442,789)
(216,746)		(216,746)
(5,941)		(5,941)
(33,302)		(33,302)
355,626		355,626
(272,050)		(272,050)
(165,017)		(165,017)
(1,701,548)		(1,701,548)
	(8,217)	(8,217)
	(8,217)	(8,217)
(1,701,548)	(8,217)	(1,709,765)
339,013		339,013
52,332		52,332
476,759		476,759
170,951		170,951
274,780		274,780
119,557		119,557
182,475		182,475
63,046		63,046
50,685		50,685
27,730		27,730
75,567	10,125	85,692
1,832,895	10,125	1,843,020
131,347	1,908	133,255
3,097,049	1,934	3,098,983
\$ 3,228,396	\$ 3,842	\$ 3,232,238

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

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TODD COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2009

TODD COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Ambulance Fund	Jail Fund
ASSETS				
Cash and Cash Equivalents	\$ 55,601	\$ 253,719	\$ 18,057	\$ 21,480
Total Assets	<u>\$ 55,601</u>	<u>\$ 253,719</u>	<u>\$ 18,057</u>	<u>\$ 21,480</u>
FUND BALANCES				
Reserved for:				
Encumbrances	\$	\$ 2,132	\$	\$
Unreserved:				
General Fund	55,601			
Special Revenue Funds		251,587	18,057	21,480
Capital Projects Fund				
Total Fund Balances	<u>\$ 55,601</u>	<u>\$ 253,719</u>	<u>\$ 18,057</u>	<u>\$ 21,480</u>

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

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

Jail Bond and Lease Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 1,053,747	\$ 46,120	\$ 1,448,724
<u>\$ 1,053,747</u>	<u>\$ 46,120</u>	<u>\$ 1,448,724</u>
\$	\$	\$ 2,132
		55,601
	46,120	337,244
<u>1,053,747</u>		<u>1,053,747</u>
<u>\$ 1,053,747</u>	<u>\$ 46,120</u>	<u>\$ 1,448,724</u>

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

Total Fund Balances	\$ 1,448,724
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.	11,748,037
Accumulated Depreciation	(3,076,789)
Debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(2,236,576)
General Obligation Bonds	<u>(4,655,000)</u>
Net Assets Of Governmental Activities	<u>\$ 3,228,396</u>

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

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

For The Year Ended June 30, 2009

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

For The Year Ended June 30, 2009

	General Fund	Road Fund	Ambulance Fund	Jail Fund
REVENUES				
Taxes	\$ 1,294,455	\$	\$	\$
In Lieu Tax Payments	182,475			
Excess Fees	63,046			
Licenses and Permits	6,027			
Intergovernmental	170,362	1,083,085	128,872	893,164
Charges for Services	4,100		495,029	16,335
Miscellaneous	13,677	24,429	573	34,318
Interest	16,331			
Total Revenues	<u>1,750,473</u>	<u>1,107,514</u>	<u>624,474</u>	<u>943,817</u>
EXPENDITURES				
General Government	494,585	27,045		
Protection to Persons and Property	22,741		570,187	1,238,555
General Health and Sanitation	19,267			
Social Services	5,941			
Recreation and Culture	31,982			
Roads		1,177,873		
Debt Service	313,028		13,246	11,673
Capital Projects	41,056			
Administration	153,547	153,265	91,393	246,099
Total Expenditures	<u>1,082,147</u>	<u>1,358,183</u>	<u>674,826</u>	<u>1,496,327</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>668,326</u>	<u>(250,669)</u>	<u>(50,352)</u>	<u>(552,510)</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds				
Line of Credit	295,000			
Transfers From Other Funds	98,006		60,000	872,000
Transfers To Other Funds	(1,023,500)	(71,214)		(300,210)
Total Other Financing Sources (Uses)	<u>(630,494)</u>	<u>(71,214)</u>	<u>60,000</u>	<u>571,790</u>
Special Items				
Proceeds From Sale Of Assets Held For Resale				
Total Special Items				
Net Change in Fund Balances	37,832	(321,883)	9,648	19,280
Fund Balances - Beginning	17,769	575,602	8,409	2,200
Fund Balances - Ending	<u>\$ 55,601</u>	<u>\$ 253,719</u>	<u>\$ 18,057</u>	<u>\$ 21,480</u>

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

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

Jail Bond and Lease Fund	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 138,937	\$ 1,433,392
		182,475
		63,046
	44,658	50,685
	126,335	2,401,818
	60,785	576,249
	2,570	75,567
11,399		27,730
11,399	373,285	4,810,962
		521,630
	176,302	2,007,785
	161,223	180,490
		5,941
		31,982
		1,177,873
333,928	133,181	805,056
652,533	123,961	817,550
7	72,122	716,433
986,468	666,789	6,264,740
(975,069)	(293,504)	(1,453,778)
1,755,000	123,851	1,878,851
		295,000
300,210	91,500	1,421,716
(26,792)		(1,421,716)
2,028,418	215,351	2,173,851
	104,550	104,550
	104,550	104,550
1,053,349	26,397	824,623
398	19,723	624,101
\$ 1,053,747	\$ 46,120	\$ 1,448,724

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

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

For The Year Ended June 30, 2009

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

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$	824,623
--------------------------------------------------------	----	---------

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 is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		1,643,679
Depreciation Expense		(588,220)
Disposal Of Asset Held For Resale Sold		(115,823)

The issuance of short-term and long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. While the repayment of principal on short-term and long-term debt consumes the current financial resources of governmental funds. These transactions, however, have no effect on net assets.

Line-of-Credit Proceeds		(295,000)
Line-of-Credit Principal Payments		295,000
Financing Obligation Proceeds		(1,878,851)
Financing Obligations Principal Payments		245,939

Change in Net Assets of Governmental Activities	\$	<u>131,347</u>
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TODD COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS
June 30, 2009

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

June 30, 2009

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 3,842
Total Current Assets	<u>3,842</u>
 Total Assets	 <u>3,842</u>
 Net Assets	
Unrestricted	3,842
Total Net Assets	<u><u>\$ 3,842</u></u>

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

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

For The Year Ended June 30, 2009

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

For The Year Ended June 30, 2009

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Operating Revenues	
Canteen Receipts	\$
Other Receipts	<u>10,125</u>
Total Operating Revenues	<u>10,125</u>
 Operating Expenses	
Educational and Recreational	2,509
Miscellaneous	<u>5,708</u>
Total Operating Expenses	<u>8,217</u>
Operating Income	<u>1,908</u>
 Change In Net Assets	1,908
 Total Net Assets - Beginning	<u>1,934</u>
Total Net Assets - Ending	<u><u>\$ 3,842</u></u>

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

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TODD COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

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

For The Year Ended June 30, 2009

	Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$
Other Receipts	10,125
Payment to Suppliers	(8,217)
Net Cash Provided By Operating Activities	<u>1,908</u>
Net Decrease in Cash and Cash Equivalents	1,908
Cash and Cash Equivalents - July 1, 2008	<u>1,934</u>
Cash and Cash Equivalents - June 30, 2009	<u><u>\$ 3,842</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Income	<u>\$ 1,908</u>
Net Cash Provided By Operating Activities	<u><u>\$ 1,908</u></u>

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

**TODD COUNTY
STATEMENT OF FIDUCIARY NET ASSETS**

June 30, 2009

**TODD COUNTY
STATEMENT OF FIDUCIARY NET ASSETS**

June 30, 2009

	<u>Agency Fund</u>
	Jail Inmate Account
	<u> </u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 14,286
Total Assets	<u> 14,286</u>
Liabilities	
Amounts Held In Custody For Others	<u> 14,286</u>
Total Liabilities	<u> 14,286</u>
Net Assets	
Total Net Assets	<u><u> \$ 0</u></u>

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

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TO THE FINANCIAL STATEMENTS**

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TODD COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

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

B. Reporting Entity

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

C. Todd County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Todd 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. These financial statements are not required to be included in the financial statements of Todd County, Kentucky.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs. The County does not have any fiduciary funds.

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; and 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, 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.

Ambulance Fund - The primary purpose of this fund is to account for the ambulance expenditures of the county. The primary source of revenues is ambulance fees.

Jail Bond and Lease Fund - The primary purpose of this fund is to account for the expenditures of the renovation of the jail building and for the debt service payments on the jail.

The primary government also has the following nonmajor funds: Local Government Economic Assistance Fund, Timberland Tax Fund, Solid Waste Fund, Dispatch Fund, Emergency Operations Center Construction Fund, and Clifty School Park Project Fund.

Special Revenue Funds:

The Road Fund, Ambulance Fund, Jail Fund, Local Government Economic Assistance Fund, Timberland Tax Fund, Solid Waste Fund, and Dispatch Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Jail Bond and Lease Fund, Emergency Operations Center Construction Fund, and Clifty School Park Project Fund are presented as capital projects funds. Capital projects funds are to account for the financial resources to be used for the acquisition, construction, or renovation of major capital facilities.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

Proprietary Fund

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued November 30, 1989, unless the Governmental Accounting Standards Board (GASB) adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

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

Fiduciary Funds

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

Jail Inmate Account Fund - This fund accounts for funds received from inmates after incarceration.

E. Deposits

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).

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

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

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

G. 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 bonds, notes, and financing obligations are reported.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

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

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

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

I. Budgetary Information

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

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

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

J. Related Organization and Jointly Governed Organization

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Todd County Water District and Todd County Airport Board are considered related organizations of the Todd County Fiscal Court.

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

Note 2. Deposits

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

Custodial Credit Risk - Deposits

Custodial Credit Risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Assets Held For Resale

Assets held for resale activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Assets Held For Resale				
Vehicles	\$ 115,823	\$	\$ (115,823)	\$
Total Assets Held For Resale	\$ 115,823	\$	\$ (115,823)	\$

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

Note 4. Capital Assets

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

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 176,386	\$ 570,000	\$	\$ 746,386
Construction in Progress		82,533		82,533
Total Capital Assets Not Being Depreciated	176,386	652,533		828,919
Capital Assets, Being Depreciated:				
Buildings	\$ 6,245,588			\$ 6,245,588
Vehicles and Equipment	1,886,017	241,029		2,127,046
Infrastructure	1,796,367	750,117		2,546,484
Total Capital Assets Being Depreciated	9,927,972	991,146		10,919,118
Less Accumulated Depreciation For:				
Buildings	(781,159)	(99,348)		(880,507)
Vehicles and Equipment	(1,256,552)	(242,807)		(1,499,359)
Infrastructure	(450,858)	(246,065)		(696,923)
Total Accumulated Depreciation	(2,488,569)	(588,220)		(3,076,789)
Total Capital Assets, Being Depreciated, Net	7,439,403	402,926		7,842,329
Governmental Activities Capital Assets, Net	\$ 7,615,789	\$ 1,055,459	\$	\$ 8,671,248

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

<u>Governmental Activities</u>	
General Government	\$ 51,029
Protection to Persons and Property	196,185
General Health and Sanitation	24,983
Recreation and Culture	1,320
Roads, including Depreciation of General Infrastructure Assets	314,703
Total Depreciation Expense - Governmental Activities	<u>\$ 588,220</u>

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

Note 5. Short-term Debt - Financing Obligations

A. Mack Truck

On November 2, 2007, the county entered into an agreement with the Kentucky Association of Counties Leasing Trust in the amount of \$115,823, with principal being due on November 20, 2008. The interest rate was 4.390%. The Fiscal Court used borrowed funds to purchase a Mack truck for the solid waste department. The total principal balance of the agreement was \$0 as of June 30, 2009.

B. Changes In Short-term Debt

Short-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Financing Obligations	\$ 115,823	\$	\$ 115,823	\$	\$
Governmental Activities					
Short-term Liabilities	\$ 115,823	\$	\$ 115,823	\$	\$

Note 6. Long-term Debt

A. Jail Financing Obligation

The county entered into a financing obligation with the Kentucky Association of Counties Leasing Trust for construction on the Todd County Jail. The agreement requires monthly interest payments and a semi-annual principal payment on January 20 of each year through 2011.

The county refinanced this agreement on May 7, 2001 at a lower interest rate of 4.596%. The principal balance of the obligation was \$21,000 as of June 30, 2009. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 10,000	\$ 831
2011	11,000	316
Totals	\$ 21,000	\$ 1,147

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

Note 6. Long-term Debt (Continued)

B. HVAC Equipment Financing Obligation

The County entered into a financing obligation with the Kentucky Association of Leasing Trust for HVAC equipment. The agreement requires monthly interest payment and an annual principal payment. The total amount of principal was \$43,300. The principal balance of the obligation as of June 30, 2009, was \$0.

C. Emergency Operations Center Financing Obligation

The county entered into a financing obligation with the Kentucky Area Development District Leasing Trust for improvements and construction to the emergency operations center. The agreement requires annual principal payments and semi-annual interest payments. The total amount of principal was \$350,000. The principal balance of the obligation as of June 30, 2009, was \$320,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 15,000	\$ 16,070
2011	15,000	15,371
2012	15,000	14,672
2013	15,000	13,973
2014	15,000	13,254
2015-2019	85,000	55,525
2020-2024	110,000	32,250
2025-2029	50,000	4,758
	<u>\$ 320,000</u>	<u>\$ 165,873</u>

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

Note 6. Long-term Debt (Continued)

D. Jail Renovation General Obligation Bonds

The County issued \$4,320,000 General Obligation Improvement Bonds dated February 16, 2006, for the renovation and construction of a jail. Principal payments are due each year on February 1 beginning February 1, 2008 with the final payment being due on February 1, 2038. Interest on the bonds is calculated at 4.50% and is payable each August 1 and February 1, and begins on August 1, 2006. The principal balance outstanding for the bond issue as of June 30, 2009 was \$4,185,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 70,000	\$ 188,325
2011	75,000	185,175
2012	75,000	181,800
2013	80,000	178,425
2014	85,000	174,825
2015-2019	475,000	814,500
2020-2024	600,000	696,375
2025-2029	765,000	547,650
2030-2034	975,000	357,750
2035-2038	985,000	113,400
	<u>\$ 4,185,000</u>	<u>\$ 3,438,225</u>

E. Jail Renovation and Addition Bonds

The county issued bonds through the Kentucky Public Agency Development Lease Certificates of Participation for renovation and addition to the jail. The agreement requires annual principal payments and semi-annual interest payments. The total amount of principal was \$500,000. The principal balance of the bond issue as of June 30, 2009, was \$470,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 15,000	\$ 22,810
2011	20,000	22,195
2012	20,000	21,345
2013	20,000	20,465
2014	20,000	19,565
2015-2019	115,000	83,335
2020-2024	150,000	51,845
2025-2029	110,000	11,475
	<u>\$ 470,000</u>	<u>\$ 253,035</u>

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

Note 6. Long-term Debt (Continued)

F. Ambulance Equipment Financing Obligation

The County entered into a financing obligation with the Leasing One Corp for an Ambulance. The agreement requires 36 monthly interest and principal payments. The total amount of principal was \$35,936. The principal balance of the obligation as of June 30, 2009, was \$16,725. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest & Fees</u>
2010	\$ 12,436	\$ 512
2011	4,289	1,106
	<u>\$ 16,725</u>	<u>\$ 1,618</u>

G. Solid Waste Truck Financing Obligation

The County entered into a financing obligation with the Kentucky Association of Leasing Trust for a solid waste truck. The agreement requires monthly interest payment and an annual principal payment. The total amount of principal was \$123,851. The principal balance of the obligation as of June 30, 2009, was \$123,851. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest & Fees</u>
2010	\$	\$ 4,611
2011	30,000	4,307
2012	30,000	3,184
2013	30,000	2,065
2014	33,851	755
	<u>\$ 123,851</u>	<u>\$ 14,922</u>

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

Note 6. Long-term Debt (Continued)

H. Judicial Center Financing Obligation

The County entered into a financing obligation with the Kentucky Association of Leasing Trust in connection with the construction of the judicial center. The agreement requires monthly interest payment and an annual principal payment. The total amount of principal was \$1,755,000. The principal balance of the obligation as of June 30, 2009, was \$1,755,000. Annual debt service requirements to maturity are as follows:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest & Fees
2010	\$ 45,000	\$ 62,736
2011	70,000	62,375
2012	70,000	59,983
2013	75,000	57,224
2014	75,000	54,479
2015-2019	425,000	228,154
2020-2024	510,000	143,328
2025-2029	485,000	41,147
	<u>\$ 1,755,000</u>	<u>\$ 709,426</u>

I. Changes In Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Financing Obligations	\$ 402,841	\$1,878,851	\$ 45,116	\$ 2,236,576	\$ 37,436
Bonds	4,740,000		85,000	4,655,000	85,000
Governmental Activities					
Long-term Liabilities	<u>\$ 5,142,841</u>	<u>\$1,878,851</u>	<u>\$ 130,116</u>	<u>\$ 6,891,576</u>	<u>\$ 122,436</u>

Note 7. Line of Credit

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

On June 12, 2008, the Todd Fiscal Court approved a line of credit with United Southern Bank. The Todd County Fiscal Court borrowed and repaid \$295,000 during fiscal year ended June 30, 2009. The principal balance of the line of credit as of June 30, 2009, was \$0.

Note 8. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

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

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

Note 9. Insurance

For the fiscal year ended June 30, 2009, Todd 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 10. Subsequent Event

During fiscal year ended June 30, 2009, Todd Fiscal Court acquired the land for the construction of a new Judicial Center. As of the end of fieldwork, Todd Fiscal Court has not issued any bonds nor started construction on the judicial center.

TODD COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

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

For The Year Ended June 30, 2009

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,213,900	\$ 1,216,142	\$ 1,294,455	\$ 78,313
In Lieu Tax Payments	162,000	162,000	182,475	20,475
Excess Fees	28,000	28,000	63,046	35,046
Licenses and Permits	8,500	8,500	6,027	(2,473)
Intergovernmental Revenue	131,000	131,000	170,362	39,362
Charges for Services	4,200	4,200	4,100	(100)
Miscellaneous	39,000	39,000	40,469	1,469
Interest	30,000	30,000	16,331	(13,669)
Total Revenues	1,616,600	1,618,842	1,777,265	158,423
EXPENDITURES				
General Government	571,562	498,286	494,585	3,701
Protection to Persons and Property	7,300	22,743	22,741	2
General Health and Sanitation	18,100	19,910	19,267	643
Social Services	4,200	5,943	5,941	2
Recreation and Culture	42,000	31,983	31,982	1
Debt Service	513,700	313,075	313,028	47
Capital Projects	20,000	41,145	41,056	89
Administration	169,938	156,662	153,547	3,115
Total Expenditures	1,346,800	1,089,747	1,082,147	7,600
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	269,800	529,095	695,118	166,023
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	71,214	71,214	98,006	26,792
Transfers To Other Funds	(841,014)	(841,014)	(1,023,500)	(182,486)
Line of Credit	500,000	500,000	295,000	(205,000)
Total Other Financing Sources (Uses)	(269,800)	(269,800)	(630,494)	(360,694)
Net Changes in Fund Balances		259,295	64,624	(194,671)
Fund Balances - Beginning			17,769	17,769
Fund Balances - Ending	\$ 0	\$ 259,295	\$ 82,393	\$ (176,902)

**Reconciliation of the Budgetary Comparison Schedule to
Statement of Revenues, Expenditures, and Changes In Fund Balance**

	Revenues
Total - Budgetary Comparison Schedule	\$ 1,777,265
Transfers From Other Funds	<u>(26,792)</u>
Total - Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 1,750,473</u>

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

ROAD FUND				
	<u>Budgeted Amounts</u>		<u>Actual Amounts, (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental Revenue	\$ 1,088,779	\$ 1,088,779	\$ 1,083,085	\$ (5,694)
Miscellaneous	7,000	7,000	24,429	17,429
Interest Earned	5,000	5,000	-	(5,000)
Total Revenues	<u>1,100,779</u>	<u>1,100,779</u>	<u>1,107,514</u>	<u>6,735</u>
EXPENDITURES				
General	31,800	31,800	27,045	4,755
Roads	1,309,200	1,658,200	1,177,873	480,327
Administration	191,700	193,750	153,265	40,485
Total Expenditures	<u>1,532,700</u>	<u>1,883,750</u>	<u>1,358,183</u>	<u>525,567</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(431,921)</u>	<u>(782,971)</u>	<u>(250,669)</u>	<u>532,302</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	<u>(71,214)</u>	<u>(71,214)</u>	<u>(71,214)</u>	
Total Other Financing Sources (Uses)	<u>(71,214)</u>	<u>(71,214)</u>	<u>(71,214)</u>	
Net Changes in Fund Balances	(503,135)	(854,185)	(321,883)	532,302
Fund Balances - Beginning	<u>503,135</u>	<u>853,135</u>	<u>575,602</u>	<u>(277,533)</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ (1,050)</u>	<u>\$ 253,719</u>	<u>\$ 254,769</u>

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

	AMBULANCE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 10,500	\$ 129,203	\$ 128,872	\$ (331)
Charges for Services	465,000	465,000	495,029	30,029
Miscellaneous	500	500	573	73
Total Revenues	476,000	594,703	624,474	29,771
EXPENDITURES				
Protection to Persons and Property	482,900	603,603	570,187	33,416
Debt Service	13,400	13,400	13,246	154
Administration	89,000	110,960	91,393	19,567
Total Expenditures	585,300	727,963	674,826	53,137
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(109,300)	(133,260)	(50,352)	82,908
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	109,300	109,300	60,000	(49,300)
Total Other Financing Sources (Uses)	109,300	109,300	60,000	(49,300)
Net Changes in Fund Balances		(23,960)	9,648	33,608
Fund Balances - Beginning			8,409	8,409
Fund Balances - Ending	\$ 0	\$ (23,960)	\$ 18,057	\$ 42,017

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

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 988,400	\$ 988,400	\$ 893,164	\$ (95,236)
Charges for Services	10,000	10,000	16,335	6,335
Miscellaneous	27,400	27,400	34,317	6,917
Total Revenues	1,025,800	1,025,800	943,816	(81,984)
EXPENDITURES				
Protection to Persons and Property	1,055,564	1,245,364	1,238,555	6,809
Debt Service	312,500	311,950	311,883	67
Administration	223,600	250,700	246,099	4,601
Total Expenditures	1,591,664	1,808,014	1,796,537	11,477
Excess (Deficiency) of Revenues				
Over Expenditures Before Other Financing Sources (Uses)	(565,864)	(782,214)	(852,721)	(70,507)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	565,864	565,864	872,000	306,136
Total Other Financing Sources (Uses)	565,864	565,864	872,000	306,136
Net Changes in Fund Balances		(216,350)	19,279	235,629
Fund Balances - Beginning			2,200	2,200
Fund Balances - Ending	\$ 0	\$ (216,350)	\$ 21,479	\$ 237,829
Reconciliation of the Budgetary Comparison Schedule to Statement of Revenues, Expenditures, and Changes In Fund Balance				
				Expenditures
Total - Budgetary Comparison Schedule				\$ 1,796,537
Transfers Out				(300,210)
Total - Statement of Revenues, Expenditures, and Changes in Fund Balances				\$ 1,496,327

TODD COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Budgetary Information

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

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

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

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

June 30, 2009

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

June 30, 2009

	Local Government Economic Assistance Fund	Timberland Tax Fund	Solid Waste Fund	Dispatch Fund	Emergency Operations Center Construction Fund
ASSETS					
Cash and Cash Equivalents	\$ 8,703	\$ 2,695	\$ 12,884	\$ 21,838	\$
Total Assets	<u>\$ 8,703</u>	<u>\$ 2,695</u>	<u>\$ 12,884</u>	<u>\$ 21,838</u>	<u>\$</u>
FUND BALANCES					
Unreserved:					
Special Revenue Funds	\$ 8,703	\$ 2,695	\$ 12,884	\$ 21,838	\$
Total Fund Balances	<u>\$ 8,703</u>	<u>\$ 2,695</u>	<u>\$ 12,884</u>	<u>\$ 21,838</u>	<u>\$</u>

The accompanying notes are an integral part of the financial statements

TODD COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2009
(Continued)

Clifty School Park Project Fund	Total Non-Major Governmental Funds
<u>\$</u>	<u>\$ 46,120</u>
<u>\$</u>	<u>\$ 46,120</u>
 <u>\$</u>	 <u>\$ 46,120</u>
 <u>\$</u>	 <u>\$ 46,120</u>

The accompanying notes are an integral part of the financial statements

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TODD COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009

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

For The Year Ended June 30, 2009

	Local Government Economic Assistance Fund	Timberland Tax Fund	Solid Waste Fund	Dispatch Fund
REVENUES				
Taxes	\$	\$ 1,329	\$ 18,051	\$ 119,557
License and Permits			44,658	
Intergovernmental	2,867		26,696	96,772
Charges for Services			38,585	22,200
Miscellaneous Revenues			2,256	314
Total Revenues	<u>2,867</u>	<u>1,329</u>	<u>130,246</u>	<u>238,843</u>
EXPENDITURES				
Protection to Persons and Property	1,496	1,037		173,769
General Health and Sanitation			161,223	
Debt Service			119,935	13,246
Capital Projects			123,851	
Administration			30,799	41,316
Total Expenditures	<u>1,496</u>	<u>1,037</u>	<u>435,808</u>	<u>228,331</u>
Excess (Deficiency) of Revenues				
Expenditures Before Other				
Financing Sources (Uses)	<u>1,371</u>	<u>292</u>	<u>(305,562)</u>	<u>10,512</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds			123,851	
Transfers From Other Funds			87,500	4,000
Total Other Financing Sources (Uses)			<u>211,351</u>	<u>4,000</u>
Special Items				
Proceeds From Sale Of Assets				
Held For Resale			104,550	
Total Special Items			<u>104,550</u>	
Net Change in Fund Balances	1,371	292	10,339	14,512
Fund Balances - Beginning	7,332	2,403	2,545	7,326
Fund Balances - Ending	<u>\$ 8,703</u>	<u>\$ 2,695</u>	<u>\$ 12,884</u>	<u>\$ 21,838</u>

The accompanying notes are an integral part of the financial statements

TODD COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – NON-MAJOR GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2009
(Continued)

Emergency Operations Center Construction Fund	Clifty School Park Project Fund	Total Non-Major Governmental Funds
\$	\$	\$
		138,937
		44,658
		126,335
		60,785
		2,570
		373,285
		176,302
		161,223
		133,181
	110	123,961
7		72,122
7	110	666,789
(7)	(110)	(293,504)
		123,851
		91,500
		215,351
		104,550
		104,550
(7)	(110)	26,397
7	110	19,723
\$	\$	\$
		46,120

The accompanying notes are an integral part of the financial statements

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



PEERCY AND GRAY, PSC

Certified Public Accountants

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Arthur W. Green, Todd County Judge/Executive
Members of the Todd 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, each major fund, and the aggregate remaining fund information of Todd County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated October 21, 2009. Todd 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 Todd County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Todd County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Todd County's internal control over financial reporting.

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

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

- The Fiscal Court Lacks An Adequate Segregation Of Duties

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

Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

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

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

Respectfully submitted,

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

Percy and Gray, PSC
Certified Public Accountants

October 21, 2009

**TODD COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2009

**TODD COUNTY
COMMENT AND RECOMMENDATION**

For The Year Ended June 30, 2009

SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES

The Fiscal Court Lacks An Adequate Segregation Of Duties

The County has a lack of segregation of duties. The County Treasurer receives, records, and deposits all funds. She also prepares the bank reconciliations. In addition, the County Treasurer handles occupational tax. The Finance Officer submits invoices to the fiscal court for approval and prepares the checks. No documented compensating controls exist.

We recommend the following segregation of duties or compensating controls be implemented to offset this internal control weakness:

- An independent person should list all receipts and agree them back to the treasurer's receipt ledger.
- An independent person should open bank statements and review them for unusual items.
- The independent person should then sign off on the bank statement to verify completion.
- An independent person should complete bank reconciliations or review the treasurer's bank reconciliations for accuracy.
- The independent person should then sign off on the bank reconciliations to verify completion.
- An independent person should compare fiscal court order approvals to invoices and checks prior to payment.

County Judge/Executive Arthur Green's Response: No Response.

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

TODD COUNTY FISCAL COURT

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

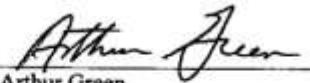
Appendix A

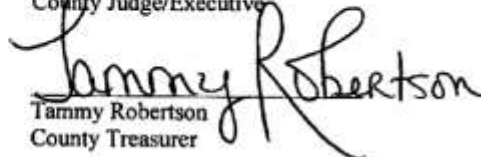
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

TODD COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Todd 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.


Arthur Green
County Judge/Executive


Tammy Robertson
County Treasurer

APPENDIX F

**TODD COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BONDS
(COURT FACILITIES PROJECT), SERIES 2010**

Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Agreement") is made, entered into and effective as of the 1st day of June, 2010, by and among the Administrative Office of the Courts, a political agency of the Commonwealth of Kentucky, acting through the Kentucky Department of Finance (the "AOC"), the Todd County, Kentucky, a political subdivision of the Commonwealth of Kentucky (the "County") and the Todd County, Kentucky Public Properties Corporation, a nonprofit, nonstock corporation acting as the agency, instrumentality and constituted authority for the County, and the Registered and Beneficial Owners of the Bonds, hereinafter identified (the "Corporation"). For purposes of this Agreement, "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the Registration Books of the Bond Registrar.

WITNESSETH

WHEREAS, the Corporation has acted as the issuing agency for the County, pursuant to the provisions of Section 58.180 and 273.390 of Kentucky Revised Statutes ("KRS") and has executed, delivered and entered into a Mortgage and Deed of Trust dated as of June 1, 2010, the First Supplemental Mortgage Deed of Trust, dated as of June 1, 2010 and a Second Supplemental Mortgage Deed of Trust dated as of June 1, 2010 (collectively, the "Mortgage") between the Corporation and U.S. Bank National Association, Louisville, Kentucky, (the "Trustee") in connection with the authorization, sale and delivery of \$11,175,000* of the Corporation's First Mortgage Revenue Bonds (Court Facilities Project), Series 2010, dated their date of delivery ("Bonds") which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by Kentucky Association of Counties Leasing Trust, Frankfort, Kentucky ("Financial Advisors") and approved by the authorized representatives of the County and Corporation;

WHEREAS, the Securities and Exchange Commission ("SEC"), pursuant to the Securities and Exchange Act of 1934, has amended the provision of SEC Rule 15c2-12 relating to financial disclosures by the issuers of municipal securities under certain circumstances ("Rule"); and

WHEREAS, it is intended by the parties to this Agreement that all terms utilized herein shall have the same meanings as defined by the Rule; and

WHEREAS, the AOC, Corporation and the County are "obligated persons" as defined by the Rule and subject to the provisions of said Rule; and

WHEREAS, the AOC, Corporation and the County wish to provide for the disclosure of certain information concerning the Bonds, the Project and other matters on an on-going basis as set forth herein for the benefit of the Holders of the Bonds or Beneficial Owners thereof ("Bondholders") in accordance with the provisions of the Rule.

NOW THEREFORE, in order to comply with the provisions of the Rule and in consideration of the purchase of the Bonds by the Registered and Beneficial Owners, the parties hereto agree as follows:

1. ANNUAL FINANCIAL INFORMATION/THE UNDERTAKING

1.1 This Agreement shall constitute a written undertaking for the benefit of the Registered and Beneficial Owners of the Bonds, and is being executed and delivered solely to assist the purchasers of the Bonds in complying with subsection (b)(5) of the Rule. Notwithstanding any other provision of this Agreement, it is understood that any obligation of AOC hereunder to provide information may be satisfied if the information required to be provided shall be provided in a timely fashion by another public agency of the Commonwealth, within or without the Judicial Branch of Government; it being the

intention of AOC to work with the Office of Financial Management, Finance and Administrative Cabinet in the Executive Branch (the "OFM") to avoid duplication or repetition of disclosure on the finances and any other material information with respect to public agencies of the Commonwealth.

1.2 (a) AOC, through OFM, shall provide Annual Financial Information with respect to each fiscal year of the Commonwealth of Kentucky (the "Commonwealth"), commencing with the fiscal year ending June 30, 2010, by no later than nine (9) months after the end of the respective fiscal year, but in any event shall provide Audited Financial Statements of the Commonwealth of Kentucky as soon as practicable, and within 15 business days, if possible, after the final publication of date of such Audited Financial Statements, to the Municipal Securities Rulemaking Board ("MSRB").

(b) the County and the Corporation shall provide annual financial information with respect to each fiscal year of the County or Corporation, commencing with the fiscal year ending June 30, 2010, by no later than nine (9) months after the end of the respective fiscal year, and within fifteen (15) business days, if possible, after the final publication date of such Audited Financial Statements, to the MSRB.

(c) the County and the Corporation, as the case may be, shall provide, in a timely manner, notice of any failure of AOC, County or Corporation to provide the Annual Financial Information by the date specified in subsection (a) and (b) above to the MSRB. Any or all of the items listed above may be set forth in other documents, including Offering Documents of debt issues of the AOC, the County, the Corporation, or related public entities, which have been transmitted to the MSRB, or may be included by specific reference to documents available to the public on the MSRB's Internet Website or filed with the SEC.

(d) for purposes of the Rule, "Annual Financial Information" means financial information or operating data provided annually, of the type included in the FOS with respect to the AOC, the County or the Corporation and shall include annual audited financial statements for AOC through the Kentucky Department of Finance or the Corporation, in order that the recipients will be provided with ongoing information regarding revenues and operating expenses of AOC, the County or the Corporation, as the case may be.

(e) the Annual Financial Information shall be prepared in accordance with generally accepted accounting principles, generally accepted auditing standards or in accordance with the appropriate sections of KRS or Kentucky Administrative Regulations.

(f) to the extent the County, the Corporation or AOC is obligated to file any Annual Financial Information or Operating Data with the MSRB pursuant to this Agreement, such Annual Financial Information or Operating Data may be set forth in the document or set of documents transmitted to the MSRB, or may be included by specific reference to documents available to the public on the MSRB's Internet Website or filed with the SEC.

1.3 Upon request to any person, or at least annually to MSRB and SEC, financial information or operating data regarding the County and/or Corporation for which financial information or operating data is presented in the FOS, as specified in the undertaking, which financial information and operating data shall include, at a minimum, that financial information and operating data which is customarily prepared by the County and/or Corporation and is publicly available.

1.4 In a timely manner, to the MSRB, notice of events specified in Section 15c12(b)(5)(i)(C) of the Rule with respect to the Bonds.

1.5 The parties hereto agree that this Agreement is entered into among them for the benefit of those who become Registered and Beneficial Owners of the Bonds as third party beneficiaries to said Agreement.

2. MATERIAL EVENTS NOTICES.

Under the Rule, Section 15c2-12(b)(5)(i)(C), the following eleven (11) events must be disclosed to the MSRB, if material:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) Modifications to rights of Bondholders;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing the repayment of the Bonds; and
- (11) Rating changes.

Notice of said material events shall be given to the entities identified in this Section by the County or the Corporation on a timely basis in light of the date of occurrence of the material events. Notwithstanding the foregoing, the provisions of the documents under which the Bonds are authorized and issued do not provide for a debt service reserve, credit enhancements or credit or liquidity providers.

In accordance with Rule Section 15c2-12(b)(5)(i)(D), the County and the Corporation agree that in the event of a failure to provide the Annual Financial Information required under Section 1 of this Agreement, it will notify the MSRB of such failure in a timely manner.

3. SPECIAL REQUESTS FOR INFORMATION.

Upon the request of any Registered or Beneficial Owner of the Bonds or the original purchaser of the Bonds or any subsequent broker-dealer buying or selling said Bonds on the secondary market ("Underwriters"), the County and/or the Corporation shall cause financial information or operating data regarding the conduct of the affairs of the County or the Corporation to be made available on a timely basis following such request.

4. DISCLAIMER OF LIABILITY.

The County and the Corporation hereby disclaim any liability for monetary damages for any breach of the commitments set forth in this Agreement and remedies for any breach of the County's or the Corporation's continuing disclosure undertaking shall be limited to an action for specific performance or mandamus in a court of competent jurisdiction in Kentucky following notice and an opportunity to cure such a breach.

5. FINAL OFFERING STATEMENT.

That the Final Offering Statement prepared by the Financial Advisor and approved by the authorized representatives of the County and the Corporation is hereby incorporated in this Agreement as fully as if copied herein and the "annual financial information" required under Section 1 hereof shall in summary form update the specific information set forth in said Statement.

6. DURATION OF THE AGREEMENT.

This Agreement shall be in effect so long as any of the Bonds remain outstanding and unpaid; provided, however, that the right is reserved by the County and/or the Corporation to delegate its responsibilities under the Agreement to a competent agent or trustee, or to adjust the format of the presentation of annual financial information so long as the intent and purpose of the Rule to present adequate and accurate financial information regarding the County or the Corporation is served.

7. AMENDMENT; WAIVER.

Notwithstanding any other provision of this Agreement, the County and the Corporation may amend this Agreement, and any provision of this Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 1, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Mortgage for amendments to the Mortgage with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Registered Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Agreement, the County and/or the Corporation shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County or the Corporation. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 15c2-12(b)(5)(i)(C) of the Rule, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

8. DEFAULT.

In the event of a failure of the County or the Corporation to comply with any provision of this Agreement, the County or the Corporation may and, at the request of any Underwriter or any Registered or Beneficial Owner of Bonds, shall, or any Registered or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County or the Corporation to comply with its obligations under this Agreement. A default

under this Agreement shall not be deemed an event of default under the Mortgage, and the sole remedy under this Agreement in the event of any failure of the County or the Corporation to comply with this Agreement shall be an action to compel performance.

In witness whereof the parties hereto have executed this Agreement as of the date first above written.

TODD COUNTY, KENTUCKY

County Judge/Executive

ATTEST:

Fiscal Court Clerk

**TODD COUNTY, KENTUCKY PUBLIC
PROPERTIES CORPORATION**

President

ATTEST:

Secretary

ADMINISTRATIVE OFFICE OF THE COURTS

Director

Budget Director

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APPENDIX G

TODD COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION FIRST MORTGAGE REVENUE BONDS (COURT FACILITIES PROJECT), SERIES 2010

Official Terms and Conditions of Bond Sale

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OFFICIAL TERMS AND CONDITIONS OF BOND SALE
Approximately \$11,175,000*
Todd County, Kentucky Public Properties Corporation
First Mortgage Revenue Bonds (Court Facilities Project), Series 2010

As advertised in conformity with Chapter 424 of the Kentucky Revised Statutes, the Todd County, Kentucky Public Properties Corporation (the "Corporation"), acting as the agency and instrumentality of and on behalf of the Todd County, Kentucky (the "County"), will until the June 16, 2010, at 12:00 p.m, E.D.S.T., receive in the Office of the Judge/Executive, Todd County Courthouse, 200 Washington Street, Elkton, Kentucky 42220, sealed, competitive bids for the purchase of the following Bonds, subject to the following terms and conditions:

1. Description of Bonds - The Bonds offered for sale are Eleven Million One Hundred Seventy-Five Thousand Dollars (\$11,175,000*) principal amount of "Todd County, Kentucky Public Properties Corporation First Mortgage Revenue Bonds (Court Facilities Project), Series 2010" dated their date of delivery (the "Bonds"), being fully registered Bonds of the denominations of \$5,000 and any integral multiple of \$5,000, maturing as to principal on June 1, 2011 and each June 1 thereafter through and including June 1, 2030.
2. Subject to Permitted Adjustment increasing or decreasing the principal amount of the Bonds to be sold as set forth in Section 4(c) below.

The Bonds are subject to redemption prior to their stated maturities, as described in the Preliminary Official Statement.

Principal and interest will be payable at the corporate trust office of U.S. Bank National Association, Louisville, Kentucky. Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on June 1 and December 1 of each year, beginning December 1, 2010.

The authority, purpose, security and source of payment of the Bonds, and the application of the proceeds thereof, are described in the Official Statement of the Issuer, reference to which is hereby made.

1. Time of Sale - Bids for the Bonds will be opened, and acted upon, by the President of the Corporation, on the date and at the time indicated above.
2. Sale Conditions -
 - (a) Bids shall be for the entire issue and shall be made on the Official Bid Form in order to provide for uniformity in submission of bids and ready determination of the lowest and best bid.
 - (b) Bids shall be for cash and for the entire issue at not less than \$10,951,500 (98.00% of par), PAYABLE IN FEDERAL FUNDS.
 - (c) (c) The determination of the best purchase bid for said Bonds shall be made on the basis of all bids submitted for exactly \$11,175,000* principal amount of Bonds offered for sale under the terms and conditions herein specified; provided, however, the Corporation reserves the right to increase or decrease the total principal amount of the Bonds sold to such best bidder, in an amount not exceeding \$1,175,000, with such increase or decrease made in any maturity, and the total amount of Bonds awarded to such bidder will be a maximum of \$12,350,000 or a minimum of \$10,000,000. In the event of such adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The

price at which such adjusted principal amount of Bonds will be sold will be at the same price per \$1,000 of Bonds as the price per \$1,000 for the \$11,175,000* of Bonds bid.

- (d) The successful purchaser shall be required (without further advice from the Corporation) to wire transfer an amount equal to \$223,500 to the Paying Agent Bank by the close of business of the day following the award as a good faith deposit. Said amount will be applied (without interest) to the purchase price upon delivery and will be forfeited if the purchaser fails to take delivery.
- (e) Bidders must stipulate an interest rate or rates in multiples of 1/8, 1/10 or 1/20 of 1%.
- (f) Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.
- (g) The right to reject bids for any reason deemed advisable by the Board of Directors of the Corporation and the right to waive any possible informalities or irregularities in any bid which in the judgment of the Board of Directors shall be minor or immaterial is expressly reserved.

3. Additional Sale Provisions -

- (a) The Bonds are being offered and are to be issued subject to, and the Corporation will furnish to the purchaser upon Bond delivery, the approving legal opinion of Bond Counsel, Peck, Shaffer & Williams LLP, attorneys at law, as to the due and proper authorization, validity and tax-exempt status of the Bonds and interest thereon as more particularly described in the Official Statement, to which reference is made. The Corporation will also furnish, at its own expense, the printed Bonds, together with customary closing documents, including no-litigation certificate.
- (b) The Bonds are offered for sale on the basis of the principal not being subject to Kentucky ad valorem taxation and on the basis of the interest on the Bonds being excludable from gross income for Federal and Kentucky income taxation on the date of their delivery to the successful bidder, subject to the further exceptions, assumptions and provisions of the Official Statement. The Bonds have been designated by the County and the Corporation as an issue of "qualified tax-exempt obligations" under Section 265(b)(3) of the Internal Revenue Code of 1986. If, prior to the delivery of the Bonds, any event should occur which alters such tax-exempt and other status, the purchaser shall have the privilege of avoiding the purchase contract by giving immediate written notice to the Treasurer of the Corporation, whereupon the good faith check of the purchaser will be returned to the purchaser, and all respective obligations of the parties will be terminated.
- (c) The President of the Corporation will accept a bid or reject all bids on the date stated at the beginning of this Official Terms and Conditions of Bond Sale.

- (d) Each bid on the Official Bid Form shall be placed in a sealed envelope addressed to the President of the Corporation, and on the outside of the envelope, there shall appear a legend identifying the same as being a bid for the "Todd County, Kentucky Public Properties Corporation First Mortgage Revenue Bonds (Court Facilities Project), Series 2010." No bid will be given consideration unless it is actually received or is in the process of telephonic transfer in the office of said President prior to the time set forth at the beginning of this Official Terms and Conditions of Bond Sale.
- (e) Notice is hereby given that electronic proposals will be received via *PARITY*®, in the manner described below, until 12:00 p.m. local time, on June 16, 2010. Bids may be submitted electronically via *PARITY*® pursuant to this Notice until 11:00 p.m. E.D.S.T., but no bid received after the time for receiving bids above. To the extent any instructions or directions set forth in *PARITY*® conflict with this Notice, the terms of this Notice shall control. For further information about *PARITY*®, potential bidders may contact Kentucky Association of Counties Leasing Trust at (502) 223-7667 or *PARITY*® at (212) 404-8102.
- (f) The purchaser will be required to take delivery of and pay for the Bonds on a date to be designated by the Corporation which is expected to be on or about June 30, 2010 and upon notice being given by the Corporation or its Financial Advisor at least seven (7) business days prior to the designated delivery date. The purchaser may specify the place of delivery at the expense of the Corporation at a bank or trust company situated in the cities of Lexington, Kentucky; Louisville, Kentucky; Cincinnati, Ohio; Chicago, Illinois; or New York, New York. Delivery elsewhere will be made at the expense of the purchaser.
- (g) Prospective bidders are advised that Kentucky Association of Counties Leasing Trust has been employed as Financial Advisor in connection with the issuance of the Bonds. Their fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof.
- (h) PURCHASER'S OPTIONS:
 - (1) The Purchaser of the Series 2010 Bonds may specify to the Corporation that any of the Bonds may be combined with immediately succeeding sequential maturities into a Term Bond or Term Bonds, bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein) comprising mandatory sinking fund redemption amounts for such Term Bond(s).
 - (2) If the successful bidder desires to obtain insurance guaranteeing the payment of the principal and/or interest on the Bonds, the Corporation agrees that it will cooperate with the successful bidder in obtaining such insurance, but all of the expenses and charges in connection therewith shall be borne by such bidder and the Corporation shall not be liable to any extent therefor.
 - (3) The successful bidder may likewise elect to notify the Financial Advisor within twenty-four (24) hours of the award that standard bond certificates be issued. If no such election is made the Series 2010 Bonds will be

delivered using the BOOK-ENTRY-ONLY-SYSTEM administered by
The Depository Trust Company.

- (i) The Corporation will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. Arrangements have been made with the printer of the Preliminary Official Statement, upon submission of completion text, to print a reasonable quantity of Final Official Statements in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder shall be required to pay for the printing of the Final Official Statement.

By: /s/ Arthur Green

President
Todd County, Kentucky
Public Properties Corporation

APPENDIX H

**TODD COUNTY, KENTUCKY PUBLIC PROPERTIES CORPORATION
FIRST MORTGAGE REVENUE BONDS
(COURT FACILITIES PROJECT), SERIES 2010**

Official Bid Form

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OFFICIAL BID FORM

June 16, 2010

President and Members of the Board of Directors
Todd County, Kentucky Public Properties Corporation
Todd County Courthouse, 200 Washington Street
Elkton, Kentucky 42220

Subject to the Official Terms and Conditions of Bond Sale in respect to the \$11,175,000* "Todd County, Kentucky Public Properties Corporation First Mortgage Revenue Bonds (Court Facilities Project), Series 2010", dated their date of delivery, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase said Bonds.

We hereby bid for said \$11,175,000* principal amount of Bonds the total sum of \$_____ (not less than \$10,951,500), plus accrued interest from June 1, 2010, to the date of delivery at the following interest rates:

<u>Maturity Date</u>	<u>Principal Amount*</u>	<u>Serial Bond Rate</u>	<u>Term Bond Rate</u>	<u>Maturity Date</u>	<u>Principal Amount*</u>	<u>Serial Bond Rate</u>	<u>Term Bond Rate</u>
June 1, 2011	\$450,000			June 1, 2021	\$540,000		
June 1, 2012	425,000			June 1, 2022	565,000		
June 1, 2013	430,000			June 1, 2023	585,000		
June 1, 2014	440,000			June 1, 2024	610,000		
June 1, 2015	450,000			June 1, 2025	635,000		
June 1, 2016	460,000			June 1, 2026	660,000		
June 1, 2017	470,000			June 1, 2027	690,000		
June 1, 2018	490,000			June 1, 2028	720,000		
June 1, 2019	505,000			June 1, 2029	750,000		
June 1, 2020	520,000			June 1, 2030	780,000		

*We understand this bid may be accepted for as much as \$12,350,000 of Bonds or as little as \$10,000,000 of Bonds, at the same price per \$1,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined by the President of the Corporation at the time of acceptance of the best bid.

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

Completed bid forms may be submitted via facsimile to the offices of the County Judge Executive at Todd County Courthouse, Todd County Courthouse, 200 Washington Street, Elkton, Kentucky 42220 (FAX: (270) 265-3277). Neither the County nor the Financial Advisor assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel and/or equipment are available to accept all telephonic transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received via facsimile or delivered before the appointed date and time of sale. Any bids in progress by facsimile at the appointed time will be considered as received by the appointed time. No bids will be received via telephone. Bids may be submitted electronically via PARITY® pursuant to this Notice until the appointed date and time, but no bid will be received after such time.

PURCHASER'S OPTION –

(1) Bidders may specify to the Corporation that any of the Bonds may be combined with immediately succeeding sequential maturities into a Term Bond or Term Bonds, bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein) comprising mandatory sinking fund redemption amounts for such Term Bond(s).

(2) If the successful bidder desires to obtain insurance guaranteeing the payment of the principal and/or interest on the Bonds, the Corporation agrees that it will cooperate with the successful bidder in obtaining such insurance, but all of the expenses and charges in connection therewith shall be borne by such bidder and the Corporation shall not be liable to any extent therefor.

(3) The successful bidder may likewise elect to notify the Financial Advisor within twenty-four (24) hours of the award that standard bond certificates be issued. If no such election is made the Bonds will be delivered utilizing the BOOK-ENTRY-ONLY-SYSTEM administered by The Depository Trust Company.

Bids may be submitted electronically via *PARITY*® pursuant to this Notice until 12:00 p.m. (E.D.S.T.), on June 16, 2010, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in *PARITY*® conflict with this Notice, the terms of this Notice shall control. For further information about *PARITY*®, potential bidders may contact Kentucky Association of Counties Leasing Trust at (502) 223-7667 or *PARITY*® at (212) 404-8102.

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer to the Trustee, an amount equal to \$223,500 by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through Kentucky Association of Counties Leasing Trust at (502) 223-7667.

Respectfully submitted,

Bidder

Address

Telephone Number

By: _____
Signature

The foregoing is our purchase offer, and we submit our own computations thereof only for your information and convenience:

- | | | |
|-----|----------------------------------------------------------|----------|
| (a) | Total interest cost from June 30, 2010 to final maturity | \$ _____ |
| (b) | Plus discount or less premium, if any | \$ _____ |
| (c) | Net interest cost (total interest cost plus discount) | \$ _____ |
| (d) | Net interest rate or cost | _____ % |

Accepted on June 16, 2010, by the President of the Todd County, Kentucky Public Properties Corporation having the adjusted maturities, as follows:

<u>Maturity Date</u>	<u>Principal Amount*</u>	<u>Maturity Date</u>	<u>Principal Amount*</u>
June 1, 2011	_____	June 1, 2021	_____
June 1, 2012	_____	June 1, 2022	_____
June 1, 2013	_____	June 1, 2023	_____
June 1, 2014	_____	June 1, 2024	_____
June 1, 2015	_____	June 1, 2025	_____
June 1, 2016	_____	June 1, 2026	_____
June 1, 2017	_____	June 1, 2027	_____
June 1, 2018	_____	June 1, 2028	_____
June 1, 2019	_____	June 1, 2029	_____
June 1, 2020	_____	June 1, 2030	_____

President
Todd County, Kentucky
Public Properties Corporation

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