

**AUDUBON AREA COMMUNITY SERVICES,  
INC.**

**STATEMENT OF CASH  
FLOWS For the Year Ended  
June 30, 2015**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase in net assets	\$ 2,356,392
Adjustment to reconcile net assets to net cash provided by operating activities:	
Depreciation	1,551,064
Amortization	1,300
Unrealized gain on investments	29,274
Gain on sale of assets	(32,392)
Change in prior period net assets	1,274,080
Change in operating assets and liabilities:	
Accounts receivable	15,207
Contracts and grants receivable	(1,695,880)
Due to/from related organizations	(5,513)
Other current assets	(168,475)
Accounts payable	236,402
Accrued payroll and withholding	87,320
Advances on contracts and grants	(338,485)
Accrued compensated absences	133,043
Accrued interest	10,818
Insurance and workers compensation surplus liability	<u>(95,441)</u>

**NET CASH PROVIDED BY OPERATING ACTIVITIES**

3,358,714

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of property and equipment	(1,070,937)
Receipts from sale of property and equipment	48,588
Purchases of investments	<u>(207,661)</u>

**NET CASH USED BY INVESTING ACTIVITIES**

(1,230,010)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Repayments of long-term debt	<u>(412,062)</u>
------------------------------	------------------

**NET CASH USED BY FINANCING ACTIVITIES**

(412,062)

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

1,716,642

**BEGINNING CASH AND CASH EQUIVALENTS**

1,008,900

**ENDING CASH AND CASH EQUIVALENTS**

\$ 2,725,542

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

Cash paid during year for interest	<u>\$ 282,040</u>
------------------------------------	-------------------

*APPENDIX E*

---

*Form of Final Approving Legal Opinion of Bond Counsel*

[Date of Delivery]

County of Daviess, Kentucky  
Owensboro, Kentucky

Daviess County Public Improvement Corporation  
Owensboro, Kentucky

Re: \$ \_\_\_\_\_ Daviess County Public Improvement Corporation First Mortgage Revenue Refunding Bonds  
(Audubon Area Community Services, Inc. Project), Series 2015

Gentlemen:

We are acting as Bond Counsel in connection with and have examined the transcript of proceedings (the "Transcript") relating to the issuance by the Daviess County Public Improvement Corporation (the "Issuer"), acting as an agency and instrumentality and as the constituted authority of the County of Daviess, Kentucky (the "County") of its \$ \_\_\_\_\_ First Mortgage Revenue Refunding Bonds (Audubon Area Community Services, Inc. Project), Series 2015 (the "Bonds"). The Bonds are being issued pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, particularly §§ 58.010 through 58.150, inclusive, of the Kentucky Revised Statutes, a resolution adopted by the Issuer on December 6, 2007 (the "Bond Legislation"), and a Mortgage Deed of Trust from the Corporation to U.S. Bank National Association, as trustee (the "Trustee"), dated as of November 1, 2015 (the "Mortgage"), for the purpose of refunding in advance of maturity the Issuer's outstanding First Mortgage Revenue Bonds (Audubon Area Community Services, Inc. Project), Series 2007 (the "Prior Bonds"), the proceeds of which financed the costs of the acquisition, construction, renovation, installation and equipping of an administrative facility located within the jurisdictional boundaries of the County and leased to Audubon Area Community Services, Inc., a Kentucky nonprofit corporation (the "Lessee"). In addition to the Bond Legislation, the documents in the Transcript examined include an executed counterpart of the following: (i) the Lease Agreement between the Lessee and the Issuer dated as of November 1, 2015 (the "Agreement"), (ii) the Tax Regulatory Agreement among the Lessee, the Issuer and U.S. Bank National Association, as trustee (the "Trustee") dated as of November 1, 2015 (the "Tax Regulatory Agreement"); and (iii) the Mortgage. We have also examined executed Bond R-1.

Reference is made to the Bond Legislation and the Bond form contained in the Mortgage for a description of the terms of the Bonds.

Based on such examination, we are of the opinion that, under the law existing on the date of this opinion:

1. The Corporation is a duly organized and existing nonprofit no-stock corporation, organized and existing under the provisions of Chapter 58 and Chapter 273 of the Kentucky Revised Statutes to act as the agency and instrumentality of the County.

2. The Bonds, the Agreement, the Mortgage and the Tax Regulatory Agreement are legal, valid and binding obligations of the Issuer, assuming their due authorization, execution and delivery by the other parties thereto, and are enforceable in accordance with their respective terms, except that the binding effect and enforceability thereof are subject to existing laws, regulations, rulings and judicial decisions affecting remedies and applicable bankruptcy, insolvency, reorganization, moratorium, and other laws in effect from time to time affecting the rights of creditors generally.

3. The Bonds constitute special obligations of the Issuer, and the principal of and interest and any premium of the Bonds (collectively, "debt service"), are payable solely from the revenues and other moneys pledged and assigned by the Mortgage to secure that payment, including the payments required to be made by the Lessee under the Agreement. The Bonds and the payment of debt service are not secured by an obligation or pledge of any moneys raised by taxation and the Bonds do not represent or constitute a debt or pledge of the faith and credit of the Commonwealth of Kentucky nor any political subdivision or independent agency thereof, including the Issuer and the County.

4. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants made by the Issuer and the Lessee designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds.

5. The Issuer and the County have designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code.

6. Under Kentucky law as of the date hereof including existing statutes, regulations, rulings and, judicial decisions, interest on the Bonds is exempt from income taxation by the Commonwealth of Kentucky and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

7. The Bonds are exempt securities under the Securities Act of 1933, as amended (the "1933 Act"), and the Bonds therefore may be sold without the necessity of registration under the 1933 Act.

This opinion is based upon laws, regulations, rulings and decisions in effect on the date hereof. In giving this opinion, we have relied upon covenants and certifications of facts, estimates and expectations made by the Corporation, the County, the Lessee and others which we have not independently verified. We have also relied upon the opinion of Sullivan, Mountjoy, Stainback & Miller, P.S.C., as counsel for the Lessee, contained in the Transcript, as to all matters concerning the due authorization, execution and delivery by, and, the binding effect upon and enforceability against the Lessee of the Agreement and the Tax Regulatory Agreement. It is to be understood that the enforceability of the Bonds, the Mortgage and the Lease may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting creditors' rights, and to exercise of judicial discretion in accordance with general principles of equity.

Very truly yours,

**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**  
**Approximately \$4,340,000**  
**Daviess County Public Improvement Corporation**  
**First Mortgage Revenue Refunding Bonds (Audubon Area Community Services, Inc. Project), Series**  
**2015**

**Dated Date of Delivery (anticipated December 2, 2015)**

As advertised in conformity with Chapter 424 of the Kentucky Revised Statutes, the Daviess County Public Improvement Corporation (the "Corporation"), acting as the agency and instrumentality of and on behalf of the County of Daviess, Kentucky (the "County"), will until the November 17, 2015 at 11:00 A.M., C.S.T (or at such later time and date announced at least twenty-four hours in advance via the BiDCOMP™/PARITY™ system), receive in the Office of the County Treasurer, Daviess County Courthouse, 212 St. Ann Street, Room 202, Owensboro, Kentucky 42302, sealed, competitive bids for the purchase of the following Bonds, subject to the following terms and conditions:

1. Description of Bonds - The Bonds offered for sale are Four Million Three Hundred Forty Thousand Dollars (\$4,340,000\*) principal amount of "Daviess County Public Improvement Corporation First Mortgage Revenue Refunding Bonds (Audubon Area Community Services, Inc. Project), Series 2015" dated date of initial issuance and delivery (anticipated to be December 2, 2015) (the "Bonds"), being fully registered Bonds of the denominations of \$5,000 and any integral multiple of \$5,000, maturing as to principal on January 1, 2017, and each January 1 thereafter through and including January 1, 2028.
2. Subject to Permitted Adjustment increasing or decreasing the principal amount of the Bonds to be sold as set forth in Section 4(c) below.

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

Principal and interest will be payable at the principal office of U.S. Bank National Association, Louisville, Kentucky (the "Trustee"). Interest on the Bonds will be paid at rates to be established upon the basis of competitive bidding as hereinafter set forth, such interest to be payable on January 1 and July 1 of each year, beginning July 1, 2016.

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

1. Time of Sale - Bids for the Bonds will be opened, and acted upon, by the President of the Corporation, on the date and at the time above set out.
2. Sale Conditions -
  - (t) Bids shall be for the entire issue and shall be made on the Official Bid Form in order to provide for uniformity in submission of bids and ready determination of the lowest and best bid. Electronic bids shall be submitted via the BiDCOMP™/PARITY™ system.
  - (u) Bids shall be for cash and for the entire issue at not less than \$4,296,400 (99.00% of par), PAYABLE IN FEDERAL FUNDS.
  - (v) The determination of the best purchase bid for said Bonds shall be made on the basis of all bids submitted for exactly \$4,340,000 principal amount of Bonds offered for sale under the terms and conditions herein specified; provided, however, the Corporation reserves the right to increase or decrease the total

principal amount of the Bonds sold to such best bidder by up to \$435,000, with such increase or decrease made in any maturity, and the total amount of Bonds awarded to such bidder will be a minimum of \$3,905,000 or a maximum of \$4,775,000. In the event of such adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price at which such adjusted principal amount of Bonds will be sold will be at the same price per \$1,000 of Bonds as the price per \$1,000 for the \$4,340,000 of Bonds bid.

- (w) The successful purchaser shall be required (without further advice from the Corporation) to wire transfer an amount equal to 2% of the principal amount of Bonds awarded to the Trustee by the close of business of the day following the award as a good faith deposit. Said amount will be applied (without interest) to the purchase price upon delivery and will be forfeited if the purchaser fails to take delivery.
- (x) Bidders must stipulate an interest rate or rates in multiples of 1/8, 1/10 or 1/20 of 1%.
- (y) Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.
- (z) The right to reject bids for any reason deemed advisable by the Board of Directors of the Corporation and the right to waive any possible informalities or irregularities in any bid which in the judgment of the Board of Directors shall be minor or immaterial is expressly reserved.

3. Additional Sale Provisions -

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

- (c) The President of the Corporation will accept a bid or reject all bids on the date stated at the beginning of this Official Terms and Conditions of Bond Sale.
- (d) 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 Corporation 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 Corporation. The Corporation 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 at the office of the County Treasurer, 212 St. Ann Street, Room 202, Owensboro, Kentucky 42302, FAX: 270-685-8469. The Official Bid Form, together with a Preliminary Official Statement, may be obtained at the office of the Financial Advisor, First Kentucky Securities Corporation, 377 East Main Street, Lexington, Kentucky 40507, Attention Mr. Stan Kramer (859) 425-1100.
- (e) The purchaser will be required to take delivery of and pay for the Bonds on a date to be designated by the Corporation which is expected to be on or about December 2, 2015 and upon notice being given by the Corporation or its Financial Advisor at least seven (7) business days prior to the designated delivery date. Delivery of the Bonds, other than through the book-entry system of The Depository Trust Company, will be made at the expense of the purchaser.
- (f) Prospective 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. Bidders 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.
- (g) CUSIP identification numbers will be printed on the Bonds at the expense of the Corporation. 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.

- (h) The Corporation 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 bidders, in sufficient time to meet the delivery requirements of the successful bidders under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidders will be required to pay for the printing of Final Official Statements.
- (i) The purchasers of the Bonds will be required to certify to the Corporation 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.
- (j) PURCHASER'S OPTION:
  - a. The Purchaser of the Bonds may specify to the Corporation that any of the Bonds may be combined with immediately succeeding sequential maturities into a Term Bond or Term Bonds, bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein) comprising mandatory sinking fund redemption amounts for such Term Bond(s).
  - b. If the successful bidder desires to obtain insurance guaranteeing the payment of the principal and/or interest on the Bonds, the Corporation agrees that it will cooperate with the successful bidder in obtaining such insurance, but all of the expenses and charges in connection therewith shall be borne by such bidder and the Corporation shall not be liable to any extent therefor.
  - c. The successful bidder may likewise elect to notify the Financial Advisor within twenty-four (24) hours of the award that standard bond certificates be issued. If no such election is made the Bonds will be delivered using the BOOK-ENTRY-ONLY-SYSTEM administered by The Depository Trust Company.

By: /s/ Al Mattingly

---

President

Daviess County Public Improvement Corporation

**OFFICIAL BID FORM**

November 17, 2015

President and Members of the Board of Directors  
 Daviess County Public Improvement Corporation  
 Daviess County Courthouse, 212 St. Ann Street, Room 202  
 Owensboro, Kentucky 42303

Subject to the Official Terms and Conditions of Bond Sale in respect to the \$4,340,000 "Daviess County Public Improvement Corporation First Mortgage Revenue Refunding Bonds (Audubon Area Community Services, Inc. Project), Series 2015", dated date of initial issuance and delivery, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase said Bonds.

We hereby bid for said \$4,340,000 principal amount of Bonds the total sum of \$\_\_\_\_\_ (not less than \$4,296,400) at the following interest rates:

<u>Maturity</u> <u>January 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Serial</u> <u>Bond</u> <u>Rate</u>	<u>Term</u> <u>Bond</u> <u>Rate</u>	<u>Maturity</u> <u>January 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Serial</u> <u>Bond</u> <u>Rate</u>	<u>Term</u> <u>Bond</u> <u>Rate</u>
2017	\$320,000	_____	_____	2023	\$360,000	_____	_____
2018	335,000	_____	_____	2024	370,000	_____	_____
2019	335,000	_____	_____	2025	380,000	_____	_____
2020	340,000	_____	_____	2026	390,000	_____	_____
2021	345,000	_____	_____	2027	400,000	_____	_____
2022	355,000	_____	_____	2028	410,000	_____	_____

\*We understand this bid may be accepted for as much as \$4,775,000 of Bonds or as little as \$3,905,000 of Bonds, at the same price per \$1,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined by the President of the Corporation at the time of acceptance of the best bid.

It is understood that the Corporation will furnish the final, approving Legal Opinion of Dinsmoe & Shohl LLP, Bond Counsel.

**Bids may be submitted electronically via BiDCOMP™/PARITY™ pursuant to this Notice until the appointed date and time, but no bid will be received after such time. Notwithstanding the foregoing, completed bid forms may be submitted via hand delivery or facsimile to the offices of the County Treasurer at Daviess County Courthouse, 212 St. Ann Street, Room 202, Owensboro, Kentucky 42303 (FAX: 270-685-8469). Neither the Corporation nor the Financial Advisor assumes any responsibility whatsoever with regard to the receipt of bids. 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.**

**PURCHASER'S OPTION –**

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

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

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

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

