

# PRELIMINARY OFFICIAL STATEMENT

Dated August 9, 2010

(Bonds to be sold August 17, 2010, 1:00 p.m. E.D.S.T.)

## BOOK-ENTRY-ONLY-SYSTEM

**Bank Qualified**

Rating: Standard and Poor's "\_\_\_"  
See "Ratings" herein

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

## ELECTRONIC BIDDING VIA PARITY

**\$1,395,000\***

### **CITY OF HILLVIEW, KENTUCKY GENERAL OBLIGATION REFUNDING BONDS SERIES 2010**

Dated: Date of Delivery (expected August 31, 2010)

Due: January 15, as shown below

The Bonds will be issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds. Accordingly, principal, interest and premium, if any, on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, as Paying Agent and Registrar, directly to DTC or Cede & Co., its nominee. DTC will in turn remit such principal, interest or premium to the DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the Bonds. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof, and will bear interest payable on January 15, 2011 and thereafter semiannually on each July 15 and January 15.

The Bonds maturing on and after January 15, 2022, shall be subject to prior redemption at the option of the City on and after January 15, 2021, as discussed herein.

## SCHEDULE OF MATURITIES

<u>Due</u>	<u>Cusip #</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Due</u>	<u>Cusip #</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>
01/15/11		\$ 90,000			01/15/18		\$105,000		
01/15/12		100,000			01/15/19		110,000		
01/15/13		95,000			01/15/20		110,000		
01/15/14		100,000			01/15/21		120,000		
01/15/15		100,000			01/15/22		125,000		
01/15/16		105,000			01/15/23		125,000		
01/15/17		110,000							

(Plus accrued interest-when issued)

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

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

The Bonds are offered when, as and if issued, subject to the approval of legality and tax exemption by Peck, Shaffer & Williams LLP, Bond Counsel, Covington, Kentucky. Certain legal matters have been passed upon for the City by Mark Edison, Esq., City Attorney. The Bonds are expected to be available for delivery on or about August 31, 2010.

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

\*Preliminary, Subject to Permitted Adjustment

**FIRST KENTUCKY SECURITIES CORPORATION**  
Financial Advisor

This Preliminary Official Statement and the information contained herein are subject to completion and revision in a final Official Statement. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these Series 2010 Bonds in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration, qualification, or exemption under the securities laws of such jurisdiction.

**CITY OF HILLVIEW, KENTUCKY**

**Mayor**

Jim Eadens

**City Council**

Tim Boggs

Greg Burton

Harry Cooper

Randall Hill

Kim Whitlock

Jo-Ann Wick

**City Clerk**

Betty Bradbury

**Treasurer**

Betty Bradbury

**Attorney**

Mark Edison

**BOND COUNSEL**

Peck, Shaffer & Williams LLP

Covington, Kentucky

**FINANCIAL ADVISOR**

First Kentucky Securities Corporation

Frankfort, Kentucky

**PAYING AGENT/BOND REGISTRAR**

The Bank of New York Mellon Trust Company, N.A.

Louisville, Kentucky

## REGARDING THIS OFFICIAL STATEMENT

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

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

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

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

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

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

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

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Appendix E:	Form of Final Approving Legal Opinion of Bond Counsel

Official Terms and Conditions of Bond Sale  
 Official Bid Form

**PRELIMINARY OFFICIAL STATEMENT**

**\$1,395,000\***  
**CITY OF HILLVIEW, KENTUCKY**  
**GENERAL OBLIGATION REFUNDING BONDS**  
**SERIES 2010**

**Dated Date: Date of Delivery**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information with respect to the issuance of \$1,395,000\* aggregate principal amount of General Obligation Refunding Bonds, Series 2010 (the "Bonds") of the City of Hillview, Kentucky (the "City") as specified on the cover hereof.

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

***The Issuer***

The Bonds are being issued by the City of Hillview, Kentucky, a political subdivision of the State of Kentucky.

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

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

***Purpose of the Bonds***

The Bonds are being issued for the purpose of (i) the advance refunding of all of the outstanding City of Hillview, Kentucky General Obligation Bonds, Series 2001, dated January 15, 2001 (the "Prior Bonds") (see "THE PROJECT" for more detail), and (ii) paying the associated costs of issuing the Bonds.

***Description of the Bonds***

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

***Redemption***

The Bonds maturing on and after January 15, 2022 are subject to optional redemption prior to maturity, commencing January 15, 2021 (see "DESCRIPTION OF THE BONDS - Optional Redemption", herein).

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

***Book Entry***

Unless the successful purchaser notifies the City in writing within twenty-four hours of the award of the Bonds that it has elected (at such purchaser's expense) to take physical delivery of the Bonds, The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds and the Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by DTC. So long as such book-entry system

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Preliminary, Subject to Adjustment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### ***Tax Exemption***

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

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

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

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

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

### ***Authority for Issuance***

Authority for the issuance of the Bonds is provided by Sections 66.011 through 66.171 of the Kentucky Revised Statutes and an ordinance (the "Ordinance") adopted by the City Council on June 28, 2010.

### ***Disclosure Information***

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

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

### ***Additional Information***

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

### **DESCRIPTION OF THE BONDS**

The Bonds are dated the date of delivery (expected August 31, 2010) and bear interest from such date at the rates set forth on the cover page of this Official Statement. The Bonds are being issued as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

Interest on the Bonds is payable semi-annually on January 15 and July 15, commencing January 15, 2011.

### ***Optional Redemption***

The Bonds maturing on and after January 15, 2022, shall be subject to redemption by the City prior to maturity, in whole or in part, in any order of their maturities selected by the City (less than all of a single maturity to be selected by lot), on any date, on or after January 15, 2021, at a redemption price equal to the principal amount of the Bonds called for redemption, plus unpaid interest accrued to the date of redemption, without premium.

### ***Notice of Redemption***

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

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

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

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

### ***Security and Source of Payment for Bonds***

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

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

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

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

### **THE PROJECT AND PLAN OF REFUNDING**

The Bonds are being issued for the purpose of (i) refunding the Prior Bonds, and (ii) paying certain costs related to the issuance of the Bonds. The Prior Bonds were issued to finance a portion of the cost of acquiring, constructing and equipping a municipal wastewater treatment plant within the City.

A portion of the proceeds of the Bonds will be deposited in a separate and distinct escrow fund to be held by The Bank of New York Mellon Trust Company, N.A., as Escrow Agent, under an Escrow Agreement dated as of August 1, 2010 between the City and the Escrow Agent. The Escrow Agent will apply a portion of the money on deposit in the escrow fund established under the Escrow Agreement to the purchase of certain direct obligations of the United States of America (the "United States Treasury Obligations"), which will earn interest at such rates and mature on such dates so as to provide sufficient funds to redeem the Prior Bonds on January 15, 2011, at a redemption price of 102% of the principal amount thereof plus accrued interest on the Prior Bonds to the redemption date. See "VERIFICATION OF MATHEMATICAL ACCURACY" herein. Upon the making of the foregoing deposits with the Escrow Agent, the Prior Bonds will no longer be deemed to be outstanding for purposes of the documents under which the Prior Bonds were issued.

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

#### ***Estimated Sources and Uses of Funds***

##### **Sources of Funds**

Par Amount of Bonds

Total

##### **Uses of Funds**

Deposit to Escrow Fund for Redemption of Prior Bonds

Underwriter's Discount

Costs of Issuance

Rounding Amount

Total

## **INVESTMENT CONSIDERATIONS**

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

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

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

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

## **PROFILE OF THE CITY AND SURROUNDING AREA**

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

## **CITY GOVERNMENT**

### ***Organization and Major Offices***

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

### ***Elected and Appointed Officials***

The Hillview City Council (the "Council") is made up of a Mayor and six Councilmen/Councilwomen elected at large by the citizens on a non-partisan ballot. The Mayor is elected for a four-year term and Councilmen/Councilwomen for a two-year term. The Mayor and Councilmen/Councilwomen have equal voting power.

The Council sets the policies that govern the City. It appoints advisory citizen groups that help in the decision making process.

### ***Financial Management***

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

The administrative functions of the City are performed by or under the supervision of the following:

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

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

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

Each City in the Commonwealth is required to record, keep and maintain its accounting records and render financial reports in such a way as to: (a) determine compliance with statutory provisions; and (b) determine fairly and with full disclosure the financial operations of consistent funds and account groups of the City in conformity with generally accepted governmental accounting principles.

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

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

Detailed provisions for City budgeting, tax levies and appropriations are set forth and mandated by the Kentucky Revised Statutes. Cities are required to operate under an annual budget ordinance and no City may expend any moneys from a governmental or proprietary fund except in accordance with such budget. A budget proposal must be submitted to the City's legislative body no later than 30 days prior to the beginning of the fiscal year covered by the budget. No budget ordinance may be adopted which provides for appropriations to exceed revenues in a fiscal year. The full amount estimated to be required for debt service during the budget year must be appropriated.

### ***Investment Policies***

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

- (a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky;
- (b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States governmental agency, including but not limited to:
  - 1. United States Treasury;
  - 2. Export-Import Bank of the United States;
  - 3. Farmers Home Administration;
  - 4. Governmental National Mortgage corporation; and
  - 5. Merchant Marine bonds;
- (c) Obligations of any corporation of the United States government, including but not limited to:
  - 1. Federal Home Loan Mortgage Corporation;
  - 2. Federal Farm Credit Banks;
  - 3. Bank for Cooperatives;
  - 4. Federal Intermediate Credit Banks;
  - 5. Federal Land Banks;
  - 6. Federal Home Loan Banks;
  - 7. Federal National Mortgage Association; and
  - 8. Tennessee Valley Authority;
- (d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by KRS 41.240(d);
- (e) Uncollateralized certificates of deposit issued by any bank or savings and loan institutions rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- (f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

- (g) Commercial paper rated in the highest category by a nationally recognized rating agency;
- (h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;
- (i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three highest categories by a nationally recognized rating agency; and
- (j) Shares of mutual funds, each of which shall have the following characteristics;
  1. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
  2. The management company of the investment company shall have been in operation for at least five (5) years; and
  3. All of the securities in the mutual fund shall be eligible investments pursuant to this section.
- (i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three highest categories by a nationally recognized rating agency; and
- (j) Shares of mutual funds, each of which shall have the following characteristics;
  - (1) The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
  - (2) The management company of the investment company shall have been in operation for at least five (5) years; and
  - (3) All of the securities in the mutual fund shall be eligible investments pursuant to this section.

***Debt Limitation***

Kentucky Constitution Section 158 provides that cities shall not incur indebtedness to an amount exceeding the following maximum percentages on the value of the taxable property therein, to be estimated by the last assessment previous to the incurring of the indebtedness:

- (a) Cities having a population of fifteen thousand (15,000) or more, ten percent (10%);
- (b) Cities having a population of less than fifteen thousand (15,000) but not less than three thousand, five percent (5%); and
- (c) Cities having a population of less than three thousand (3,000), three percent (3%).

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

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

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

Appendix D of this Official Statement is a Statement of Indebtedness for the City, certified by the City, calculating the amount of the outstanding obligations of the City (including the Bonds) which are subject to the total direct debt limit (5% limit). The total principal amount of general obligation debt that could be issued by the City, subject to the 5% total direct debt limitation is \$28,669,326 and the City's net debt subject to such limitation presently outstanding (including the Bonds) is \$1,890,000 leaving a balance of approximately \$26,779,326 borrowing capacity issuable within such limitation.

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

### ***Tax Limitation***

The Kentucky Constitution Section 157 also indirectly imposes a debt limitation on general obligation indebtedness of Cities by limiting the tax rates cities may impose upon the value of taxable property, as follows:

- (a) cities having a population of fifteen thousand or more, one dollar and fifty cents on each hundred dollars of assessed value;
- (b) cities having a population of less than fifteen thousand and not less than ten thousand, one dollar on each hundred dollars of assessed value; and
- (c) cities having a population of less than ten thousand, seventy-five cents on the hundred dollars.

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

Appendix D of this Official Statement contains a Statement of Indebtedness, certified by the City, setting forth the property tax rate currently levied by the City (11.45¢) and certifying that the issuance of the Bonds will not cause such rate to increase to an amount which would exceed the maximum permissible rate.

### ***Bond Anticipation Notes***

Under Kentucky law, notes, including renewal notes, issued in anticipation of general obligation bonds may be issued from time to time upon the same terms and conditions as bonds except that notes may be sold by private negotiated sale in a manner determined or authorized by the legislative authority.

The ability of the City to retire bond anticipation notes from the proceeds of the sale of either renewal notes or bonds will be dependent upon the marketability of such renewal notes or bonds under market conditions then prevailing.

### ***Future Borrowings of the City***

The City is anticipating borrowing an estimated \$1,800,000 from the Kentucky League of Cities ("KLC") pool to (1) refund a lease with the KLC of which \$495,000 is currently outstanding and, (2) finance the acquisition of property which has ten acres and a house. City Hall and Police Station will occupy the house on the property.

## **LEGAL MATTERS**

### ***General Information***

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

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

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

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

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

### ***Litigation***

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

### ***Tax Exemption***

### **General**

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

A copy of the form of opinion of Bond Counsel for the Bonds is set forth in Appendix E, attached hereto.

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

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

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

Receipt of tax-exempt interest, ownership or disposition of the Bonds may result in other collateral federal, state or local tax consequences for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

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

#### **Original Issue Premium**

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

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

#### **Original Issue Discount**

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

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

## RATING

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

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

## CONTINUING DISCLOSURE

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

- (i) to the Municipal Securities Rulemaking Board ("MSRB"), certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles as applied to governmental units, generally consistent with the information contained in "Appendix A," "Appendix C," and "Appendix D" of the Official Statement ("Financial Data"); such information shall be provided within 365 days after the end of the fiscal year ending June 30, commencing with the fiscal year ended June 30, 2010; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the Obligated Person;
- (ii) to the MSRB, notice of the occurrence of the following events, if material, with respect to the Bonds:
  - (a) Principal and interest payment delinquencies;
  - (b) Non-payment related defaults;
  - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
  - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
  - (e) Substitution of credit or liquidity providers, or their failure to perform;
  - (f) Adverse tax opinions or events affecting the tax-exempt status of the security;
  - (g) Modifications to rights of security holders;
  - (h) Bond calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event;
  - (i) Defeasances;
  - (j) Release, substitution or sale of property securing repayment of the securities;
  - (k) Rating changes; and
  - (l) The cure, in the manner provided in the Bond Ordinance, of any payment or nonpayment related default under the Bond Ordinance; and
- (iii) in a timely manner, to the MSRB, notice of a failure (of which the Obligated Persons have knowledge) of an Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

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

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

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

### **UNDERWRITING**

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

### **VERIFICATION OF MATHEMATICAL CALCULATIONS**

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

### **FINANCIAL ADVISOR**

The Bonds will be sold by the solicitation and receipt of competitive bids. First Kentucky Securities Corporation, Frankfort, Kentucky, Financial Advisor to the City, has requested and received permission and approval of the City to bid, either alone or in conjunction with others, on the Bonds. The Financial Advisor has expressed its intent to so bid.

First Kentucky Securities Corporation will receive a fee, subject to sale and delivery of the Bonds, for its advisory services. Said fee is separate from and in addition to compensation received, if any, for underwriting of the Bonds.

### **MISCELLANEOUS**

To the extent any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated to be such, such statements are made as such and not as representations of fact or certainty, and no representation is made that any of such statements will be realized. Information herein has been derived by the City from official and other sources and is believed by the City to be reliable, but such information other than that obtained from official records of the City has not been independently confirmed or verified by the City and its accuracy is not guaranteed. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of the Bonds.

This Official Statement has been duly executed and delivered for and on behalf of the City of Hillview, Kentucky, by its Mayor.

CITY OF HILLVIEW, KENTUCKY

By: /s/ Jim Eadens  
Mayor

*APPENDIX A*

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*City of Hillview Demographic, Economic and Financial Data*

**General Information**

**Hillview** is a city in Bullitt County, Kentucky, United States. The population was 7,037 at the 2000 census. The primary road through the area is Kentucky Route 61 (Preston Highway). Long a rural farming community, it was connected to what became Interstate 65 in 1954 grew in the 1950s and especially 1960s as a suburb of Louisville. The larger subdivisions included Maryville, Overdale, and Lone Acres, and they incorporated in 1974 to form Hillview.

**Total Population**

	2005	2006	2007	2008	2009
Labor Market Area	1,309,486	1,322,546	1,338,055	1,351,379	1,361,283
Bullitt County	71,114	72,398	73,737	74,736	75,653
Shepherdsville	8,874	9,035	9,111	9,203	9,344
Mt. Washington	8,624	11,761	11,883	11,980	12,026

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

**Population by Selected Age Groups, 2009**

	Bullitt County		Labor Market Area	
	Number	Percent	Number	Percent
Under 16	15,441	20.4	289,411	21.3
16-24	8,211	10.9	152,479	11.2
25-44	22,445	29.7	375,993	27.6
45-64	21,656	28.6	370,425	27.2
65-84	7,323	9.7	150,294	11.0
85 and older	577	0.8	22,681	1.7
Median Age	N/A		N/A	

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

**Population Projections**

	2015	2020	2025	2030
Bullitt County	86,468	95,777	105,587	114,292

Source: Kentucky State Data Center, University of Louisville.

## Personal Income

	2003	2008	Pct. Change
Bullitt County	\$24,120	\$28,131	16.6 %
Kentucky	\$26,299	\$31,936	21.4 %
U.S.	\$32,271	\$40,166	24.5 %
Labor Market Area Range	\$17,340- \$34,822	\$21,831- \$41,743	

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

## Households

	2005		2008
	Number of Households	Persons Per Household	Median Household Income
Bullitt County	24,768	2.70	\$53,284

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

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

## State Property Tax Rates Per \$100 Valuation, 2009

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

Source: Kentucky Department of Revenue.

## Local Property Tax Rates Per \$100 Valuation, 2009

Taxing Jurisdiction	Property Taxes Per \$100 Valuation			Notes
	Real Estate	Tangibles	Motor Vehicles	
<b>County</b>				
Bullitt	\$0.1903	\$0.3919	\$0.2055	
<b>City</b>				
Hillview	\$0.1145	\$0.1400	\$0.1800	
Lebanon Junction	\$0.2121	\$0.3400	\$0.3400	
Mt. Washington	\$0.1110	\$0.1110	\$0.1110	
Shepherdsville	\$0.1420	\$0.1563	\$0.1668	
<b>School District</b>				
Bullitt County Schools	\$0.5290	\$0.5580	\$0.4770	

Source: Kentucky Revenue Cabinet.

## Local Occupational License Taxes, 2010

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

Taxing Jurisdiction	Tax Rate on Salaries/Wages	Tax Rate on Net Profits/Receipts
<b>County</b>		
Bullitt	No tax	No tax
<b>City</b>		
Hillview	1.50%	1.50%
Lebanon Junction	0.80%	0.80%
Mt. Washington	1.00%	No tax
Shepherdsville	1.00%	No tax
<b>School District</b>		
Bullitt County Schools	No tax	No tax

Source: Kentucky Society of Certified Public Accountants.

## Summary of Recent Locations and Expansions, 2007-Present

	Reported		
	Companies	Jobs	Investment
Manufacturing Location	0	0	\$0
Manufacturing Expansion	8	144	\$42,012,820
Supportive/Service Location	1	40	\$17,800,000
Supportive/Service Expansion	3	474	\$38,114,492

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

Note: Totals include announced locations and expansions.

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

## Employment by Major Industry by Place of Work, 2008

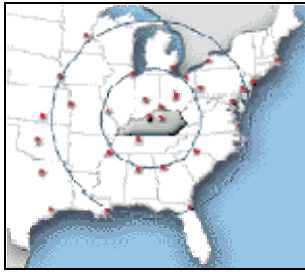
	Bullitt County		Labor Market Area	
	Employment	Percent	Employment	Percent
All Industries	16,850	100.0	637,531	100.0
Agriculture, Forestry, Fishing and Hunting	0	0.0	N/A	N/A
Mining	0	0.0	N/A	N/A
Construction	1,499	8.9	32,624	5.1
Manufacturing	2,904	17.2	80,851	12.7
Trade, Transportation, and Utilities	3,265	19.4	120,602	18.9
Information	41	0.2	11,430	1.8
Financial Activities	439	2.6	44,914	7.0
Services	4,220	25.0	247,856	38.9
Public Administration	968	5.7	24,129	3.8
Other	9	0.1	N/A	N/A

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

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

Firm	Product(s)/Service(s)	Emp.	Year Est
<b><i>Clermont</i></b>			
Jim Beam Brands Co	Headquarters, dried grain, vodka & bourbon whiskey distillation; cordial cocktails, bottling, shipping	373	1934
<b><i>Lebanon Junction</i></b>			
MAC Manufacturing Co Inc	Automatic barrel filling devices, stencils, lifts & materials handling equipment; robots, pick and place units, and turntables	22	1957
Publishers Printing Co LLC	Printing publications or magazines	820	1991
<b><i>Mt. Washington</i></b>			
Smith's Laminating Shop Inc	Laminate casework and counter tops	16	2005
<b><i>Shepherdsville</i></b>			
Alliance Entertainment LLC	Marketer, distributor, and merchandiser of family entertainment products.	275	2003
APL Logistics Inc	Third party logistics/ distribution / warehouse for Dow Corning	70	2002
Bullitt County Stone Co	Crushed limestone	25	1967
Chegg Inc	Warehouse and distribution of text books.	15	2009
Dri-View Manufacturing	Custom assembling, packaging & mailing service, warehousing and fulfillment services	32	2004
Genco Reynolds	Distribution center; third party logistics	45	2004
Gordon Food Service	Foodservice distribution center	400	2004
GSI Commerce Solutions Inc	Electronic commerce fulfillment & distribution	350	2004
JOM Pharmaceutical Services Inc	Pharmaceutical distribution center	51	2007
Medline Industries Inc	Medical distribution / repair center	19	2008
Piccola Manufacturing Co	Materials handling equipment, specialty conveyors & prototypes; custom steel, stainless steel & aluminum fabricating & robotic welding	45	1950
Publishers Printing Co LLC	Printing publications or magazines	691	1866
Quality Stone & Ready Mix Inc	Mining, processing, sales of limestone. Sales of ready mixed concrete	36	1965
Sabert Corporation	Manufacture disposable plastic food packaging	55	2008
Standard Publishing & Printing	Commercial offset & lithographic printing	26	1987
Zappos.com	Fulfillment center; footwear, handbags, apparel and accessories	756	2006

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



### Business Cost

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

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

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

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

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

## Bullitt County Statistical Summary

	Population 2009
Bullitt County	75,653
Labor Market Area	1,361,283

	Bullitt County
Per Capita Income 2008	\$28,131
Median Household Income 2008	\$53,284
Median Home Price 2008	N/A

	Total Available Labor 2008
Bullitt County	2,770
Labor Market Area	47,949

	Unemployment Rate 2009
Bullitt County	10.8
Labor Market Area	10.1
U.S.	9.3

	Average Weekly Wage 2008
Bullitt County	\$607
Labor Market Area	\$770
U.S.	\$876

***Tax Base Information***

<u>Year</u>	<u>Real Estate</u>	<u>Tangible Personal (I)</u>	<u>Total Assessed Value</u>
09/10	\$462,346,405	\$111,040,129	\$573,386,534
08/09	422,251,440	125,204,315	547,455,755
07/08	404,856,468	98,449,016	503,305,484
06/07	359,053,958	94,737,551	453,791,509
05/06	343,387,921	93,455,900	436,843,821

(I) Includes Motor Vehicles and Watercraft.

***Assessment Rates***

<u>Year</u>	<u>Real Estate</u>	<u>Tangible Personal</u>	<u>Motor Vehicles</u>	<u>Watercraft</u>
09/10	11.45%	14.00%	18.00%	18.00%
08/09	12.07%	13.50%	18.00%	18.00%
07/08	12.05%	13.50%	18.00%	18.00%
06/07	12.80%	13.50%	18.00%	18.00%
05/06	12.90%	13.30%	17.90%	17.90%

***Tax Collections***

<u>Year</u>	<u>Total Charges</u>	<u>Net to City</u>
09/10	\$561,037.05	\$547,789.01
08/09	\$572,206.95	\$555,995.50
07/08	\$509,827.22	\$501,656.98
06/07	\$484,254.82	\$475,866.27
05/06	\$516,761.61	\$472,082.66

***Largest City Principal Taxpayers (for year ended 06/30/09)***

<u>Name</u>	<u>Assessment</u>
Prologis Development Services *	\$10,241,081.00
Prologis Development Services *	\$8,332,537.00
Synergy Logistics LLC	\$7,567,370.00
Teachers Retirement Sys St of	\$3,013,000.00
Bullitt Host, LLC	\$2,800,000.00
Andy's Properties, Inc.	\$2,430,036.00
W M Bullitt II, LLC	\$2,378,312.00
Carney Brooks Crossing, LLC	\$2,300,000.00
MLK Investments Inc	\$2,094,528.00
O H Shanti Inc.	\$1,931,000.00

\* Two separate parcels

***APPENDIX B***

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***Estimated Debt Service Requirements for the Series 2010 Bonds***

**CITY OF HILLVIEW, KENTUCKY  
GENERAL OBLIGATION REFUNDING BONDS  
SERIES 2010**

*Estimated Debt Service Requirements*

<b>Maturity Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal and Interest Total</b>	<b>Fiscal Year Total</b>
01/15/2011	\$90,000	9,734.31	99,734.31	\$99,734.31
07/15/2011		17,248.75	17,248.75	
01/15/2012	100,000	17,248.75	117,248.75	134,497.50
07/15/2012		16,598.75	16,598.75	
01/15/2013	95,000	16,598.75	111,598.75	128,197.50
07/15/2013		15,886.25	15,886.25	
01/15/2014	100,000	15,886.25	115,886.25	131,772.50
07/15/2014		15,036.25	15,036.25	
01/15/2015	100,000	15,036.25	115,036.25	130,072.50
07/15/2015		14,086.25	14,086.25	
01/15/2016	105,000	14,086.25	119,086.25	133,172.50
07/15/2016		12,983.75	12,983.75	
01/15/2017	110,000	12,983.75	122,983.75	135,967.50
07/15/2017		11,718.75	11,718.75	
01/15/2018	105,000	11,718.75	116,718.75	128,437.50
07/15/2018		10,248.75	10,248.75	
01/15/2019	110,000	10,248.75	120,248.75	130,497.50
07/15/2019		8,571.25	8,571.25	
01/15/2020	110,000	8,571.25	118,571.25	127,142.50
07/15/2020		6,756.25	6,756.25	
01/15/2021	120,000	6,756.25	126,756.25	133,512.50
07/15/2021		4,656.25	4,656.25	
01/15/2022	125,000	4,656.25	129,656.25	134,312.50
07/15/2022		2,343.75	2,343.75	
01/15/2023	125,000	2,343.75	127,343.75	129,687.50
<b>Totals</b>	<b>\$1,395,000</b>	<b>\$282,004.31</b>	<b>\$1,677,004.31</b>	

Source: Financial Advisor

*APPENDIX C*

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*Audit of the City of Hillview, Kentucky for the Year Ended June 30, 2009*

CITY OF HILLVIEW, KENTUCKY

JUNE 30, 2009

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Hillview, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major fund information of the City of Hillview, Kentucky (the "City"), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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. 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.

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, and each major fund of the City as of June 30, 2009, and the respective changes in financial position and cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated August 31, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 5 through 12 and Budgetary Comparison Information on pages 19 through 20 are not a required part of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

HENSON & ASSOCIATES  
Certified Public Accountants

Louisville, Kentucky  
August 31, 2009

CITY OF HILLVIEW, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

The discussion and analysis of the City of Hillview, Kentucky's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended June 30, 2009. It should be read in conjunction with the accompanying transmittal letter and the accompanying basic financial statements. All amounts in this discussion, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City of Hillview, Kentucky exceeded its liabilities at the close of the fiscal year ending June 30, 2009 by \$875.9 thousand (net assets).
- The City of Hillview, Kentucky's total net assets decreased by \$68.8 thousand for the year ended June 30, 2009. The decrease in net assets can be attributed to increased expenditures.
- As of June 30, 2009 the City of Hillview, Kentucky's governmental funds reported combined ending fund balances of \$431.8 thousand, a decrease of \$138.0 thousand in comparison with the prior fiscal year.
- The City's new debt increased by \$93.1 thousand during the current fiscal year. The City purchased two new police cars, a building addition and a new copier with this new debt.

Overview of the Financial Statements

The discussion and analysis serves as an introduction to the City of Hillview, Kentucky's basic financial statements. The City of Hillview, Kentucky's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Hillview, Kentucky's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the City of Hillview, Kentucky's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Hillview, Kentucky is improving or deteriorating. The Statement of Net Assets combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration, such as changes in the City's property tax base, to assess the overall health or financial condition of the City. The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

CITY OF HILLVIEW, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

- Governmental Activities - Most of the City's basic services are reported here, including the police, public works, parks and recreation, and general administration. Property taxes, occupational taxes, franchise fees and inter-governmental revenues finance most of these activities.
- Business-type Activities - The City charges a fee to customers to help it cover the cost of certain services it provides. The City's sewer plant is reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by state law. The City's two kinds of funds - governmental and proprietary - utilize different accounting approaches.

- Governmental funds - The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term effect of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

CITY OF HILLVIEW, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009

The City of Hillview, Kentucky maintains two governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Special Revenue Fund, both of which are considered to be major funds.

- Proprietary fund - The City charges customers for the services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise fund (a component of the proprietary fund) is identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

The City as a Whole - Government-wide Financial Analysis

The City's combined net assets were \$875.9 thousand as of June 30, 2009. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business-type activities net deficit is \$295.0 thousand. This analysis focuses on the net assets (table 1) and changes in general revenues (table 2) and significant expenses of the City's governmental and business-type activities.

By far the largest portion of the City's net assets (\$836.1 thousand) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF HILLVIEW, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2009

Table 1  
Summary of Net Assets  
At June 30, 2009 and 2008  
(Amounts Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	6/30/09	6/30/08	6/30/09	6/30/08	6/30/09	06/30/08
Current and other assets	601	702	55	52	656	754
Capital assets	<u>1,382</u>	<u>1,316</u>	<u>1,434</u>	<u>1,477</u>	<u>2,816</u>	<u>2,793</u>
Total assets	<u>1,983</u>	<u>2,018</u>	<u>1,489</u>	<u>1,529</u>	<u>3,472</u>	<u>3,547</u>
Long-term liabilities						
outstanding	643	616	1,753	1,820	2,396	2,436
Other liabilities	<u>169</u>	<u>132</u>	<u>31</u>	<u>34</u>	<u>200</u>	<u>166</u>
Total liabilities	<u>812</u>	<u>748</u>	<u>1,784</u>	<u>1,854</u>	<u>2,596</u>	<u>2,602</u>
Net assets						
Invested in capital assets, net of related debt	739	700	97	72	836	772
Unrestricted	<u>432</u>	<u>570</u>	<u>(392)</u>	<u>(397)</u>	<u>40</u>	<u>173</u>
Total net assets	<u>1,171</u>	<u>1,270</u>	<u>(295)</u>	<u>(325)</u>	<u>876</u>	<u>945</u>

Governmental Activities

The City's general revenues decreased when compared to the prior year by \$22 thousand. Overall tax revenue decreased \$17.0 thousand. Property tax revenue increased due to increased property valuations and the 4% increase allowed by law and decreased due to lower occupational tax collections. Other miscellaneous revenues decreased by \$4.6 thousand.

Table 2  
General Revenues  
(Amounts Expressed in Thousands)

	2009	2008	Increase (Decrease)
Taxes	1,676,452	1,693,927	(17,475)
Other	<u>28,823</u>	<u>33,448</u>	<u>(4,625)</u>
Total general revenues	<u>1,705,275</u>	<u>1,727,375</u>	<u>(22,100)</u>

CITY OF HILLVIEW, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2009

Governmental and Business-type activities decreased the City's net assets by \$68.8 thousand. The key elements of this decrease are as follows:

Table 3  
Changes in Net Assets  
(Amounts Expressed in Thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>Primary</u> <u>Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenues						
Program revenues						
Charges for services	51,869	64,420	38,041	28,385	89,910	92,805
Operating grants and contributions	729,764	480,149			729,764	480,149
General revenues						
Taxes	1,676,452	1,693,927			1,676,452	1,693,927
Other	<u>28,825</u>	<u>33,448</u>	<u>0</u>	<u>34,575</u>	<u>28,825</u>	<u>68,023</u>
Total Revenues	2,486,910	2,271,944	38,041	62,960	2,524,951	2,334,904
Expenses						
General government	325,502	312,858			325,502	312,858
Public safety	1,044,105	1,042,407			1,044,105	1,042,407
Public works	942,283	444,808			942,283	444,808
Health and safety	21,775	4,056			21,775	4,056
Community center and recreation	78,997	70,488			78,997	70,488
Sewer plant	<u>          </u>	<u>          </u>	<u>181,076</u>	<u>174,729</u>	<u>181,076</u>	<u>174,729</u>
Total expenses	<u>2,412,662</u>	<u>1,874,617</u>	<u>181,076</u>	<u>174,729</u>	<u>2,593,738</u>	<u>2,049,346</u>
Increase (Decrease) in Net Assets	74,248	397,327	(143,035)	(111,769)	(68,787)	285,558
Transfers In (Out)	(172,805)	(133,323)	172,805	133,323		
Net Assets, July 1,	<u>1,269,779</u>	<u>1,005,775</u>	<u>(325,046)</u>	<u>(346,600)</u>	<u>944,733</u>	<u>659,175</u>
Net Assets, June 30	<u><u>1,171,222</u></u>	<u><u>1,269,779</u></u>	<u><u>(295,276)</u></u>	<u><u>(325,046)</u></u>	<u><u>875,946</u></u>	<u><u>944,733</u></u>

CITY OF HILLVIEW, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2009

The most significant governmental expense for the City was in providing for public safety, which incurred expenses of \$1044.1 thousand. Other significant governmental expenses for the City include public works at \$942.2 thousand and administration at \$325.5 thousand.

Business-type Activities

Revenues of the City's business-like activities were \$38.1 thousand for the fiscal year ending June 30, 2009. Expenses for the City's business-type activities were \$181.1 thousand for the year, resulting in a net loss of \$143.0 thousand. The net loss is the result of several factors, including the following:

- The sewer plant became operational in the spring of 2003. There are only eight customers hooked up as of June 30, 2009, which accounts for the small amount of operating revenue collected. The expenses of operating the plant far out weighed operating revenue. The City has an agreement with the developer of the Pro Logis facility to fund the repayment of the debt incurred to build the plant until revenues, property and occupational taxes generated, are sufficient to fund the debt. Interest on the debt of \$65,062 is the largest outlay. Included in the total operating expenses is \$42,500 in depreciation, which is not a cash expenditure. The City had to transfer funds in the amount of \$172,805 from the general fund to cover operating losses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2009, the City had \$2,816,650 invested in a broad range of capital assets, including equipment, buildings, land and sewer plant. This amount represents a net increase (including additions and deductions) of \$23,946 over the prior fiscal year mainly due to assets acquired exceeding depreciation expense.

Debt

At year end, the City had \$1.365 thousand in General Obligation Bonds outstanding as compared to \$1.435 thousand at the end of the prior fiscal year, a decrease of \$70 thousand.

CITY OF HILLVIEW, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2009

Table 4  
Outstanding Debt  
(Amounts Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds (backed by the City)	0	0	1,365,000	1,435,000	1,365,000	1,435,000
Capital leases	<u>642,867</u>	<u>615,828</u>	<u>0</u>	<u>0</u>	<u>642,867</u>	<u>615,828</u>
Totals	<u>642,867</u>	<u>615,828</u>	<u>1,365,000</u>	<u>1,435,000</u>	<u>2,007,867</u>	<u>2,050,828</u>

During the current fiscal year the City leased/purchased two new police cars, a building addition and a copier.

The City's Funds

At the close of the City's fiscal year on June 30, 2009, the governmental funds of the City reported a combined fund balance of \$431.8 thousand. Expenses for the year exceeded revenues by \$189,069. The City has to monitor expenditures closely in order to prevent a deficit.

General Fund Budgetary Highlights

During fiscal year 2008-2009, there was a budget amendment for the Governmental Funds.

For fiscal year 2008-2009, actual expenditures on a budgetary basis were \$2.427 thousand compared to the budget amount of \$2.550 thousand. The \$.123 thousand positive variance was due to a grant expense being less than budget.

For fiscal year 2008-2009, actual revenues on a budgetary basis were \$2.742 thousand as compared to the budget amount of \$2.739 thousand.

The City of Hillview, Kentucky has an actual, on a budgetary basis, General Fund balance of \$314.7 thousand as of the fiscal year end, compared to the budgeted fund balance of \$189.1 thousand. The variance in fund balance is primarily due to revenues in excess of budget and expenditures less than budget not considering transfers in/out.

Economic Factors and Next Year's Budget and Rates

The largest single factor is the ability of the City to generate sufficient revenues to fund the basic cost of the services the City provides. The increased cost of salaries and the cost of providing police protection are significant.

CITY OF HILLVIEW, KENTUCKY  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
JUNE 30, 2009

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk, at the City of Hillview, Kentucky, 298 Prairie Drive, Hillview, KY 40229.

CITY OF HILLVIEW, KENTUCKY  
STATEMENT OF NET ASSETS  
JUNE 30, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	484,254.25		484,254.25
Accounts receivable		10,069.15	10,069.15
Taxes receivable	376.56		376.56
Intangible assets, net of amortization		44,918.12	44,918.12
Due from other governments	109,886.30		109,886.30
Prepaid expenses	6,687.40		6,687.40
Capital assets, net of accumulated depreciation:			
Buildings	156,146.12		156,146.12
Equipment	234,039.90		234,039.90
Sewer Plant		1,434,375.00	1,434,375.00
Capital asset, non depreciable			
Land	<u>992,089.04</u>		<u>992,089.04</u>
Total Assets	<u>1,983,479.57</u>	<u>1,489,362.27</u>	<u>3,472,841.84</u>
<u>LIABILITIES</u>			
Accounts payable	151,700.03		151,700.03
Accrued expenses	6,770.96	31,787.50	38,558.46
Deferred revenue	10,920.00		10,920.00
Bonds payable - current		70,000.00	70,000.00
- long term		1,267,708.11	1,267,708.11
Leases payable - current	59,423.81		59,423.81
- long term	495,000.00		495,000.00
Notes payable - current	9,698.04		9,698.04
- long term	78,744.84		78,744.84
Pro Logis advance		<u>415,142.91</u>	<u>415,142.91</u>
Total Liabilities	812,257.68	1,784,638.52	2,596,896.20
<u>NET ASSETS</u>			
Invested in capital assets	739,408.37	96,666.89	836,075.26
Unrestricted	<u>431,813.52</u>	<u>(391,943.14)</u>	<u>39,870.38</u>
Total Net Assets	<u>1,171,221.89</u>	<u>(295,276.25)</u>	<u>875,945.64</u>
Total Liabilities and Net Assets	<u>1,983,479.57</u>	<u>1,489,362.27</u>	<u>3,472,841.84</u>

See notes to financial statements.

CITY OF HILLVIEW, KENTUCKY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenue (Expenses) and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>FUNCTIONS/ACTIVITIES</u>						
<u>GOVERNMENTAL ACTIVITIES</u>						
Police department	1,044,105.03	955.00	85,314.43	(957,835.60)		(957,835.60)
Public works	942,283.23		506,573.32	(435,709.91)		(435,709.91)
Health and safety	21,774.88	222.00	19,227.00	(2,325.88)		(2,325.88)
Administration	325,501.83	22,399.48	110,919.13	(192,183.22)		(192,183.22)
Community center and recreation	<u>78,997.46</u>	<u>28,292.89</u>	<u>7,730.20</u>	<u>(42,974.37)</u>		<u>(42,974.37)</u>
Total Governmental Activities	2,412,662.43	51,869.37	729,764.08	(1,631,028.98)		(1,631,028.98)
<u>BUSINESS-TYPE ACTIVITIES</u>						
Sewer Plant	<u>181,076.11</u>	<u>38,041.08</u>			(143,035.03)	<u>(143,035.03)</u>
Total Activities	2,593,738.54	89,910.45	729,764.08	(1,631,028.98)	(143,035.03)	(1,774,064.01)
<u>GENERAL REVENUES</u>						
Taxes						
Real Property				568,034.12		568,034.12
Occupational				978,652.85		978,652.85
Tangible Personal Property				24,016.49		24,016.49
Motor Vehicle				66,848.70		66,848.70
Franchise				38,900.13		38,900.13
Interest				8,192.92		8,192.92
Other				20,629.95		20,629.95
Transfers In (Out)				<u>(172,804.82)</u>	<u>172,804.82</u>	<u>.00</u>
Total General Revenues				<u>1,532,470.34</u>	<u>172,804.82</u>	<u>1,705,275.16</u>
				(98,558.64)	29,769.79	(68,788.85)
<u>CHANGE IN NET ASSETS</u>						
<u>NET ASSETS AT BEGINNING OF YEAR</u>				<u>1,269,780.53</u>	<u>(325,046.04)</u>	<u>944,734.49</u>
<u>NET ASSETS AT END OF YEAR</u>				<u>1,171,221.89</u>	<u>(295,276.25)</u>	<u>875,945.64</u>

See notes to financial statements.

CITY OF HILLVIEW, KENTUCKY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<u>General</u>	<u>Special Revenue</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash	294,481.96	189,772.29	484,254.25
Receivables (net, where applicable of allowances for uncollectibles)			
Property taxes	376.56		376.56
Intergovernmental	97,716.69	12,169.61	109,886.30
Due from municipal aid fund	61,590.57		61,590.57
Prepaid expenses	<u>6,687.40</u>	<u>                    </u>	<u>6,687.40</u>
 TOTAL ASSETS	 <u>460,853.18</u>	 <u>201,941.90</u>	 <u>662,795.08</u>
<u>LIABILITIES</u>			
Accounts payable	128,402.21	23,297.82	151,700.03
Accrued expenses	6,770.96		6,770.96
Deferred revenues	10,920.00		10,920.00
Due to general fund	<u>                    </u>	<u>61,590.57</u>	<u>61,590.57</u>
 TOTAL LIABILITIES	 146,093.17	 84,888.39	 230,981.56
<u>FUND BALANCE</u>			
Unreserved fund balance	<u>314,760.01</u>	<u>117,053.51</u>	<u>431,813.52</u>
Total Fund Balance	<u>314,760.01</u>	<u>117,053.51</u>	<u>431,813.52</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>460,853.18</u>	 <u>201,941.90</u>	 <u>662,795.08</u>

CITY OF HILLVIEW, KENTUCKY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Property taxes	658,899.31		658,899.31
Intergovernmental			
Insurance tax	110,919.13		110,919.13
Citation fees	22,328.73		22,328.73
Grants	461,187.29		461,187.29
Municipal aid		127,598.74	127,598.74
L.G.E.A.		7,730.20	7,730.20
Licenses and permits	21,308.68		21,308.68
Franchise taxes	38,900.13		38,900.13
Interest	3,521.78	4,671.14	8,192.92
Occupational tax	978,652.85		978,652.85
Miscellaneous	<u>51,190.63</u>		<u>51,190.63</u>
Total Revenues	2,346,908.53	140,000.08	2,486,908.61
<u>EXPENDITURES</u>			
Current			
Police department	1,002,961.03		1,002,961.03
Public works	710,440.67	203,380.56	913,821.23
Health and safety	21,774.88		21,774.88
Administration	297,028.12		297,028.12
Community center and recreation	77,731.46		77,731.46
Capital outlay			
Police department	60,580.38		60,580.38
Public works		45,794.87	45,794.87
Debt repayment			
Police department	25,498.19		25,498.19
Administration	<u>57,982.22</u>		<u>57,982.22</u>
Total Expenditures	<u>2,253,996.95</u>	<u>249,175.43</u>	<u>2,503,172.38</u>
<u>EXCESS OF REVENUES OVER</u>			
<u>EXPENDITURES (DEFICIT)</u>	92,911.58	(109,175.35)	(16,263.77)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	(172,804.82)		(172,804.82)
Transfers In	51,102.43		51,102.43
<u>FUND BALANCE AT BEGINNING OF YEAR</u>	<u>343,550.82</u>	<u>226,228.86</u>	<u>569,779.68</u>
<u>FUND BALANCE AT END OF YEAR</u>	<u>314,760.01</u>	<u>117,053.51</u>	<u>431,813.52</u>

See notes to financial statements.

CITY OF HILLVIEW, KENTUCKY  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2009

Fund Balances of Governmental Funds	431,813.52
Amounts reported for governmental activities in the Statement of Net assets are different because:	
Capital assets, net of depreciation, are not current financial resources and are not included in the governmental funds.	1,382,275.06
Long-term loans payable are not a current financial obligation. Therefore, they are not included in the governmental funds.	<u>(642,866.69)</u>
Net Assets of Governmental Activities	<u><u>1,171,221.89</u></u>

CITY OF HILLVIEW, KENTUCKY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
JUNE 30, 2009

Net Change in Fund Balances - Total Governmental Funds (137,966.16)

Amounts reported for governmental activities in the Statement of Activities differs from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follows:

Cost of assets capitalized	149,234.25
Depreciation expense	(82,788.00)

Long-term loans are reported as other financing sources when made and as expenditures when repaid in the governmental funds. This amount represents the change in the long-term loans payable. (27,038.73)

Net Change in Net Assets of Governmental Activities 98,558.64

CITY OF HILLVIEW, KENTUCKY  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	231,593.00	343,550.00	343,551.00	1.00
Resources (Inflows):				
Property taxes	567,000.00	639,343.00	658,899.00	19,556.00
Licenses and permits	36,575.00	18,036.00	21,309.00	3,273.00
Intergovernmental	1,259,564.00	570,563.00	594,435.00	23,872.00
Occupational taxes	900,000.00	974,534.00	978,653.00	4,119.00
Franchise taxes	36,000.00	38,900.00	38,900.00	.00
Transfers in	30,000.00	30,612.00	.00	(30,612.00)
Other	<u>135,063.00</u>	<u>123,560.00</u>	<u>105,815.00</u>	<u>(17,745.00)</u>
Amounts Available for Appropriation	3,195,795.00	2,739,098.00	2,741,562.00	2,464.00
Charges to Appropriations (Outflows):				
General government	371,759.00	426,830.00	355,010.00	71,820.00
Public safety	1,146,949.00	1,198,773.00	1,089,040.00	109,733.00
Public works	1,390,674.00	593,996.00	710,441.00	(116,445.00)
Health and safety	3,347.00	22,006.00	21,775.00	231.00
Recreation services	53,675.00	67,435.00	77,731.00	(10,296.00)
Transfers out	<u>203,307.00</u>	<u>240,975.00</u>	<u>172,805.00</u>	<u>68,170.00</u>
Total Charges to Appropriations	<u>3,169,711.00</u>	<u>2,550,015.00</u>	<u>2,426,802.00</u>	<u>123,213.00</u>
Budgetary Fund Balance, June 30	<u>26,084.00</u>	<u>189,083.00</u>	<u>314,760.00</u>	<u>125,677.00</u>

See notes to financial statements.

CITY OF HILLVIEW, KENTUCKY  
SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	61,155.00	221,894.00	226,229.00	4,335.00
Resources (Inflows):				
Intergovernmental	109,833.00	113,632.00	135,329.00	21,697.00
Interest	<u>4,820.00</u>	<u>4,022.00</u>	<u>4,671.00</u>	<u>649.00</u>
Amounts Available for Appropriation	175,808.00	339,548.00	366,229.00	26,681.00
Charges to Appropriations (Outflows):				
Current:				
Recreation	21,784.00	11,616.00	.00	11,616.00
Public works	<u>114,163.00</u>	<u>222,175.00</u>	<u>249,175.00</u>	<u>(27,000.00)</u>
Total Charges to Appropriations	<u>135,947.00</u>	<u>233,791.00</u>	<u>249,175.00</u>	<u>(15,384.00)</u>
Budgetary Fund Balance, June 30	<u>39,861.00</u>	<u>105,757.00</u>	<u>117,054.00</u>	<u>11,297.00</u>

See notes to financial statements.

CITY OF HILLVIEW, KENTUCKY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2009

Business-type Activities  
Enterprise Fund

Sewer

ASSETS

Current Assets

Accounts receivable	<u>10,069.15</u>
Total Current Assets	10,069.15

Non-Current Assets

Intangible assets, net of amortization	
Bond issue costs	<u>44,918.12</u>
Total Intangible Assets	44,918.12

Capital Assets

Sewer system	1,700,000.00
Accumulated depreciation	<u>(265,625.00)</u>

Total Capital Assets Net of Accumulated Depreciation	<u>1,434,375.00</u>
Total Non-Current Assets	<u>1,479,293.12</u>

Total Assets	<u><u>1,489,362.27</u></u>
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LIABILITIES

Current Liabilities Payable from Unrestricted Assets

Accrued interest	31,787.50
Bonds payable - current	<u>70,000.00</u>
Total Current Liabilities Payable from Unrestricted Assets	101,787.50

Non-Current Liabilities

Pro Logis advance	415,142.91
Bonds, payable from unrestricted assets, net of discount	<u>1,267,708.11</u>
Total Non-Current Liabilities	<u>1,682,851.02</u>

Total Liabilities	1,784,638.52
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NET DEFICIT

Invested in capital assets, net of related debt Unrestricted	96,666.89
	<u>(391,943.14)</u>
Total Net Deficit	<u>(295,276.25)</u>

Total Liabilities and Net Deficit	<u><u>1,489,362.27</u></u>
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CITY OF HILLVIEW, KENTUCKY  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUND  
 FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities Enterprise Fund
	<u>Sewer</u>
<u>OPERATING REVENUES</u>	
Sewer service	38,041.08
Total Operating Revenues	<u>38,041.08</u>
<u>OPERATING EXPENSES</u>	
Insurance	3,232.83
Operator Fee	10,000.00
Compliance analysis	14,445.00
Maintenance and repairs	16,029.98
Utilities	26,102.71
Depreciation	<u>42,500.00</u>
Total Operating Expenses	<u>112,310.52</u>
<u>OPERATING LOSS</u>	(74,269.44)
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Amortization	(3,703.09)
Interest expense	<u>(65,062.50)</u>
Total Nonoperating Expenses	<u>(68,765.59)</u>
Loss before operating transfers	(143,035.03)
<u>TRANSFERS IN</u>	<u>172,804.82</u>
<u>CHANGE IN NET ASSETS</u>	29,769.79
<u>TOTAL NET ASSETS, JULY 1</u>	<u>(325,046.04)</u>
<u>TOTAL NET ASSETS, JUNE 30</u>	<u>(295,276.25)</u>

See notes to financial statements.

CITY OF HILLVIEW, KENTUCKY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities Enterprise Fund
	<u>Sewer</u>
Cash Flows from Operating Activities:	
Cash received from customers	32,850.93
Cash payments to suppliers	<u>(69,105.75)</u>
Net Cash Used by Operating Activities	(36,254.82)
Cash Flows from Noncapital Financial Activities:	
Operating transfers in	<u>172,804.82</u>
Net Cash Provided by Noncapital Financing Activities	172,804.82
Cash Flows from Capital and Related Financing Activities:	
Repayment of long-term debt	(70,000.00)
Interest payment long-term debt	<u>(66,550.00)</u>
Net Cash used by Capital and Related Financing Activities	(136,550.00)
Net Increase (Decrease) in Cash	.00
Cash, July 1	<u>.00</u>
Cash, June 30	<u>.00</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(74,269.44)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	42,500.00
Increase accounts receivable	(5,190.15)
Decrease accounts payable	<u>(594.83)</u>
Total Adjustments	<u>36,715.02</u>
Net Cash Used by Operating Activities	<u>(37,554.42)</u>

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Hillview conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The City has implemented GASB Statement No. 34 and these statements are presented according to those requirements. The following is a summary of the significant policies.

Basic Financial Statements

In accordance with GASB Statement No. 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the City as a whole, no component unit entities exist. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the City. It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for a purpose for which both restricted and unrestricted net assets are available.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the City are offset by program revenues. Direct expenses are those that are clearly identifiable

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

with a specific function or identifiable activity. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Fund accounts for the financial resources provided by the State of Kentucky through its Municipal Road Aid and Local Government Economic Assistance Funds. These funds are earmarked for maintenance, rehabilitation, or improvements of public streets and public safety.

The City reports the following major enterprise fund:

The Sewer Fund accounts for the operation of the City's waste water treatment facility, which renders services on a user charge basis to businesses located in Hillview.

Measurement Focus and Basis of Accounting

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. The modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, intergovernmental revenues (including motor vehicle license fees), and municipal road aid funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- B. Expenditures are recorded when the related fund liability is incurred. Interest on general long-term debt is recorded as a fund liability when due.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as an other financial source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balances as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary fund's financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements.

Enterprise funds account for operations where the intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the proprietary fund's financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Under GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the City has elected for proprietary funds not to apply Financial Accounting Standards Board statements issued after November 30, 1989.

Budgets

The City has ordained for itself a number of prescribed practices regarding the development of a budget, and for amending the budget once it is accepted by the governing body of the City. An annual budget is required by Kentucky Revised Statutes that, once accepted by the City's governing body, becomes the legal boundary of that government's appropriations and expenditures for that year. The City's annual budget conforms to generally accepted accounting principles. The budget was amended by an ordinance during the year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the asset constructed for proprietary funds.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	10 to 40 years
Sewer plant	40 years
Machinery and equipment	5 to 7 years

CITY OF HILLVIEW, KENTUCKY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	Balance July 1, 2008	Acquisitions	Balance June 30, 2009	Accumulated Depreciation
<u>Governmental Activities</u>				
Buildings	325,700.74	57,080.38	382,781.12	226,635.00
Machinery and equipment	965,396.03	92,153.87	1,057,549.90	823,510.00
Land	992,089.04		992,089.04	.00
 <u>Business Type Activities</u>				
Sewer plant	<u>1,700,000.00</u>		<u>1,700,000.00</u>	<u>265,625.00</u>
	<u>3,983,185.81</u>	<u>149,234.25</u>	<u>4,132,420.06</u>	<u>1,315,770.00</u>

Depreciation expense for the year was charged to functions/programs of the primary government as follows:

Administration	\$ 11,916.00
Public Safety	41,144.00
Public Works	28,462.00
Community Center/Recreation	1,266.00
Health and Safety	.00
Waste Water Treatment Facility	<u>42,500.00</u>
	<u>125,288.00</u>

Total accumulated depreciation for all prior periods was \$1,190,482.00.

Property Tax

Property is assessed as of January 1. Taxes were levied on October 1, 2008 and are payable by December 31. City real property tax revenues are recognized when levied. Any real property tax unpaid at June 30 or 60 days thereafter is deemed uncollectible for financial reporting purposes. The City has liens on these properties to secure payment of these taxes. The assessed value of City real property was \$421,107,705 and the tax rate was 12.07 cents per hundred dollars of assessed value.

NOTE 2 - SCHEDULE OF CASH

<u>Fund</u>	<u>Financial Institution</u>	<u>Balance</u>	<u>Insured</u>	<u>Uncollateralized</u>
General	PBI Bank	88,763.44	FDIC	
General	PBI Bank	3,709.51	FDIC	
General	First Federal	25,444.06	FDIC	
General	Park Federal Credit Union	72,861.36	FDIC	
General	Park Federal Credit Union	30,893.80	FDIC	
General	Park Federal Credit Union	<u>72,009.79</u>	FDIC	
		293,681.96		
Special Revenue				
LGEA	PBI Bank	18,451.06	FDIC	
Municipal Aid	PBI Bank	28,981.82	FDIC	
Municipal Aid	National City Bank	59,138.49	FDIC	
Municipal Aid	Park Federal Credit Union	<u>83,200.92</u>	FDIC	
		189,772.29		
Petty Cash		<u>800.00</u>		
		<u>484,254.25</u>		

The City has not adopted a formal deposit and investment policy.

NOTE 3 - CONCENTRATION OF CREDIT RISK

The City has funds on deposit at various times during the year with one financial institution in excess of the FDIC insurance coverage.

NOTE 4 - RISK MANAGEMENT/CONTINGENCIES

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by various commercial insurance policies except that the City does not insure all of its vehicles for collision/comprehensive coverage. There have been no significant reductions in insurance coverage from 2008 to 2009. Settlements, less deductibles, have not exceeded insurance coverage during the past three years. The City's attorney has advised that the City will not incur any loss in excess of insurance deductibles as a result of any lawsuits currently pending. Any other lawsuits currently pending that are not covered by insurance will not, in the opinion of the City's attorney, result in any substantial loss to the City.

NOTE 5 - PENSION PLAN

During the fiscal year, the City participated in the County Employees Retirement System (CERS). The plan requires contributions by the employee and the employer. The following table summarizes those contributions:

	Employee	Employer
Nonhazardous duty	5%	13.50%
Hazardous duty	8%	29.50%

The cost of this plan to the City during the fiscal year was \$157,357.98.

NOTE 6 - CAPITALIZED LEASE AGREEMENT

The City entered into a lease agreement on December 1, 1998 with the Kentucky League of Cities Funding Trust Program which lease was the result of the City purchasing 40 acres of ground and then conveying title to the property in exchange for a 25 year lease. This lease does not constitute general obligation debt to the City and is annually renewable. The City annually renews the lease by appropriating sufficient funds in its budget to meet the next twelve months obligations. If the funds are not appropriated the lease terminates without further cost or obligation of the City.

The original amount of the lease was \$900,000.00 with an interest rate of 2.17%. The balance at July 1, 2008 was \$580,000.00 and the balance at June 30, 2009 was \$540,000.00. The lease will be paid off on 12/15/2018. Annual principal payments over the next five years are as follows:

6/30/10	45,000.00
6/30/11	50,000.00
6/30/12	50,000.00
6/30/13	50,000.00
6/30/14	60,000.00

Interest expense for the current fiscal year was \$16,557.71.

CITY OF HILLVIEW, KENTUCKY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2009

NOTE 7 - LONG TERM DEBT

Waste Water Treatment Facility

On January 22, 2001 the City passed an ordinance authorizing the issuance of general obligation bonds in the amount of \$1,795,000. The proceeds of the bonds are to be used to construct a waste water treatment facility. General obligation bonds are backed by the full faith, credit and taxing power of the City. The City expects that the revenue generated by the facility will be sufficient to retire the debt. The debt has varying maturity dates from 1/15/03 to 1/15/22 with interest rates ranging from 4% to 4.75%. The developer of the property that will be served by the facility, Pro Logis Development Services, Inc., has agreed to guarantee payments on the General Obligation Bonds until new revenues generated from taxes collected as a result of the development are sufficient to service the debt. The City is obligated to repay the developer for any payments made during the period within the first four years following the Bond closing. The developer has paid, and the City is obligated to repay, \$415,142.91 as of June 30, 2005. All future payments after June 30, 2005 will not have to be repaid by the City to the developer. As of January 1, 2008 the City will have to make the full payment on the bonds since tax revenues generated from the development are sufficient to service the debt.

The following is a schedule of principal and interest requirements for the term of the bonds:

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest to Maturity</u>
6/30/10-12	225,000.00	20,180.00
6/30/13-17	450,000.00	128,917.50
6/30/18-22	560,000.00	296,115.00
6/30/23	<u>130,000.00</u>	<u>86,450.00</u>
	<u>1,365,000.00</u>	<u>531,662.50</u>

Public Safety Vehicles

- The City borrowed money to acquire two new police cruisers during the year ended June 30, 2008. This loan was for \$43,312.21 and is repayable in three annual installments including interest of \$15,209.88. The loan balance on June 30, 2009 was \$14,423.81.

Lease maturities for all leases over the remaining terms are as follows

6/30/10	14,423.81
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CITY OF HILLVIEW, KENTUCKY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

NOTE 7 - LONG TERM DEBT (CONTINUED)

2. The City borrowed money to acquire two new police cruisers during the year ended June 30, 2009. This loan was for \$36,859.00 at 4.63% interest and is repayable in monthly installments of \$663.55 and is due January 28, 2014. The balance of this loan was \$32,764.96 on June 30, 2009.

Principal maturities over the next five years are :

6/30/10	6,584.18
6/30/11	6,895.59
6/30/12	7,221.71
6/30/13	7,563.27
6/30/14	4,499.41

Public Safety Building Addition

The City borrowed money during the year to increase the size of the police department building. The City borrowed \$51,102.43 at an interest rate of 6.5% repayable in 35 monthly payments of principal and interest of \$326.13 and one final installment on January 12, 2012 of the remaining balance. The balance of this loan at June 30, 2009 was \$50,790.42.

Principal maturities over the term of this loan are as follows:

6/30/10	563.86
6/30/11	668.51
6/30/12	49,558.05

Copier Loan

The City borrowed \$5,100.00 to purchase a new copier for the business office. The loan is repayable in 24 installments of \$212.50 with no interest. The balance of this loan at June 30, 2009 was \$4,887.50.

Principal maturities over the term of this loan are as follows:

6/30/10	2,550.00
6/30/11	2,337.50

NOTE 8 - FUND DISCLOSURES

Expenditures in Excess of Budget

The public works and recreation categories of the general and special revenue funds had expenditures in excess of budget. The funds had adequate resources to cover the excess expenditures.

Interfund Transfers

The general fund pays for all operating expenses of the special revenue fund and is periodically (at least once a year) reimbursed based on either labor hours expended or nature of expense incurred. The general fund was due \$61,590.57 for the period ended June 30, 2009.

SUPPLEMENTARY INFORMATION

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

Honorable Mayor and City Council  
City of Hillview, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of City of Hillview, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the City of Hillview, Kentucky's basic financial statements and have issued our report thereon dated August 31, 2009. 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 City of Hillview, Kentucky's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hillview, Kentucky's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Hillview, Kentucky'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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 City of Hillview, Kentucky's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Hillview, Kentucky's financial statements that is more than inconsequential will not be prevented or detected by the City of Hillview, Kentucky's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

The finding is as follows:

Finding 2009-1: The City has a material weakness in its internal control over financial reporting in that it does not employ someone with knowledge of financial statement preparation, including footnote disclosures.

Response: The City accepts the risk as described above.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City Hillview, Kentucky'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, the significant deficiency described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Hillview, Kentucky'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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described as follows:

Finding 2009-2: The City revised its occupational tax ordinance in a previous fiscal year to provide that the tax is now collectible on business net profits. The City has not enacted this part of the ordinance.

Response: The City does not intend to enforce this provision of the ordinance at this time.

We noted certain matters that we reported to management of City of Hillview, Kentucky, in a separate letter dated August 31, 2009.

City of Hillview, Kentucky's response to the findings identified in our audit is described above. We did not audit City of Hillview, Kentucky's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and the State of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

*APPENDIX D*

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*Statement of Indebtedness of the City*



(f) Leases entered into under KRS 65.940 to 65.956 after July 15, 1996 which are not tax-supported leases.....	0
(g) Bonds issued in the case of an emergency, when the public health or safety should so require.....	0
(h) Bonds issued to fund a floating indebtedness.....	0
TOTAL EXEMPT OBLIGATIONS.....	\$115,225

5. The total of bonds, notes and other obligations subject to the debt limitation set forth in KRS 66.041 (3 minus 4) is..... \$1,890,000

6. The total of bonds, notes and other obligations subject to the debt limitation set forth in KRS 66.041 as computed in 5 above, does not exceed 5% of the assessed valuation of all the taxable property in the City.

7. The current tax rate of the City, for other than school purposes, upon the value of the taxable property therein is .1145 which does not exceed the maximum permissible tax rate for the City as set forth in Section 157 of the Kentucky Constitution.

8. The issuance of the bonds, notes or other obligations set forth in 3 hereof will not cause the tax rate set forth in 7 hereof to increase in an amount which would exceed the maximum permissible tax rate for the City as set forth in Section 157 of the Kentucky Constitution.

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

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of August, 2010.

/S/ Betty Bradbury  
City Clerk

***APPENDIX E***

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

City of Hillview, Kentucky  
Hillview, Kentucky

Gentlemen:

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

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

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

2. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations, nor be includable in adjusted current earnings, under Section 56(c) of the Code, in computing the alternative minimum tax for corporations. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal or state tax consequences of purchasing, holding or disposing of the Bonds.

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

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

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

Very truly yours,

PECK, SHAFFER & WILLIAMS LLP

## OFFICIAL TERMS AND CONDITIONS OF BOND SALE

**\$1,395,000\***

### **City of Hillview, Kentucky General Obligation Refunding Bonds, Series 2010**

Notice is hereby given that electronic bids will be received by the City of Hillview, Kentucky (the "City"), until 1:00 p.m., E.T. on August 17, 2010 (or at such later time and date announced at least forty-eight hours in advance via the **BiDCOMP™/PARITY™** system) for the purchase of the bonds herein described (the "Bonds"). Alternatively, written sealed or facsimile bids for the Bonds by the designated time will be received by the Mayor, 298 Prairie Drive, Louisville, Kentucky 40229 (FAX: (502) 955-5673). Electronic bids must be submitted through **BiDCOMP™/PARITY™** as described herein and no other provider of electronic bidding services will be accepted. Bids will be opened and acted upon later that same day.

### **STATUTORY AUTHORITY, PURPOSE OF ISSUE AND SECURITY**

These Bonds are authorized pursuant to Sections 66.011 to 66.181, inclusive, of the Kentucky Revised Statutes and are being issued in accordance with a Bond Ordinance (the "Bond Ordinance") adopted by the City of Hillview, Kentucky (the "City") on June 28, 2010. The Bonds are general obligation bonds and constitute a direct indebtedness of the City.

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

The Bonds are being issued for the purpose of refunding in advance of maturity the City's outstanding General Obligation Bonds, Series of 2001 (the "Prior Bonds"), the proceeds of which were used to finance the acquisition, construction, installation and equipping of a wastewater treatment plant (the "Project") and (ii) paying costs related to the issuance of the Bonds.

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

The Bonds will be dated their date of initial delivery, bearing interest from such date, payable on the fifteenth day of each January and July, commencing January 15, 2011.

The Bonds are scheduled to mature on January 15, in each of the years as follows:

<u>MATURITY</u>	<u>AMOUNT*</u>	<u>MATURITY</u>	<u>AMOUNT*</u>
January 15, 2011	\$90,000	January 15, 2018	\$105,000
January 15, 2012	100,000	January 15, 2019	110,000
January 15, 2013	95,000	January 15, 2020	110,000
January 15, 2014	100,000	January 15, 2021	120,000
January 15, 2015	100,000	January 15, 2022	125,000
January 15, 2016	105,000	January 15, 2023	125,000
January 15, 2017	110,000		

\*Preliminary; subject to Permitted Adjustment.

The Bonds maturing on and after January 15, 2022 are subject to optional redemption on any date on and after January 15, 2021 in whole or in part, in such order of maturity as shall be designated in writing by the City and by lot within any maturity, at the election of the City upon 45 days' written notice to the Paying Agent and Registrar (as hereinafter defined) at a redemption price equal to the par amount thereof, plus accrued interest to the date of redemption.

At least thirty (30) days before the redemption date of any Bonds, the Paying Agent and Registrar shall cause a notice of such redemption either in whole or in part, signed by the Paying Agent and Registrar, to be mailed, first class, postage prepaid, to all registered owners of the Bonds to be redeemed at their

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

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

## **BIDDING CONDITIONS AND RESTRICTIONS**

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

- (A) Electronic bids for the Bonds must be submitted through **BiDCOMP™/PARITY™** system and no other provider of electronic bidding services will be accepted. Subscription to the **BiDCOMP™/PARITY™** Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by **BiDCOMP™/PARITY™** shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **BiDCOMP™/PARITY™** conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Bond Sale shall prevail. Electronic bids made through the facilities of **BiDCOMP™/PARITY™** shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by **BiDCOMP™/PARITY™**. The use of **BiDCOMP™/PARITY™** facilities are at the sole risk of the prospective bidders. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form. Written sealed bids (in a sealed envelope marked "Official Bid for Bonds") or facsimile bids for the Bonds by the designated time will be received by the Mayor, 298 Prairie Drive, Louisville, Kentucky 40229 (FAX: (502) 955-5673).
- (B) Bidders are required to bid for the entire issue of Bonds at a minimum price of not less than \$1,381,050 (99.0% of par), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.
- (C) Interest rates for the Bonds must be in multiples of one-eighth of one percent (.125%) and/or one-twentieth of one percent (.05%), which rates must be on an ascending scale, in that the rate on the applicable series of Bonds in any maturity is not less than the rate on the applicable series of Bonds for any preceding maturity and all Bonds of the same maturity and all Bonds of the same maturity and series shall bear the same and a single interest rate from the date thereof to maturity.
- (D) The determination of the best purchase bid for the Bonds shall be made on the basis of all bids submitted for exactly \$1,395,000 principal amount of Bonds offered for sale hereunder; but the City may adjust the principal amount of Bonds which may be awarded (the "Permitted Adjustment") to such best bidder upward by up to \$30,000 to a maximum of \$1,425,000 or downward by up to \$230,000 to a minimum of \$1,165,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$1,000 of Bonds as the price per \$1,000 for the \$1,395,000 of Bonds bid.
- (E) Bidders have the option of specifying that Bonds maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to

comprise one or more maturities of Bonds scheduled to mature in the latest of such year and be subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts of such term Bonds scheduled in the year of maturity of the term Bonds, which principal amount shall mature in that year.

- (F) CUSIP identification numbers will be printed on the Bonds at the expense of the City. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for the Bonds in accordance with the terms of any accepted proposal for the purchase of the Bonds.
- (G) The City will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A final Official Statement will be provided in Electronic Form to the successful bidder, in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder will be required to pay for the printing of Final Official Statements.
- (H) Bids need not be accompanied by a certified or bank cashier's good faith check, but the successful bidder will be required to wire transfer to the order of the City an amount equal to 2% of the amount of the principal amount of Bonds awarded by the close of business on the day following the award. Said good faith amount will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Bonds when ready. The good-faith amount will be applied (without interest) to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take delivery and pay for the Bonds unless delivery is made within 45 days from the date the bid is accepted.
- (I) Unless the successful purchaser of the Bonds notifies the City in writing within twenty-four hours of award of the Bonds that it has elected (at such purchaser's cost) to take physical delivery of the Bonds, The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds and the Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds of each series, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to be recorded on the records of Direct Participants or securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. The successful bidder may also elect to notify the Financial Advisor within twenty-four (24) hours of the award that standard bond certificates be issued. In the event that certificated Bonds are to be issued at the election of a successful bidder, the costs of printing such Bond Certificates shall be borne by such bidder.
- (J) The City reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest on the Bonds not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation

on the date of their delivery to the successful bidder, all in accordance with the final approving legal opinions of Peck, Shaffer & Williams LLP, Covington, Kentucky, which opinions will be qualified in accordance with the section hereof on TAX TREATMENT.

- (K) Bidders are advised that First Kentucky Securities Corporation has been employed as Financial Advisor in connection with the issuance of the Bonds. Their fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof. They may submit a bid for the purchase of the Bonds at the time of the advertised public sale, either individually or as a member of a syndicate organized to submit a bid for the purchase of the Bonds.
- (L) As required by the Code, the purchasers of the Bonds will be required to certify to the City as to certain of their activities regarding any reoffering to the public of the Bonds, including any reoffering prices. This information from the purchasers of the Bonds shall also be made available to the Financial Advisor immediately after the sale of the Bonds.
- (M) Unless bids for the Bonds are rejected, the Bonds will be awarded on an all or none basis on the sale date to the bidder whose bid result in the lowest net interest cost for each of the Bonds to be calculated as that rate (or yield) that, when used in computing the present worth of all payments of principal and interest on the Bonds (compounded semi-annually from the date of the Bonds, produces an amount equal to the purchase price of the Bonds, exclusive of accrued interest. For purposes of calculating the net interest cost, the principal amount of any Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year for the respective series of Bonds. In the event that two or more bidders offer to purchase the Bonds at the same lowest net interest cost, the Mayor, upon the advice of the City's Financial Advisor shall determine (in his sole discretion) which of the bidders shall be awarded the Bonds.
- (N) Additional information, including the Preliminary Official Statement, the Official Terms and Conditions of Bond Sale and the Official Bid Form, may be obtained from the City's Financial Advisor, First Kentucky Securities Corporation: 305 Ann Street, Suite 400, Frankfort, Kentucky 40602 Telephone: (502) 875-4611. Further information regarding [BiDCOMP™/PARITY™](#) may be obtained from [BiDCOMP™/PARITY™](#), 1359 Broadway - 2<sup>nd</sup> Floor, New York, NY 10018, Telephone: (800) 850-7422.

### **CONTINUING DISCLOSURE**

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

- (i) to the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission, certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles as applied to governmental units, generally consistent with the information contained in "Appendix A," "Appendix C," and "Appendix D" of the Official Statement ("Financial Data"); such information shall be provided within 365 days after the end of the fiscal year ending June 30, commencing with the fiscal year ended June 30, 2010; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditors for the Obligated Person;

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

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

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

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

### **TAX TREATMENT**

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

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

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

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

Receipt of tax-exempt interest, ownership or disposition of the Bonds may result in other collateral federal, state or local tax consequences for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies, under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

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

/s/ James Eadens

Mayor, City of Hillview, Kentucky

**OFFICIAL BID FORM  
SERIES 2010 BONDS**

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$1,395,000\* of General Obligation Refunding Bonds, Series 2010, dated their date of initial issuance and delivery (the "Bonds") offered for sale by the City of Hillview, Kentucky (the "City") in accordance with the Preliminary Official Statement dated August 10, 2010 and the Notice of Bond Sale, as advertised in *The Courier-Journal* and the *Pioneer News* to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase said Bonds.

We hereby bid for said \$1,395,000\* principal amount of the Bonds, the total sum of \$\_\_\_\_\_ (not less than \$1,381,050) at the following annual rate(s), payable semiannually (rates on ascending scale, number of interest rates unlimited):

<u>MATURITY</u>	<u>AMOUNT*</u>	<u>INTEREST RATE</u>	<u>MATURITY</u>	<u>AMOUNT*</u>	<u>INTEREST RATE</u>
January 15, 2011	\$90,000	_____ %	January 15, 2018	\$105,000	_____ %
January 15, 2012	100,000	_____	January 15, 2019	110,000	_____
January 15, 2013	95,000	_____	January 15, 2020	110,000	_____
January 15, 2014	100,000	_____	January 15, 2021	120,000	_____
January 15, 2015	100,000	_____	January 15, 2022	125,000	_____
January 15, 2016	105,000	_____	January 15, 2023	125,000	_____
January 15, 2017	110,000	_____			

\*Subject to Permitted Adjustment.

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

**Bids may be submitted electronically via BiDCOMP™/PARITY™ until the appointed date and time, but no bid will be received after such time. Notwithstanding the foregoing, completed bid forms may be submitted until the appointed date and time (i) in a sealed envelope marked "Official Bid for Bonds" or (ii) by facsimile transmission, in each case delivered to the office of the Mayor of the City of Hillview, Kentucky, 198 Prairie Drive, Louisville, Kentucky 40229 (FAX: (502) 955-5673). Neither the City nor the Financial Advisor assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel and/or equipment are available to accept all facsimile transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received via facsimile or delivered before the appointed date and time of sale. Any bids in progress by facsimile at the appointed time will be considered as received by the appointed time. No bids will be received via telephone.**

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

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

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

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

Respectfully submitted,

\_\_\_\_\_  
Bidder

\_\_\_\_\_  
Address

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

Total interest cost from date of delivery (estimated August 31, 2010) to final maturity	\$ _____
Plus discount	\$ _____
Net interest cost (Total interest cost plus discount)	\$ _____
Average interest rate or cost (i.e. N.I.C.)	_____ %

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

Accepted by the Mayor of the City of Hillview, Kentucky for \$ \_\_\_\_\_ principal amount of Bonds at the price of \$ \_\_\_\_\_ as follows:

<u>MATURITY</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURITY</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>
January 15, 2011	\$ _____	_____ %	January 15, 2018	\$ _____	_____ %
January 15, 2012	_____	_____	January 15, 2019	_____	_____
January 15, 2013	_____	_____	January 15, 2020	_____	_____
January 15, 2014	_____	_____	January 15, 2021	_____	_____
January 15, 2015	_____	_____	January 15, 2022	_____	_____
January 15, 2016	_____	_____	January 15, 2023	_____	_____
January 15, 2017	_____	_____			

\_\_\_\_\_  
Mayor  
City of Hillview, Kentucky

Dated: August 17, 2010