CITY OF CHARLES TOWN
(WEST VIRGINIA)

COMBINED WATERWORKS AND SEWERAGE SYSTEM
REVENUE BONDS, SERIES 2005 A
(TAXABLE)

DATE OF CLOSING: JUNE 15, 2005

BOND TRANSCRIPT

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DATE OF CLOSING: June 15, 2005

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05/19/05
144220.00007

CITY OF CHARLES TOWN, WEST VIRGINIA

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE)

BOND ORDINANCE

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CITY OF CHARLES TOWN, WEST VIRGINIA

AN ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE PORTION OF THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $3,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE); PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, the City of Charles Town (the "Issuer" or the "City") presently owns and operates, through the City of Charles Town Utility Board (the "Board"), a combined municipal waterworks and sewerage system (the "System") and has heretofore financed the acquisition and construction of the System and certain additions, betterments and improvements thereto through the issuance of several series of bonds or refunding bonds, of which there are presently outstanding the Prior Bonds, as hereinafter defined.

WHEREAS, all of the Prior Bonds were issued pursuant to ordinances of the Issuer previously enacted (such ordinances, as so amended and supplemented, collectively herein called the "Prior Ordinances");

WHEREAS, under the provisions of Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act"), the Issuer is authorized and empowered to acquire, construct and operate extensions, additions, betterments and improvements for the System;

WHEREAS, the Issuer has determined, and does hereby affirm, that the acquisition and construction of certain extensions, additions, betterments and improvements to the sewerage portion of the System, is necessary, appropriate, useful and desirable for the health, safety, and welfare of the inhabitants of the City and surrounding areas;

WHEREAS, the Issuer has determined that the aforementioned acquisition and construction of extensions, additions, betterments and improvements to the sewerage portion of the System should be financed, as provided under the Act, in whole or in part, from the proceeds of revenue bonds to be issued by the Issuer, to pay all or any portion of the costs thereof, and to enact this Ordinance and issue its Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable) (the "Series 2005 A Bonds" or the "Bonds"), such Series 2005 A Bonds to be secured by and payable from the Gross Revenues of the System, and containing such other terms and provisions as are hereinafter provided, all in the manner set forth herein; and

WHEREAS, the Issuer has determined and hereby determines that it is in the best interest of the residents of the City that its Series 2005 A Bonds be sold to the Original Purchaser (as hereinafter defined) thereof pursuant to the terms and provisions of a bond purchase agreement, (the "Bond Purchase Agreement") between the Issuer and the Original Purchaser, hereinafter defined;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF CHARLES TOWN HEREBY ORDAINS:

ARTICLE I

DEFINITIONS; STATUTORY AUTHORITY; FINDINGS

Section 1.01. Definitions. All capitalized terms used in this Ordinance and not otherwise defined in the recitals hereto shall have the meanings specified below, unless the context expressly requires otherwise:

"Act" means Chapter 8, Article 20 of the West Virginia Code of 1931, as amended and in effect on the Closing Date for the Series 2005 A Bonds.

"Authorized Newspaper" means a financial journal or newspaper of general circulation in the City of New York, New York, printed in the English language and customarily published on each business day of the Registrar, whether or not published on Saturdays, Sundays or legal holidays, and so long as so published, shall include The Bond Buyer.

"Authorized Officer" means the Mayor or City Manager of the Issuer or any other officer of the Issuer specifically designated by resolution of the Council of the Issuer.

"Board" shall mean the City of Charles Town Utility Board, created by an ordinance of the Issuer, or any successor thereto.

"Bond Commission" means the West Virginia Municipal Bond Commission or any other agency of the State of West Virginia which succeeds to the functions of the Bond Commission.

"Bond Counsel" means any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by the Issuer or the Board, and shall initially mean Steptoe & Johnson PLLC, Charleston, West Virginia.

"Bondholder," "Holder," "Holder of the Bonds," "Owner of the Bonds," "Registered Owner," or any similar term means any person who shall be the registered owner of any outstanding Bond.

"Bond Insurer" means any entity which shall insure all or any portion of the payment of principal of and interest on the Bonds, and with respect to the Series 2005 A Bonds, shall initially mean the bond insurer or bond insurers, if any, named in the Supplemental Resolution.

"Bond Register" means the books of the Issuer maintained by the Registrar for the registration and transfer of Series 2005 A Bonds.

"Bond Year" means with respect to each series of Series 2005 A Bonds the 12 month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, except that the first Bond Year shall begin on the Closing Date.

"Bonds" means, collectively, the Series 2005 A Bonds, the Prior Bonds and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained herein.

"Business Day" means any day other than a Saturday, Sunday or a day on which national banking associations, West Virginia banking corporations or the New York Stock Exchange are authorized by law to remain closed.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2005 A Bonds in substantially the form set forth in EXHIBIT A - SERIES 2005 A BOND FORM hereto.

"City" or "Issuer" means the City of Charles Town, a municipal corporation and political subdivision of the State of West Virginia, in Jefferson County thereof, and, where appropriate, the Council, the Board and any successor thereto.

"City Manager" means the City Manager of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Bonds for the proceeds representing the original purchase price thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder.

"Connection Fees" means the fees, if any, paid by customers of the System in order to connect thereto.

"Consulting Engineers" means any independent qualified engineer or engineers or firm or firms of engineers that shall at any time now or hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof.

"Costs" or similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation those costs set forth in Section 1.02C.

"Council" means the City Council of the Issuer or any other governing body of the Issuer that succeeds to the functions of the Council as presently constituted.

"Debt Service" with reference to a specified period, means the amount of principal, including any sinking fund payments, and interest payable with respect to the Bonds during such period.

"Depository Bank" means the bank or banks to be designated as such in the Supplemental Resolution, and any other bank or national banking association located in the State of West Virginia, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC that may hereafter be appointed by the Issuer as Depository Bank.

"DTC" means The Depository Trust Company, New York, New York, or its successor thereof.

"DTC-eligible" means, with respect to the Series 2005 A Bonds, meeting the qualifications prescribed by DTC.

"Event of Default" means any occurrence or event specified in Section 7.01.

"FDIC" means the Federal Deposit Insurance Corporation or any successor to the functions of the FDIC.

"Fiscal Year" means each 12-month period beginning on July 1 and ending on the succeeding June 30.

"Government Obligations" shall have the meaning set forth in the Supplemental Resolution.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts, and includes any proceeds from the sale or other disposition of capital assets, but does not include any increase in the value of capital assets (including Qualified Investments).

"Independent Accountant" means the West Virginia State Tax Department or any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any purpose except keeping the accounts of said System in the normal operations of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Maximum Annual Debt Service" means, at the time of computation, the greatest amount of Debt Service required to be paid on the Bonds for the then current or any succeeding Fiscal Year.

"Mayor" means the Mayor of the Issuer.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy, if any, issued by the Bond Insurer simultaneously with the delivery of the Series 2005 A Bonds, insuring the timely payment of the principal of and interest on all or any of the Series 2005 A Bonds, in accordance with the terms thereof.

"Net Proceeds" means the face amount of the Series 2005 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, on such issue, and less proceeds deposited in the Series 2005 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2005 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds of the Series 2005 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 2005 A Bonds.

"Operating Expenses," unless qualified, means the current expenses, paid or accrued, of repair, operation and maintenance of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses (other than those capitalized as part of the costs of any project relating to the acquisition or construction of additions, betterments or improvements for the System),

supplies, labor, wages, the cost of materials and supplies used for current operations, fees and expenses of fiscal agents and of the Depository Bank, Registrar and Paying Agent or Paying Agents, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles.

"Ordinance" or "Bond Ordinance" regardless of whether preceded by the article "the" or "this," means this Ordinance, as it may hereafter from time to time be amended or supplemented, by ordinance or by resolution.

"Original Purchaser" means the investment banking firm or firms, bank or banks or such other entity or entities as shall purchase the Series 2005 A Bonds directly from the Issuer, as determined by a resolution supplemental hereto.

"Outstanding," when used with reference to the Series 2005 A Bonds or the Prior Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond or Prior Bond canceled by the registrar for such Bond or Prior Bonds at or prior to said date; (b) any Bond or Prior Bonds for the payment of which monies, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Ordinance and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01; and (d) with respect to determining the number or percentage of Bondholders or Bonds or Prior Bonds for the purpose of consents, notices and the like, any Bond registered to the Issuer. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond or Prior Bond, such Bond or Prior Bond shall be deemed to be Outstanding until such time as such Bond Insurer has been reimbursed in full.

"Paying Agent" means, initially, the West Virginia Municipal Bond Commission and any other paying agent for the Series 2005 A Bonds which may be appointed by a resolution supplemental hereto, all in accordance with Section 8.12 hereof.

"Prior Bonds" means, collectively, the Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds, and the Series 2003 A Bonds, as more fully defined in Section 1.03B hereof.

"Prior Ordinances" means, collectively, the ordinance of the Issuer enacted November 16, 1987, the ordinance of the Issuer enacted April 18, 1988, the ordinance of the Issuer enacted May 16, 1988, the ordinance of the Issuer enacted April 3, 1989, the ordinance of the Issuer enacted March 16, 1998, the ordinance of the Issuer enacted June 19, 2000, the ordinance of the Issuer enacted August 19, 2002, and the ordinance of the Issuer enacted December 16, 2002, authorizing the issuance of the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

"Project" means the acquisition and construction of certain additions, betterments and improvements to the sewerage portion of the System, including all necessary appurtenances.

"Purchase Price," for the purpose of computation of the Yield of the Series 2005 A Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 2005 A to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds of each maturity is sold or, if the Series 2005 A Bonds are privately placed, the price paid by the first buyer of the Series 2005 A Bonds or the acquisition cost of the first buyer. "Purchase Price," for purposes of computing Yield of Nonpurpose Investments, means the fair market value of the Nonpurpose Investments on the date of use of Gross Proceeds of the Series 2005 A Bonds for acquisition thereof, or if later, on the date that Investment Property constituting a Nonpurpose Investment becomes a Nonpurpose Investment of the Series 2005 A Bonds

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"Qualified Investments" means and includes the investments set forth in the Supplemental Resolution and designated as such.

"Record Date" means the date or dates which shall be so stated in the Series 2005 A Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Recording Officer," "Recorder" or "Clerk" means the City Clerk of the Issuer.

"Redemption Date" means the date fixed for redemption of Bonds subject to redemption in any notice of redemption published or mailed in accordance herewith.

"Redemption Price" means the price at which any of the Bonds may be called for redemption and includes the principal amount of the Bonds to be redeemed, plus the interest and the premium, if any, required to be paid to effect such redemption.

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 2005 A Bonds, and any successor thereto appointed in accordance with Section 8.08 hereof.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954.

"Revenue Fund" means the Revenue Fund created by the Prior Ordinances and continued hereby.

"Series 2005 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable), of the Issuer, originally authorized to be issued pursuant to this Ordinance and the Supplemental Resolution.

"Series 2005 A Bonds Acquisition and Construction Fund" means the Series 2005 A Bonds Acquisition and Construction Fund created by Section 4.01 hereof.

"Series 2005 A Bonds Costs of Issuance Fund" means the Costs of Issuance Fund created by Section 4.01 hereof.

"Series 2005 A Bonds Redemption Account" means the Redemption Account created in the Series 2005 A Bonds Sinking Fund by Section 4.02 hereof.

"Series 2005 A Bonds Reserve Account" means the Series 2005 A Bonds Reserve Account created in the Series 2005 A Bonds Sinking Fund by Section 4.02 hereof.

"Series 2005 A Bonds Sinking Fund" means the Series 2005 A Bonds Sinking Fund created by Section 4.02 hereof.

"Series 2005 A Bonds Reserve Account Requirement" means an amount equal to the lesser of (i) 10% of the original principal amount of the Series 2005 A Bonds, (ii) Maximum Annual Debt Service at the time of original issuance of the Series 2005 A Bonds, or (iii) 125% of average annual Debt Service at the time of original issuance of the Series 2005 A Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any ordinance or resolution amendatory hereof or supplemental hereto and, when preceded by the article "the," refers specifically to the Supplemental Resolution or Resolutions to be adopted by the Issuer following enactment of this Ordinance, setting forth the final amounts, maturities, interest rates, redemption provisions, Bond Insurer provisions (if any) and other terms of the Series 2005 A Bonds and authorizing the sale of the Series 2005 A Bonds to the Original Purchaser; provided, that any provision intended to be included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

"System" means the complete existing combined municipal waterworks and sewerage system of the Issuer, consisting of a water treatment and distribution system, including a water filtration and treatment plant, reservoirs, water tanks, distribution lines and booster stations, and a sewage treatment and collection system, including a sewage treatment plant, collection and transportation lines and lift stations, now owned by the Issuer or any integral part thereof, and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to the waterworks and sewage systems, and shall include any additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks or sewage systems from any sources whatsoever, both within and without the Issuer.

"Term Bonds" means Bonds subject to mandatory sinking fund redemption, as described by Section 3.06 hereof.

Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations and vice versa; and words importing the masculine gender shall include the feminine and neuter genders and vice versa.

Additional terms and phrases are defined in this Ordinance as they are used. Accounting terms not specifically defined herein shall be given meaning in accordance with generally accepted accounting principles.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Ordinance; and the term "hereafter" means after the date of enactment of this Ordinance.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Ordinance so numbered.

Section 1.02. Authority for this Ordinance. This Ordinance is enacted pursuant to the provisions of the Act and other applicable provisions of law.

Section 1.03. Findings. The Council hereby finds and determines as follows:

A. The Issuer is a municipal corporation and political subdivision of the State of West Virginia in Jefferson County of said State.

B. The Issuer presently owns and operates a public combined waterworks and sewerage system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain additions, betterments and improvements to the sewerage portion of the System, consisting of the Project, as defined in Section 1.01, in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the City Clerk of the Issuer.

C. It is deemed necessary for the Issuer to issue its Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable), in the aggregate principal amount of not more than $3,000,000, to permanently finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2005 A Bonds prior to and during acquisition or construction and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 2005 A Bonds Reserve Account; underwriter's discount, engineering and legal expenses; expenses for estimates of costs and revenues; expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise; administrative expense; commitment fees; premiums for municipal bond insurance, reserve account insurance or reserve account surety bonds; letter of credit fees; discount; initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2005 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized; the acquisition and construction of the Project and the placing of same in operation; and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2005 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

D. The period of usefulness of the System after completion of the Project is not less than 30 years.

E. It is in the best interests of the Issuer that the Series 2005 A Bonds be sold to the Original Purchaser pursuant to the terms and provisions of a bond purchase agreement to be entered into by and between the Issuer and the Original Purchaser, as shall be approved by supplemental resolution of the Issuer.

F. There are outstanding obligations of the Issuer which will rank on a parity with the Series 2005 A Bonds as to liens, pledge, source of and security for payment, as follows:

(1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds");

(2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds");

(3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds");

(4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds");

(5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds");

(6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds");

(7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781 (the "Series 2000 A Bonds");

(8) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000 (the "Series 2002 A Bonds");

(9) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000 (the "Series 2002 B Bonds").

(10) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C (Insured), dated December 1, 2002, issued in the original aggregate principal amount of $4,135,000 (the "Series 2002 C Bonds"); and

(11) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT - Uninsured), dated January 1, 2003, issued in the original aggregate principal amount of $1,000,000 (the "Series 2003 A Bonds").

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds and the Series 2002 C Bonds and the Series 2003 A Bonds are hereinafter collectively called the "Prior Bonds." The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2005 A Bonds shall be issued on a parity with one another and with the Prior Bonds, all of which shall have a first lien position with respect to pledge and source of and security for payment and in all other respects. The Issuer has met the coverage requirements for issuance of parity bonds of the Prior Bonds and the Prior Ordinances and has substantially complied with all other parity requirements, except to the extent that noncompliance with any such other parity requirements is not of a material nature.

Prior to the issuance of the Series 2005 A Bonds, the Issuer will obtain (i) the certificate of an Independent Certified Public Accountant stating that the coverage and parity tests of the Prior Bonds are met; and (ii) the written consent of the Holders of the Prior Bonds (other than the Series 1998 Refunding Bonds, the Series 2002 C Bonds and the Series 2003 A Bonds) to the issuance of the Series 2005 A Bonds on a parity with such Bonds.

Other than the Prior Bonds, there are no other outstanding bonds or obligations of the Issuer which are secured by revenues or assets of the System.

G. The Issuer intends to issue the Series 2005 A Bonds and to pledge for payment thereof, from the Gross Revenues of the System, on a parity with one another and on a parity with such pledge in favor of the Holders of the Prior Bonds.

H. The estimated revenues to be derived in each year after the date hereof from the operation of the System will be sufficient, to provide for the repair, maintenance and operation of the System, the payment of interest upon the Series 2005 A Bonds, and the Prior Bonds and to create sinking funds, as hereinafter provided, to pay the principal on the Series 2005 A Bonds and the Prior Bonds as and when it becomes due and reasonable reserves therefor, to provide an adequate renewal and replacement fund, as hereinafter provided, and to make all other payments provided for in this Ordinance.

I. It is in the best interests of the Issuer, and the residents thereof, that the Issuer issue the Series 2005 A Bonds, and secure the Series 2005 A Bonds by a pledge and assignment of the Gross Revenues derived from the operation of the System, the monies in the Series 2005 A Bonds Reserve Account, unexpended proceeds of the Series 2005 A Bonds and as further set forth herein.

J. The Series 2005 A Bonds and the Certificate of Authentication and Registration to be endorsed thereon are to be in substantially the forms set forth in EXHIBIT A - SERIES 2005 A BOND FORM attached hereto and incorporated herein by reference, with necessary and appropriate variations, omissions and insertions as permitted or required by this Ordinance or a Supplemental Resolution or as deemed necessary by the Registrar or the Issuer.

K. All things necessary to make the Series 2005 A Bonds, when authenticated by the Registrar and issued as in this Ordinance provided, the valid, binding and legal special obligations of the Issuer according to the import thereof, and to validly pledge and assign those funds pledged hereby to the payment of the principal of and interest on the Series 2005 A Bonds, will be timely done and duly performed.

L. The enactment of this Ordinance, the execution and issuance of the Series 2005 A Bonds and the amendment, subject to the terms thereof, will not result in any breach of, or constitute a default under, any instrument to which the Issuer is a party or by which it may be bound or affected.

M. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 2005 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the obtaining of a certificate of convenience and necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the date of issuance of the Series 2005 A Bonds or such final order will not be subject to appeal or rehearing.

Section 1.04. Ordinance Constitutes Contract. In consideration of the acceptance of the Series 2005 A Bonds by those who shall own or hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all of such Bonds, all of which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bond, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not more than $3,000,000. The proceeds of the Series 2005 A Bonds hereby authorized shall be applied as provided herein.

ARTICLE III

THE SERIES 2005 A BONDS

Section 3.01. Form and Payment of Bonds. No Series 2005 A Bond shall be issued pursuant to this Ordinance except as provided in this Article III. Any Series 2005 A Bonds issued pursuant to this Ordinance may be issued only as fully registered Series 2005 A Bonds without coupons, in the denomination of $5,000 or any integral multiple thereof for any year of maturity. All Series 2005 A Bonds shall be dated as of the date provided in a Supplemental Resolution applicable to such series. All Series 2005 A Bonds shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2005 A Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2005 A Bonds shall be in default, Bonds issued in exchange for Series 2005 A Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2005 A Bonds surrendered.

The principal of and the premium, if any, on the Series 2005 A Bonds shall be payable in any coin or currency which, on the respective date of such payment, is legal tender for the payment of public and private debts under the laws of the United States of America upon surrender at the principal office of the Paying Agent. Interest on the Series 2005 A Bonds shall be paid by check or draft made payable and mailed to the Holder thereof at his address as it appears in the Bond Register at the close of business on the Record Date, or, if requested, in the case of a Registered Owner of $1,000,000 or more of the Series 2005 A Bonds, by wire transfer to a domestic bank account specified in writing at least 5 days prior to such interest payment date by such Registered Owner.

In the event any Series 2005 A Bond is redeemed in part, such bond shall be surrendered to and canceled by the Registrar, and the Issuer shall execute, and the Registrar shall authenticate and deliver to the Holder thereof, another Series 2005 A Bond in the principal amount of said 2005 A Bond then Outstanding.

Section 3.02. Execution of Bonds. The Series 2005 A Bonds shall be executed in the name of the Issuer by the Mayor and City Manager, by their respective manual or facsimile signatures, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the City Clerk by his or her manual or facsimile signature; provided, that, all such signatures and the seal may be by facsimile. In case any one or more of the officers who shall have signed or sealed any of the Series 2005 A Bonds shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such

office. Any Series 2005 A Bonds be signed and sealed on behalf of the City by such person as at the actual time of the execution of such Bonds shall hold the proper office in the City, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.03. Authentication and Registration. No Series 2005 A Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Ordinance unless and until the Certificate of Authentication and Registration on such Series 2005 A Bond, substantially in the form set forth in EXHIBIT A - SERIES 2005 A BOND FORM attached hereto and incorporated herein by reference with respect to the Series 2005 A Bonds, shall have been duly manually executed by the Registrar. Any such manually executed Certificate of Authentication and Registration upon any such Series 2005 A Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Ordinance. The Certificate of Authentication and Registration on any Series 2005 A Bond shall be deemed to have been executed by the Registrar if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Series 2005 A Bonds issued hereunder.

Section 3.04. Negotiability and Registration. Subject to the requirements for transfer set forth below, the Series 2005 A Bonds shall be, and have all of the qualities and incidents of, negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder, in accepting any of said Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 2005 A Bonds remains Outstanding, the Registrar shall keep and maintain books for the registration and transfer of the Series 2005 A Bonds. The Series 2005 A Bonds shall be transferable only by transfer of registration upon the Bond Register by the registered owner thereof in person or by his attorney or legal representative duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or such duly authorized attorney or legal representative. Upon transfer of a Series 2005 A Bond, there shall be issued at the option of the Holder or the transferee another Bond or Bonds of the aggregate principal amount equal to the unpaid amount of the transferred Bond and of the same series, interest rate and maturity of said transferred Bond.

Upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar and duly executed by the registered owner or his attorney or legal representative duly authorized in writing, Series 2005 A Bonds may at the option of the Holder thereof be exchanged for an equal aggregate principal amount of Bonds of the same series, maturity and interest rate, in any authorized denominations.

In all cases in which the privilege of transferring or exchanging a Series 2005 A Bond is exercised, Bonds shall be delivered in accordance with the provisions of this Ordinance. All Series 2005 A Bonds surrendered in any such transfer or exchange shall forthwith be canceled by the Registrar. Transfers of Series 2005 A Bonds, the initial exchange of Bonds and exchanges of Bonds in the event of partial redemption of fully registered Bonds shall be made by the Registrar without charge to the Holder or the transferee thereof, except as provided below. For other exchanges of Series 2005 A Bonds, the Registrar may impose a service charge. For every such transfer or exchange of Series 2005 A Bonds, the Registrar may make a charge sufficient to reimburse its office for any tax or other governmental charge required to be paid with respect to such transfer or exchange, and such tax or governmental charge, and such service charge for exchange other than the initial exchange or in the event of partial redemption, shall be paid by the person requesting such transfer or exchange as a condition precedent to the exercise of the privilege of making such transfer or exchange. The Registrar shall not be obliged to make any such transfer or exchange of Series 2005 A Bonds that have been called for redemption.

Section 3.05. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 2005 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may execute, in its discretion, and the Registrar shall authenticate, register and deliver any new Bond of like series, maturity and principal amount as the Bond, so mutilated, destroyed, stolen or lost, in exchange and upon surrender and cancellation of, such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing the Issuer and the Registrar proof of his ownership thereof and that said Bond has been destroyed, stolen or lost and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer or the Registrar may incur. The name of the Bondholder listed in the Bond Register shall constitute proof of ownership. All Series 2005 A Bonds so surrendered shall be submitted to and canceled by the Registrar, and evidence of such cancellation shall be given to the Issuer. If such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer, by and through the Registrar, may pay the same, upon being indemnified as aforesaid, and, if such Bond be lost, stolen or destroyed, without surrender therefor.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds be at any time found by any one, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien and source of and security for payment from the Revenues pledged herein with all other Bonds issued hereunder.

Section 3.06. Term Bonds. In the event Term Bonds are issued as part of the Series 2005 A Bonds pursuant to this Ordinance, the following provisions shall apply:

1. The amounts to be deposited, apportioned and set apart by the Issuer from the Revenue Fund and into the Series 2005 A Bonds Redemption Account in accordance with Subsection 4.03(A)(1) shall include (after credit as provided below) on the first of each month, beginning on the first day of that month which is 12 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/12th of the amount (or, if the Series 2005 A Bonds mature semiannually rather than annually, that month which is 6 months prior to the first mandatory redemption date of said Term Bonds, a sum equal to 1/6th of the amount) required to redeem the principal amount of such Term Bonds which are to be redeemed as of the next ensuing mandatory Redemption Date, which amounts and dates, if any, with respect to a series of Bonds shall be set forth in the Supplemental Resolution relating thereto.

2. At its option, to be exercised on or before the 60th day next preceding any such mandatory Redemption Date, the Issuer may (a) deliver to the Registrar for cancellation such Term Bonds in any aggregate principal amount desired or (b) receive a credit in respect of its mandatory redemption obligation for any such Term Bonds which prior to said date have been redeemed (otherwise than pursuant to this section) and canceled by the Registrar and not theretofore applied as a credit against any such mandatory redemption obligation. Each Term Bond so delivered or previously redeemed shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and Term Bonds delivered in excess of such mandatory redemption obligation shall be credited against future mandatory redemption obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

3. The Issuer shall on or before the 60th day next preceding each mandatory Redemption Date furnish the Registrar and the Bond Commission with its certificate indicating whether and to what extent the provisions of (a) and (b) of the preceding paragraph are to be utilized with respect to such mandatory redemption payment and stating, in the case of the credit provided for in (b) of the preceding paragraph, that such credit has not theretofore been applied against any mandatory redemption obligation.

4. After said 60th day but prior to the date on which the Registrar selects the Term Bonds to be redeemed, the Bond Commission may use the monies in the Series 2005 A Bonds Redemption Account to purchase Term Bonds at a price less than the par value thereof and accrued interest thereon. The Bond Commission shall advise the Issuer and the Registrar of any Term Bonds so purchased, and they shall be credited by the Registrar at 100% of the principal amount thereof against the obligation of the Issuer on such mandatory Redemption Date, and any excess shall be credited against future mandatory redemption

obligations in the order directed by the Issuer, and the principal amount of such Term Bonds to be redeemed pursuant to mandatory sinking fund redemption shall be accordingly reduced.

5. The Registrar shall call for redemption, in the manner provided herein, an aggregate principal amount of such Term Bonds, at the principal amount thereof plus interest accrued to the Redemption Date (interest to be paid from the Series 2005 A Bonds Sinking Fund), as will exhaust as nearly as practicable such Series 2005 A Bonds Redemption Account payment designated to be made in accordance with paragraph (A)(1) of this section. Such redemption shall be by random selection made on the 45th day preceding the mandatory Redemption Date, in such manner as may be determined by the Registrar. For purposes of this section, "Term Bonds" shall include any portion of a fully registered Term Bond, in integrals of $5,000.

Section 3.07. Notice of Redemption. Unless waived by any Holder of the Series 2005 A Bonds to be redeemed, official notice of any redemption shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the applicable Bond Insurer, the Original Purchaser, and the registered owner of the Series 2005 A Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar.

So long as DTC (as CEDE & CO.) is the registered Owner of the Series 2005 A Bonds, the Registrar shall send all notices of redemption to DTC and shall verify that DTC has received notice. Copies of all redemption notices shall also be sent to registered securities depositories, nationally recognized municipal securities information repositories and to *Standard & Poor's Called Bond Record.*

All official notices of redemption shall be dated and shall state:

(1) The Redemption Date,

(2) The Redemption Price,

(3) If less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,

(4) That on the Redemption Date the Redemption Price and interest accrued will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date,

(5) The place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Registrar, and

(6) Such other information, if any, as shall be required for DTC-Eligible Bonds.

If funds sufficient to redeem all Series 2005 A Bonds called for optional redemption have not been deposited with the Paying Agent at the time of mailing any notice of optional redemption, such notice shall also state that such optional redemption is subject to the deposit of such monies with the Paying Agent on or before the Redemption Date. If such monies are not so deposited, the Registrar shall notify all holders of Series 2005 A Bonds called for redemption of such fact.

Official notice of redemption having been given as aforesaid, the Series 2005 A Bonds, or portions of Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Series 2005 A Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of the same maturity in the amount of the unpaid principal of such Bond. All Series 2005 A Bonds which have been redeemed shall be canceled and destroyed by the Bond Registrar and shall not be reissued.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of Series 2005 A Bonds, and failure to mail such notice shall not affect the validity of proceedings for the redemption of any portion of Bonds for which there was no such failure.

Section 3.08. Persons Treated as Owners. The Issuer, the Registrar and any agent of the Issuer or the Registrar may treat the person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal of, and interest on, such Bond and (except as provided in Section 6.18) for all other purposes, whether or not such Bond is overdue.

Section 3.09. Temporary Bonds. Until Bonds of any series in definitive form are ready for delivery, the Issuer may execute and the Registrar shall authenticate, register, if applicable, and deliver, subject to the same provisions, limitations and conditions set forth in this Article III, one or more printed, lithographed or typewritten Bonds in temporary form, substantially in the form of the definitive Bonds of such series, with

appropriate omissions, variations and insertions, and in authorized denominations. Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the lien and benefit created under this Ordinance. Upon the presentation and surrender of any Bond or Bonds in temporary form, the Issuer shall, without unreasonable delay, prepare, execute and deliver to the Registrar, and the Registrar shall authenticate, register, if applicable, and deliver, in exchange therefor, a Bond or Bonds in definitive form. Such exchange shall be made by the Registrar without making any charge therefor to the Holder of such Bond in temporary form.

Section 3.10. Series 2005 A Bonds. For the purposes of paying costs of acquisition and construction of improvements and betterments to the sewerage portion of the System, funding the Series 2005 A Bonds Reserve Account and paying costs in connection therewith, there shall be issued the Series 2005 A Bonds of the Issuer, in an aggregate principal amount of not more than $3,000,000. Said Series 2005 A Bonds shall be designated "Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable)" or such other designation as may be appropriate for the year and sequence of the issue, as may be set forth in a Supplemental Resolution, and shall be issued in fully registered form, in the denomination of $5,000 or any integral multiple thereof for any period of maturity, not exceeding the aggregate principal amount of Series 2005 A Bonds maturing in the period of maturity for which the denomination is to be specified. The Series 2005 A Bonds shall be numbered from AR-1 consecutively upward. The Series 2005 A Bonds shall be dated; shall be in such aggregate principal amount (not to exceed $3,000,000); shall bear interest at such rate or rates, not exceeding the then legally permissible rate (not to exceed 8%), payable semiannually on such dates; shall mature on such dates (which may be annual or semi-annual) (not to exceed 35 years) and in such amounts; shall be subject to such mandatory and optional redemption provisions; and shall have such other terms, all as the Issuer shall prescribe herein and in the Supplemental Resolution.

Section 3.11. Book Entry System for Series 2005 A Bonds.

A. The Series 2005 A Bonds shall each initially be issued in the form of one fully-registered bond for the aggregate principal amount of the Series 2005 A Bonds of each maturity, registered in the name of CEDE & CO., as nominee of DTC. Except as provided in paragraph E below, all of the Series 2005 A Bonds shall be registered in the registration books kept by the Registrar in the name of CEDE & CO., as nominee of DTC; provided that if DTC shall request that the Series 2005 A Bonds be registered in the name of a different nominee, the Registrar shall exchange all or any portion of the Series 2005 A Bonds registered in the name of such nominee or nominees. No person other than DTC or its nominee shall be entitled to receive from the Issuer or the Registrar either a Series 2005 A Bond or any other evidence of ownership of the Series 2005 A Bonds, or any right to receive any payment in respect thereof unless DTC or its nominee shall transfer record ownership of all or any portion of the Series 2005 A Bonds on the registration books maintained by the

Registrar, in connection with discontinuing the book entry system as provided in paragraph E below.

B. At or prior to settlement for the Series 2005 A Bonds, the Issuer and the Registrar shall execute or signify their approval of a representation letter addressed to DTC in a form satisfactory to DTC (the "Representation Letter"). Any successor Registrar shall, in its written acceptance of its duties under this Ordinance, agree to take any actions necessary from time to time to comply with the requirements of the Representation Letter.

C. So long as the Series 2005 A Bonds or any portion thereof are registered in the name of DTC or any nominee thereof, all payments of the principal or Redemption Price of or interest on such Series 2005 A Bonds shall be made to DTC or its nominee at the addresses set forth in the Representation Letter in New York Clearing House or equivalent next day funds on the dates provided for such payments to be made to any Bondholder under this Ordinance. Each such payment to DTC or its nominee shall be valid and effective to fully discharge all liability of the Issuer and the Registrar with respect to the principal or Redemption Price of or interest on the Series 2005 A Bonds to the extent of the sum or sums so paid. In the event of the redemption of less than all of the Series 2005 A Bonds Outstanding of any maturity, the Registrar shall not require surrender by DTC of the Series 2005 A Bonds so redeemed, but DTC may retain such Series 2005 A Bonds and make an appropriate notation on the Series 2005 A Bonds certificate as to the amount of such partial redemption; provided that DTC shall deliver to the Registrar, upon request, a written confirmation of such partial redemption. The records maintained by the Registrar shall be conclusive as to the amount of the Series 2005 A Bonds of such maturity which have been redeemed.

D. The Issuer, the Paying Agent and the Registrar may treat DTC as the sole and exclusive owner of the Series 2005 A Bonds registered in its name or the name of its nominee for the purposes of payment of the principal or Redemption Price of or interest on the Series 2005 A Bonds, selecting the Series 2005 A Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this Ordinance, registering the transfer of Series 2005 A Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and neither the Issuer nor the Registrar shall be affected by any notice to the contrary. Neither the Issuer nor the Registrar shall have any responsibility or obligation to any direct or indirect participant in DTC, any person claiming a beneficial ownership interest in the Series 2005 A Bonds under or through DTC or any such participant, or any other person which is not shown on the registration books of the Registrar as being a Bondholder with respect to (i) the Series 2005 A Bonds, (ii) the accuracy of any records maintained by DTC or any such participant, (iii) the payment by DTC or any such participant of any amount in respect of the principal or Redemption Price of or interest on the Series 2005 A Bonds, (iv) any notice which is permitted or required to be given to Bondholders under this Ordinance, (v) the selection by DTC or any such participant of any person to receive payment in the event of

a partial redemption of the Series 2005 A Bonds, or (vi) any consent given or other action taken by DTC as Bondholder.

E. The book entry system for registration of the ownership of the Series 2005 A Bonds may be discontinued at any time if either: (i) DTC determines to resign as securities depository for the Series 2005 A Bonds; or (ii) the Issuer determines that continuation of the system of book entry transfers through DTC (or through a successor securities depository) is not in the best interest of the beneficial owners of the Series 2005 A Bonds. In either of such events (unless in the case described in clause (iii) above, the Issuer appoints a successor securities depository), the Series 2005 A Bonds shall be delivered in registered certificate form to such persons, and in such maturities and principal amounts, as may be designated by DTC, but without any liability on the part of the Issuer or the Registrar for the accuracy of such designation. Whenever DTC requests the Issuer and the Registrar to do so, the Issuer and the Registrar shall cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Series 2005 A Bonds.

Section 3.12. Delivery of Series 2005 A Bonds.

A. The Issuer shall execute and deliver the Series 2005 A Bonds to the Registrar, and the Registrar shall authenticate, register and deliver the Series 2005 A Bonds to the Original Purchaser upon receipt of the documents set forth below:

(1) If not registered in the name of DTC or its nominee, a list of the names in which the Series 2005 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Registrar may reasonably require;

(2) A request and authorization to the Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2005 A Bonds to DTC for the benefit of the Original Purchaser;

(3) Copies, certified by the City Clerk, of this Ordinance and the Supplemental Resolution;

(4) The unqualified approving opinion upon the Series 2005 A Bonds by Bond Counsel; and

(5) Such other opinions, certificates and documents as shall be reasonably requested by the Original Purchaser.

Section 3.13. Form of Series 2005 A Bonds. The definitive Series 2005 A Bonds shall be in substantially the form set forth in EXHIBIT A - SERIES 2005 A BOND FORM attached hereto and incorporated herein by reference, with such necessary and appropriate omissions, insertions and variations as are approved by those officers executing such Series 2005 A Bonds on behalf of the Issuer and execution thereof by such officers shall constitute conclusive evidence of such approval, and the definitive Series 2005 A Bonds shall have the form of the opinion of Steptoe & Johnson PLLC, as Bond Counsel, attached thereto or printed on the reverse thereof.

Section 3.14. Disposition of Proceeds of Series 2005 A Bonds. Upon the issuance and delivery of the Series 2005 A Bonds, the Issuer shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued on the Series 2005 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2005 A Bonds Sinking Fund and applied to payment of interest on the Series 2005 A Bonds at the first interest payment date.

2. An amount of the proceeds of the Series 2005 A Bonds equal to the amount, if any, set forth in the Supplemental Resolution shall be remitted to the Bond Commission for deposit in the Series 2005 A Bonds Reserve Account, provided that, to the extent the Series 2005 A Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2005 A Bonds shall be deposited in the Series 2005 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2005 A Bonds Reserve Requirement.

3. The amount of Series 2005 A Bond proceeds which, together with other monies or securities deposited therein shall be equal to the Costs of Issuance of the Series 2005 A Bonds shall be deposited with the Depository Bank in the Series 2005 A Bonds Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2005 A Bonds at the written direction of the Issuer. Monies not to be applied immediately to pay such costs of issuance may be invested in accordance with this Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 120 days following the Closing Date for the Series 2005 A Bonds, such unapplied proceeds shall be transferred by the Issuer to the Series 2005 A Bonds Sinking Fund established in Section 4.01 hereof and applied to the next ensuing payment of interest on the Series 2005 A Bonds. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such monies until so applied in favor of the Holders of the Series 2005 A Bonds from which such proceeds are derived.

4. The balance of Series 2005 A Bonds proceeds, if any, shall be deposited in the Series 2005 A Bonds Acquisition and Construction Fund and disbursed as provided in Section 3.16(A) hereof.

Section 3.15. Disbursements from the Acquisition and Construction Funds. Disbursements from the Series 2005 A Bonds Acquisition and Construction Fund, except for payment of Costs of Issuance of the Series 2005 A Bonds in excess of the monies available in the Costs of Issuance Fund which shall be made upon request of the Issuer, shall be made only for acquisition and construction of capital improvements, repairs and replacements for the System, including all necessary engineering and other professional services relating thereto. Pending such application, monies in the Series 2005 A Bonds Acquisition and Construction Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE IV

SYSTEM REVENUES; FUNDS AND ACCOUNTS

Section 4.01. Establishment of Funds and Accounts with Depository Bank. Pursuant to this Article IV, the following special funds are created with, and shall be held by, the Depository Bank, segregated from all other funds and accounts of the Depository Bank or the Issuer and from each other (except as set forth in this Section 4.01), and used solely for the purposes provided herein:

(1) Revenue Fund;

(2) Renewal and Replacement Fund;

(3) Series 2005 A Bonds Costs of Issuance Fund;

(4) Series 2005 A Bonds Acquisition and Construction Fund; and

(5) Rebate Fund.

Section 4.02. Establishment of Funds and Accounts with Bond Commission. Pursuant to this Article IV, the following special fund and accounts are hereby established with and shall be held by the Bond Commission:

(1) Series 2005 A Bonds Sinking Fund;

(a) Within the Series 2005 A Bonds Sinking Fund:

(i) Series 2005 A Bonds Reserve Account; and

(ii) Series 2005 A Bonds Redemption Account.

Section 4.03. System Revenues and Application Thereof. So long as any of the Series 2005 A Bonds shall be Outstanding and unpaid, the Issuer covenants as follows:

A. The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the Issuer in the Revenue Fund. The Revenue Fund shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

(1) The Issuer shall first, from the monies in the Revenue Fund, on the first day of each month, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Sinking Funds for payment of interest on the Prior Bonds; and (ii) beginning on the first day of that month which is 6 months prior to the first interest payment date on the Series 2005 A Bonds, apportion and set apart out of the Revenue Fund and deposit in the Series 2005 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on said Series 2005 A Bonds on the next ensuing semiannual interest payment date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2005 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is less than or greater than 6 months, then such monthly payments shall be increased or decreased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date, and provided further, that the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2005 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2005 A Bonds deposited therein and subsequent amounts required to be transferred from the Revenue Fund and deposited in the Series 2005 A Bonds Sinking Fund shall be reduced by the amount of any earnings credited to the Series 2005 A Bonds Sinking Fund.

(2) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Sinking Funds for payment of principal on the Prior Bonds; and (ii) for deposit in the Series 2005 A Bonds Sinking Fund (and in the Series 2005 A Bonds Redemption Account therein in the case of Term Bonds which are to be redeemed) on the first day of each month, beginning on the first day of that month which is 12 months prior to the first principal payment or mandatory Redemption Date of the Series 2005 A Bonds, a sum equal to 1/12th of the amount (or 1/6th of the amount if the Series 2005 A Bonds mature semiannually rather than annually) of principal which will mature or be redeemed and become due on the Series 2005 A Bonds on the next ensuing principal payment or mandatory Redemption Date, provided, that in the event the period to elapse between the date of such initial deposit in the Series 2005 A Bonds Sinking Fund and the next ensuing principal payment or mandatory Redemption Date is less than or greater than 12 months (or 6 months if the Series 2005 A Bonds mature semiannually rather than annually), then such monthly payments shall be increased or decreased proportionately to provide, one month prior to the next ensuing principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date, and provided further, that the amount of such deposits shall be reduced by the amount of any earnings

credited to the Series 2005 A Bonds Sinking Fund and not previously credited pursuant to the preceding paragraph.

(3) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and, simultaneously remit to the Commission (i) the amounts required by the Prior Ordinances to be deposited in the Prior Bonds Reserve Accounts for the Prior Bonds; and (ii) commencing 13 months prior to the first date of payment of principal of the Series 2005 A Bonds or upon completion of construction of the Project, whichever is earlier, if not fully funded upon issuance of the Series 2005 A Bonds, for deposit in the Series 2005 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2005 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2005 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2005 A Bonds Reserve Requirement; provided further, that if the amounts in the Series 2005 A Bonds Reserve Account, as a result of a decrease in value of the Series 2005 A Bonds Reserve Account below the Series 2005 A Reserve Account Requirement or any withdrawal from the Series 2005 A Bonds Reserve Account, the Issuer shall apply such monies for deposit into the Series 2005 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (i) the valuation of investments in the Series 2005 A Bonds Reserve Account results in a determination that the amount of monies and the value of the Qualified Investments deposited to the credit of the Series 2005 A Bonds Reserve Account is less than the Series 2005 A Reserve Account Requirement, or (ii) any amount is withdrawn from the Series 2005 A Bonds Reserve Account for deposit into the Series 2005 A Bonds Sinking Fund. To the extent Net Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of monies on deposit in the Series 2005 A Bonds Reserve Account to an amount equal to the Series 2005 A Reserve Account Requirement to the full extent that such Net Revenues are available; provided, however, that if the shortfall in the Series 2005 A Bonds Reserve Account is due to a decrease in the value of investments therein, such shortfall shall be replenished by not less than 4 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2005 A Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2005 A Bonds Reserve Account whenever and as long as the amount deposited therein shall be equal to the Series 2005 A Reserve Account Requirement.

Amounts in the Series 2005 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2005 A Bonds when due, when amounts in the Series 2005 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

(4) The Issuer shall next, each month, transfer from the Revenue Fund an amount sufficient to pay current Operating Expenses of the System.

(5) The Issuer shall next, on the first day of each month, transfer from the monies remaining in the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund (as previously set forth in the Prior Ordinances and not in addition thereto), a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Subject to the restrictions contained in the Prior Ordinances, so long as the Prior Bonds are outstanding, withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof, shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(6) Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by the Act, such excess shall be considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System.

B. The Bond Commission is hereby designated as the fiscal agent for the administration of the Series 2005 A Bonds Sinking Fund created hereunder, and all amounts required for said Sinking Fund shall be remitted to the Bond Commission from said Revenue Fund and from the proceeds of the sale of the Series 2005 A Bonds, by the Issuer at the times and as otherwise provided herein. All remittances made by the Issuer to the Bond Commission shall clearly identify the fund or account into which each amount is to be deposited.

C. The monies on deposit in the Revenue Fund and the Renewal and Replacement Fund in excess of the sum insured by the FDIC shall at all times be secured, to the full extent thereof in excess of such insured sum, by Government Obligations or by other Qualified Investments as shall be eligible as security for deposits of municipal funds under the laws of the State.

D. Principal, interest or reserve payments, whether for a deficiency or otherwise, shall be made on a parity and pro rata, with respect to the Prior Bonds, the Series 2005 A Bonds, all in accordance with the respective principal amounts then Outstanding.

ARTICLE V

INVESTMENTS; NON-ARBITRAGE; REBATES OF EXCESS INVESTMENT EARNINGS

Section 5.01. Investments. The Issuer shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any monies held as a part of the funds and accounts created by this Ordinance in Qualified Investments to the fullest extent possible under applicable laws, this Ordinance, the need for such monies for the purposes set forth herein and the specific restrictions and provisions set forth in this section.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such monies were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The Issuer shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Issuer may make any and all investments permitted by this section through the bond department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The following specific provisions shall apply with respect to any investments made under this section (unless otherwise required by the Bond Insurer and as set forth in the Supplemental Resolution):

(A) Qualified Investments acquired for the Series 2005 A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The Issuer shall, or shall cause the Bond Commission to, annually transfer from the Series 2005 A Bonds Reserve Account to the Sinking Fund any earnings on the monies deposited therein and any other funds in excess of the Series 2005 A Bonds Reserve Requirement, provided, however, that there shall at all times remain on deposit in the Series 2005 A Bonds Reserve Account an amount at least equal to the Series 2005 A Bonds Reserve Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2005 A Bonds Reserve Account, whereupon

it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2005 A Bonds Reserve Account shall, at any time, be less than the applicable Series 2005 A Bonds Reserve Requirement, the applicable Bond Insurer shall be notified immediately of such deficiency, and such deficiency shall be made up from the first available Gross Revenues after required deposits to the Sinking Fund and otherwise in accordance with Section 4.03(3).

(E) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2005 A Bonds, as appropriate, and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(F) Notwithstanding the foregoing, all monies deposited in the Series 2005 A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the Code of West Virginia, 1931, as amended.

Section 5.02. Continuing Disclosure Agreement. The Issuer shall deliver a continuing disclosure agreement or certificate in form acceptable to the Original Purchaser sufficient to ensure compliance with SEC Rule 15c2-12, as it may be amended from time to time, and the Issuer hereby instructs the Mayor and City Manager to take all actions necessary for the Issuer to comply with the continuing disclosure agreement.

ARTICLE VI

ADDITIONAL COVENANTS OF THE ISSUER

Section 6.01. Covenants Binding and Irrevocable. All the covenants, agreements and provisions of this Ordinance shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2005 A Bonds, as prescribed by Article VII. In addition to the other covenants, agreements and provisions of this Ordinance, the Issuer hereby covenants and agrees with the Holders of the Series 2005 A Bonds, as hereinafter provided in this Article VI. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2005 A Bonds or the Series 2002 B Bonds or the interest thereon, are Outstanding and unpaid.

Section 6.02. Bonds not to be Indebtedness of the Issuer. The Series 2005 A Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness but shall be payable solely from the Gross Revenues of the System, the monies in the Series 2005 A Bonds Sinking Fund and all accounts therein, the unexpended proceeds of the Series 2005 A Bonds or monies in a construction fund, if any, all as herein provided. No Holder or Holders of any Series 2005 A Bonds issued hereunder shall ever have the right to compel the exercise of the taxing power of the Issuer to pay said Series 2005 A Bonds or the interest thereon.

Section 6.03. Bonds Secured by Pledge of Gross Revenues and Monies in Sinking Fund. The payment of the debt service of all of the Series 2005 A Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Gross Revenues derived from the operation of the System on a parity with one another and with the lien on the Gross Revenues in favor of the Holders of the Prior Bonds and, in the instance of the Series 2005 A Bonds, all monies and securities in the Series 2005 A Sinking Fund, including the Series 2005 A Bonds Reserve Account therein, to the extent necessary to make the payments required under Section 4.03. The Gross Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Prior Bonds and the Series 2005 A Bonds herein authorized, and to make the payments into the Series 2005 A Bonds Sinking Fund, all monies and securities in the Series 2005 A Bonds Sinking Fund, including the Series 2005 A Bonds Reserve Account therein.

Section 6.04. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the City Clerk, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted

whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2005 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2005 A Bonds, including the Prior Bonds.

The Issuer hereby covenants to commence enactment of such ordinance or ordinances as shall be required to increase the rates and charges for the services and facilities of the System within 30 days following a determination of the Independent Accountant that less than the above-required coverage exists or in the event that the annual audit report shows less than the above-required coverage, such increase to provide rates and charges sufficient to produce such required coverage. In any event, subject to the requirements of law, the Issuer shall not reduce the rates or charges for services set forth in the current rate ordinance.

Section 6.05. Completion of Project; Operation and Maintenance. The Issuer will complete the Project as promptly as possible. The Issuer will maintain the System in good condition and will operate the same as a revenue-producing enterprise in an efficient and economical manner, making such expenditures for equipment and for renewal, repair and replacement as may be proper for the economical operation and maintenance thereof from the revenues of said System in the manner provided in this Ordinance.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and all orders and approvals from the Public Service Commission of West Virginia necessary for the acquisition and construction of the Project and the operation of the System.

Section 6.06. Sale of the System . So long as the Prior Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, except as provided by the Prior Ordinances. Additionally, so long as the Series 2005 A Bonds are Outstanding, the System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by this Ordinance as provided by Section 9.01. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2005 A Bonds Sinking Fund, and otherwise as prescribed by Section 9.01. Any balance remaining after such defeasance shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the Revenues of the System.

The foregoing provision notwithstanding, the Board shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part

of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of $50,000, the Board shall, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Board may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $50,000 but not in excess of $200,000, the Board shall first, in writing, determine with the written approval of the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Board may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property, in excess of $50,000 and not in excess of $200,000, shall be deposited by the Issuer into the Renewal and Replacement Fund. Such payments of such proceeds into the Renewal and Replacement Fund shall reduce the amounts required to be paid into said funds by other provisions of this Ordinance.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom shall be in excess of $200,000 and insufficient to defease the pledge created by this Ordinance, as provided by Section 9.01, without the prior approval and consent in writing of any applicable Bond Insurer and the Holders, or their duly authorized representatives, of 60% in amount of Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the Bond Insurer and the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 6.07. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. The Issuer shall not issue any other obligations whatsoever, except Additional Parity Bonds provided for in Section 6.08 hereof, payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from the Gross Revenues with the Series 2005 A; and all obligations hereafter issued by the Issuer payable from the revenues of the System, except such Additional Parity Bonds, shall contain an express statement that such obligations are junior and subordinate as to lien on and source of and security for payment from such revenues and in all other respects to the Series 2005 A Bonds.

The Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to such Additional Parity Bonds, being on a parity with the lien of the Series 2005 A Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Series 2005 A Bonds and the interest thereon in this Ordinance or upon the System or any part thereof.

Section 6.08. Additional Parity Bonds. So long as the Prior Bonds are outstanding, the limitations on the issuance of parity obligations set forth in the Prior Ordinances shall be applicable. In addition, no additional Parity Bonds, as in this section defined, payable out of the revenues of the System shall be issued after the issuance of any Bonds pursuant to this Ordinance, except under the conditions and in the manner herein provided.

No such Additional Parity Bonds shall be issued except for the purpose of financing the costs of design, acquisition or construction of additions, betterments or improvements to the System, refunding all or a portion of one or more series of Bonds issued pursuant hereto or the Prior Bonds, to pay claims which may exist against the revenues or facilities of the System, or all of such purposes.

No such Additional Parity Bonds shall be issued at any time, however, unless and until there has been procured and filed with the City Clerk a written statement by an Independent Accountant, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of such Additional Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the date of issuance of such Additional Parity Bonds, shall be not less than 115% of the Maximum Annual Debt Service on the following:

(1) The Series 2005 A Bonds then Outstanding;

(2) The Prior Bonds Outstanding;

(3) Any Additional Parity Bonds theretofore issued pursuant to the provisions contained in this Bond Legislation then Outstanding; and

(4) The Additional Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Additional Parity Bonds and any increase in rates enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to the issuance of such Additional Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Independent Accountant, which shall be filed in the office of the Clerk prior to the issuance of such Additional Parity Bonds.

The Net Revenues actually derived from the System during the 12 consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent

Accountant, as stated in a certificate on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such Additional Parity Bonds.

The term "Additional Parity Bonds," as used in this section, shall be deemed to mean additional Bonds issued under the provisions and within the limitations of this section, payable from the Gross Revenues of the System on a parity with the Series 2005 A Bonds and the Prior Bonds, and all the covenants and other provisions of this Ordinance (except as to details of such Additional Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2005 A Bonds and the Prior Bonds and the Holders of any Additional Parity Bonds theretofore or subsequently issued from time to time within the limitations of and in compliance with this section. All the Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Gross Revenues of the System, and their source of and security for payment from said Gross Revenues, without preference of any Bond over any other. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Ordinance required for and on account of such Additional Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Ordinance.

The term "Additional Parity Bonds," as used in this section, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien on the Revenues of the System of which is subject to the prior and superior lien of the Bonds on such Revenues. Any such subordinate bonds, notes, certificates or other obligations shall be payable from the Net Revenues remaining after all payments required to be made pursuant to Section 4.03(1), (2) and (3) have first been paid. The Issuer shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such Revenues, with the Series 2005 A Bonds except in the manner and under the conditions provided in this section.

No Additional Parity Bonds, as in this section defined, shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in this Ordinance on account of the Bonds then Outstanding (excluding the Renewal and Replacement Fund), and any other payments provided for in this Ordinance, shall have been made in full as required to the date of delivery of the Additional Parity Bonds and the Issuer shall then be in full compliance with all the covenants, agreements and terms in the Ordinance and every ordinance supplemental thereto, or shall have fully corrected any delinquency or deficiency with respect to such payments and compliance.

Section 6.09. Insurance and Bonds. The Issuer hereby covenants and agrees, that so long as the Series 2005 A Bonds remain Outstanding, the Issuer or the Board will, as an Operating Expense, procure, carry and maintain insurance and bonds and worker's compensation coverage with a reputable insurance carrier or carriers or bonding company or companies rated at least "A" by Standard & Poor's Corporation covering the following risks and in the following amounts:

A. FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE, on all above-ground insurable portions of the System in an amount equal to the greater of the fair appraised value or the original cost thereof. In the event of any damage to or destruction of any portion of the System, the Board will promptly arrange for the application of the insurance proceeds for the repair or reconstruction of such damages or destroyed portion. The Board will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance to protect the interests of the Board and the Issuer during construction of the Project in the full insurable value thereof.

B. PUBLIC LIABILITY INSURANCE, with limits of not less than is customarily carried by municipalities of equivalent size with respect to works and properties similar to the System to protect the Issuer and the Board from claims for bodily injury and/or death and from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer and the Board from claims arising out of operation or ownership of motor vehicles of or for the System, provided that, the Board, with the review of an insurance consultant and the concurrence of the Issuer, may elect to self-insure, so long as the following requirements are met:

(i) The self-insurance program has been reviewed by an insurance consultant;

(ii) The self-insurance program includes an actuarially sound claims reserve fund out of which each self-insured claim shall be paid; the adequacy of such fund shall be evaluated on an annual basis by an insurance consultant; and any deficiencies in any self-insured claims reserve fund will be remedied in accordance with the recommendation of the insurance consultant;

(iii) The self-insured claims reserve fund shall be held in the United States of America in a separate trust fund by an independent corporate trustee; and

(iv) In the event the current funding of the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund, as determined by an insurance consultant, shall be maintained.

If the Issuer determines in good faith that any required insurance is not commercially available at a reasonable cost with reasonable terms, it shall engage an insurance consultant to verify the determination and to make recommendations regarding the types, amounts and provisions of any such insurance that should be purchased or funded by the Issuer, taking into consideration the costs and practices of other municipal water and sewer systems of similar size and type in the State to the extent that such information is

available. The Issuer may, upon resolution adopted in good faith and upon the recommendations of the insurance consultant, adopt alternate or supplemental risk management programs which the Issuer determines to be reasonable, including the right to self-insure and participate in captive insurance companies.

C. WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT OR COMPLETION BONDS, such bonds to be in the amounts of not less than 100% of the amount of any construction contract and to be required of each contractor dealing directly with the Board and such payment bonds will be filed with the Clerk of the County Commission of Jefferson County prior to commencement of construction of any additions, extensions or improvements for the System in compliance with West Virginia Code, Section 38-2-39.

(D) FLOOD INSURANCE, if the facilities of the System are or will be located in designated special flood or mudslide-prone areas and to the extent available at reasonable cost to the Issuer.

(E) BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

(F) FIDELITY BONDS will be provided as to every officer, member and employee of the Issuer or the Governing Body having custody of the revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract.

The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project.

Section 6.10. Services Rendered to the Board or Issuer. The Board will not render or cause to be rendered any free services of any nature by its System; and, in the event the Board, the Issuer or any department, agency, instrumentality, officer or employee thereof shall avail himself of the facilities or services provided by the System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Board, the Issuer and any such department, agency, instrumentality, officer or employee. Such charges shall be paid as they accrue, and

the Board or the Issuer shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be revenues derived from the operation of the System and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 6.11. Enforcement of Collections. The Issuer or the Board will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 20 days after the same shall become due and payable, the user of the services and facilities shall be delinquent until such time as all such rates and charges are fully paid and to the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, all delinquent rates, rentals and other changes, if not paid, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services and facilities of the System and any services and facilities of the Issuer's waterworks system, to all delinquent users of services and facilities of the System and will not restore such services of the System (or waterworks system) until all billing for charges for the services and facilities of the System, plus penalty charges for the restoration of service, has been fully paid or an appropriate payment plan has been established.

Section 6.12. No Competing Franchise. To the extent legally allowable, neither the Issuer nor the Board will grant or cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 6.13. Books and Records The Board will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Board or the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Series 2005 A Bond, shall have the right at all reasonable times to inspect the System, and all parts thereof, and all records, accounts and data of the Board relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles, to the extent allowable under and in accordance with the rules and regulations of the Public Service Commission of West Virginia and the Act. Separate control

accounting records shall be maintained by the Board. Subsidiary records as may be required shall be kept in the manner, on the forms, in the books and along with other bookkeeping records as prescribed by the Board. The Board shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Board shall be reported to such agent of the Board as it shall direct.

The Issuer or the Board shall file with the Original Purchaser and any Bond Insurer, and shall mail to any Bondholder requesting the same, an annual report within 30 days following the date of receipt of the final audit containing a balance sheet, statement of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The Issuer or the Board shall also file with the Original Purchaser and any Bond Insurer, and mail to any Bondholder requesting the same, a monthly unaudited report within 30 days following the end of each month containing the following:

(A) A statement of Gross Revenues, Operating Expenses, and Net Revenues derived from the System; and

(B) A statement of account balances in the Sinking Fund accounts provided for in this Ordinance and status of said funds.

The Issuer or the Board shall also, at least once a year, cause the books, records and accounts of the System to be completely audited by an Independent Accountant, shall mail upon request, and make available generally, the report of said Independent Accountant, or a summary thereof, to any Holder or Holders of Series 2005 A Bonds issued pursuant to this Ordinance and shall file said report with the Original Purchaser.

Section 6.14. Operating Budget. The Board shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date required by the charter of the Issuer, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of such a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Board shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and the Bond Insurer, if any, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Original Purchaser and to any Bondholder or anyone acting for and in behalf of such Bondholder who requests the same.

Section 6.15. Mandatory Connections. The mandatory use of the sewerage portion of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer, and in order to assure the rendering harmless of sewage and waterborne waste matter produced or arising within the territory served by the sewerage portion of the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the sewerage portion of the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building and every such owner, tenant or occupant shall, after a 30 day notice of the availability of sewerage services of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or waterborne waste matter and which is not so connected with the sewerage portion of the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the residents of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

Section 6.16. Statutory Mortgage Lien. For the further protection of the Holders of the Series 2005 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon the issuance of the Series 2005 A Bonds and shall be on a parity with one another and with the statutory mortgage lien in favor of the Holders of the Prior Bonds.

Section 6.18. Covenants Regarding the Municipal Bond Insurance Policy The Issuer intends to obtain Municipal Bond Insurance Policies for the Series 2005 A Bonds. In the event such Municipal Bond Insurance Policies are obtained, certain additional covenants of the Issuer will be required by the Bond Insurer as a condition to insuring the Series 2005 A Bonds. These additional covenants shall be set forth in full in the Supplemental Resolution, shall apply to the Series 2005 A Bonds and any other Bonds which may be insured by such Bond Insurer, and shall be controlling in the event any other provisions of this Ordinance may be in conflict therewith.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default . Each of the following events shall constitute an "Event of Default" with respect to the Series 2005 A Bonds:

(A) If default occurs in the due and punctual payment of the principal of or interest on any Bond;

(B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part in this Ordinance or any Supplemental Resolution or in the Series 2005 A Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Issuer by any Bondholder or any Insurer; or

(C) If the Issuer files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America; or

(D) If default occurs with respect to the Prior Bonds or the Prior Ordinances.

Section 7.02. Enforcement. Upon the happening and continuance of any Event of Default, any Bondholder (with the prior written consent of the applicable Bond Insurer) or any Bond Insurer may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular:

(A) Bring suit for any unpaid principal or interest then due;

(B) By mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to require the Issuer to perform its duties under the Act and this Ordinance;

(C) Bring suit upon the Series 2005 A Bonds, as applicable;

(D) By action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders; and

(E) By action or bill in equity enjoin any acts in violation of this Ordinance or the rights of the Bondholders.

No remedy by the terms of this Ordinance conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder or now or hereafter existing at law or by statute.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder by the Bondholders shall be made without the prior written consent of the applicable Bond Insurer or shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereto.

Section 7.03. Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder or any Bond Insurer shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to administer the System on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Series 2005 A Bonds, and the Prior Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or other Revenues in conformity with the provisions of this Ordinance and the Act.

The receiver so appointed shall forthwith, directly or by his agents and attorneys, enter into and upon and take possession of all facilities of said System and shall hold, operate, maintain, manage and control such facilities, and each and every part thereof, and in the name of the Issuer exercise all the rights and powers of the Issuer with respect to said facilities as the Issuer itself might do.

Whenever all that is due upon the Series 2005 A Bonds issued pursuant to this Ordinance and interest thereon and under any covenants of this Ordinance for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Ordinance shall have been cured and made good, and all monies due hereunder or under any Supplemental Resolution have been paid in full, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Bondholder shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and the Holders of the Series 2005 A Bonds issued pursuant to this Ordinance. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the Issuer and the Bondholders, and the curing and making good of any default under the provisions of this Ordinance, and the title to and ownership of said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

Notwithstanding any other provision of this Ordinance, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Ordinance, any trustee or Bondholder's committee shall consider the effect on the Bondholders as if no Municipal Bond Insurance Policy were then in effect.

Section 7.04. Restoration of Issuer and Bondholder. In case any Bondholder shall have proceeded to enforce any right under this Ordinance by the appointment of a receiver, by entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer and such Bondholder shall be restored to their former positions and rights hereunder, and all rights and remedies of such Bondholder shall continue as if no such proceedings had been taken.

ARTICLE VIII

REGISTRAR AND PAYING AGENT

Section 8.01. Appointment of Registrar. The Registrar for the Series 2005 A Bonds shall be appointed pursuant to the Supplemental Resolution. The Issuer is hereby authorized and directed to enter into an agreement with the Registrar, the substantial form of which agreement is to be approved by Supplemental Resolution.

Section 8.02. Responsibilities of Registrar. The recitals of fact in the Bonds shall be taken as statements of the Issuer, and the Registrar shall not be responsible for their accuracy. The Registrar shall not be deemed to make any representation as to, and shall not incur any liability on account of, the validity of the execution of any Series 2005 A Bonds by the Issuer. Notwithstanding the foregoing, the Registrar shall be responsible for any representation in its Certificate of Authentication on the Series 2005 A Bonds. The Registrar and any successor thereto shall agree to perform all the duties and responsibilities spelled out in this Ordinance and any other duties and responsibilities incident thereto, all as provided by said agreement described in Section 8.01.

Section 8.03. Evidence on Which Registrar May Act. Except as otherwise provided by Section 10.02, the Registrar shall be protected in acting upon any notice, resolution, request, consent, order, certificate, opinion or other document believed by it to be genuine and to have been signed or presented by the proper party or parties. Whenever the Registrar shall deem it necessary or desirable that a fact or matter be proved or established prior to taking or suffering any action, such fact or matter, unless other evidence is specifically prescribed, may be deemed to be conclusively proved and established by a certificate of an Authorized Officer of the Issuer, but in its discretion the Registrar may instead accept other evidence of such fact or matter.

Section 8.04. Compensation and Expenses. The Issuer shall pay to the Registrar from time to time reasonable compensation for all services, including the transfer of registration of Series 2005 A Bonds, the first exchange of Series 2005 A Bonds and the exchange of Series 2005 A Bonds in the event of partial redemption, incurred in the performance of its duties hereunder.

Section 8.05. Certain Permitted Acts. The Registrar may become the owner of or may deal in Series 2005 A Bonds as fully and with the same rights it would have if it were not Registrar. To the extent permitted by law, the Registrar may act as depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or effect or aid in any reorganization growing out of the enforcement of the Series 2005 A Bonds, or this

Ordinance, whether or not any such committee shall represent the Holders of a majority in principal amount of the Series 2005 A Bonds Outstanding.

Section 8.06. Resignation of Registrar. The Registrar may at any time resign and be discharged of its duties and obligations under this Ordinance by giving not less than 60 days' written notice to the Issuer and publishing in an Authorized Newspaper notice (or mailing such notice to each Bondholder in the event all Bonds are fully registered), specifying the date when such resignation shall take effect, within 20 days after the giving of such written notice. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Such resignation shall take effect upon the day specified in such notice unless a successor shall have been previously appointed by the Issuer or bondholders, in which event such resignation shall take effect immediately, provided that in no event shall such resignation take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.07. Removal. The Registrar may be removed at any time by the Issuer, the applicable Bond Insurer or by the Holders of a majority in principal amount of the Series 2005 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed and duly acknowledged by the Issuer, the applicable Bond Insurer or by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer, as the case may be. Copies of each such instrument shall be delivered by the Issuer to the Registrar. Such removal shall take effect upon the date stated in such instrument, provided that in no event shall such removal take effect until a successor has been appointed and has accepted its duties as Registrar.

Section 8.08. Appointment of Successor. In case at any time the Registrar shall resign or shall be removed or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or if a receiver, liquidator or conservator of the Registrar or of its property shall be appointed, or if any public officer or court shall take charge or control of the Registrar or of its property or affairs, a successor may be appointed by the Holders of a majority in principal amount of the Series 2005 A Bonds then Outstanding by an instrument or concurrent instruments in writing signed by such Bondholders or their attorneys duly authorized in writing and delivered to the Issuer and such successor Registrar, notification thereof being given to the predecessor Registrar. Pending such appointment, the Issuer shall forthwith appoint a Registrar to fill such vacancy until a successor Registrar shall be appointed by such Bondholders. The Issuer shall publish in an Authorized Newspaper (or mail to each Bondholder in the event all Bonds are fully registered) notice of any such appointment within 20 days after the effective date of such appointment. A copy of such notice shall also be mailed to each owner of a fully registered Bond or a coupon Bond registered as to principal (other than to bearer). Any successor Registrar appointed by the Issuer shall, immediately and without further act, be superseded by a Registrar appointed by such Bondholders. If in a proper case no appointment of a successor Registrar shall be made within 45 days after the Registrar shall have given to the Issuer written notice of resignation

or after the occurrence of any other event requiring such appointment, the Registrar or any Bondholder may apply to any court of competent jurisdiction to appoint a successor. Any Registrar appointed under the provisions of this section shall be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance.

Section 8.09. Transfer of Rights and Property to Successor. Any predecessor Registrar or Paying Agent shall pay over, assign and deliver any monies, books and records held by it to its successor.

Section 8.10. Merger or Consolidation. Any company into which the Registrar may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Registrar or any public officer or court may sell or transfer all or substantially all of its corporate trust business, shall be the successor to such Registrar without the execution or filing of any paper or the performance of any further act; provided, however, that such company shall be a bank, trust company or national banking association meeting the requirements set forth in Section 8.08.

Section 8.11. Adoption of Authentication. In case any of the Series 2005 A Bonds shall have been authenticated but not delivered, any successor Registrar may adopt a Certificate of Authentication and Registration executed by any predecessor Registrar and deliver such Bonds so authenticated, and, in case any Bonds shall have been prepared but not authenticated, any successor Registrar may authenticate such Bonds in the name of the predecessor Registrar or in its own name.

Section 8.12. Paying Agent. The West Virginia Municipal Bond Commission shall initially serve as Paying Agent. Any alternate Paying Agent must be a bank, trust company or national banking association authorized to perform the duties imposed upon it by this Ordinance. Such alternate Paying Agent shall signify its acceptance of the duties and obligations imposed upon it pursuant hereto by executing and delivering to the Issuer a written acceptance thereof. Any successor Paying Agent shall take such actions as may be necessary to ensure that the Series 2005 A Bond shall be and remain DTC-Eligible.

Each Paying Agent shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by such Paying Agent in connection with such services solely from monies available therefor.

Any bank, trust company or national banking association with or into which any Paying Agent may be merged or consolidated, or to which the assets and business of such Paying Agent may be sold, shall be deemed the successor of such Paying Agent for the purposes of this Ordinance. If the position of Paying Agent shall become vacant for any

reason, the Issuer shall, within 30 days thereafter, appoint a bank, trust company or national banking association located in the same city as such Paying Agent to fill such vacancy; provided, however, that, if the Issuer shall fail to appoint such Paying Agent within said period, the Bond Commission, a court of competent jurisdiction or a majority of the Bondholders may make such appointment.

The Paying Agents shall enjoy the same protective provisions in the performance of their duties hereunder as are specified in this Article VIII with respect to the Registrar, insofar as such provisions may be applicable.

Notice of the appointment of successor or additional Paying Agents or fiscal agents shall be given in the same manner as provided by Section 8.08 hereof with respect to the appointment of a successor Registrar.

All monies received by the Paying Agents shall, until used or applied as provided in this Ordinance, be held in trust for the purposes for which they were received.

ARTICLE IX

DEFEASANCE; DISCHARGE OF PLEDGE OF ORDINANCE

Section 9.01. Defeasance; Discharge of Pledge of Ordinance . If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 2005 A Bonds the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Ordinance, and all other monies due hereunder have been paid, then this Ordinance and the pledges of the Gross Revenues and other monies and securities pledged hereunder, and all covenants, agreements and other obligations of the Issuer on behalf of the Holders of the Series 2005 A Bonds made hereunder, as applicable, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 2005 A Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Bond Commission or an escrow trustee either monies in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide monies which, together with the monies, if any, deposited with the Bond Commission or said escrow trustee at the same or earlier time shall be sufficient, to pay when due the principal of, any redemption premium on and interest due and to become due on said Bonds on and prior to the maturity date thereof, or if the Issuer irrevocably determines to redeem any of said Bonds prior to the maturity thereof, on and prior to said Redemption Date. Neither securities nor monies deposited with the Bond Commission or an escrow trustee pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Bonds; provided, that any cash received from such principal, redemption premium, if any, and interest payments on such securities deposited with the Bond Commission or said escrow trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of and redemption premium, if any, and interest to become due on said Bonds on and prior to such maturity or Redemption Dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Bond Commission or said escrow trustee, free and clear of any trust, lien or pledge.

ARTICLE X

MISCELLANEOUS

Section 10.01. Amendment of Ordinance. Prior to issuance of the Series 2005 A Bonds, this Ordinance may be amended, modified or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of this Ordinance, shall be controlling. Following issuance of the Series 2005 A Bonds, this Ordinance and any Supplemental Resolution may, without the consent of any Bondholder or other person, be amended, modified or supplemented in any manner which, in the opinion of Bond Counsel, does not materially adversely affect the interests of the Bondholders or any Bond Insurer, provided that, in the event any of the Bonds are insured, no such amendment or modification which affects the rights of the applicable Bond Insurer for such Bonds may be made without the written consent of such Bond Insurer. Otherwise, no materially adverse amendment or modification to this Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2005 A Bonds then Outstanding and affected thereby and the Bond Insurer, which must be filed with the Clerk of the Issuer before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of Series 2005 A Bonds required for consent to any such modification or amendment.

Section 10.02. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent, revocation of consent or other instrument which this Ordinance may require or permit to be signed and executed by Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys duly authorized in writing. Proof of the execution of any such instrument, or of an instrument appointing or authorizing any such attorney, shall be sufficient for any purpose of this Ordinance if made in the following manner, or in any other manner satisfactory to the Issuer or the Registrar, as the case may be, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

A. The fact and date of the execution by any Bondholder or his attorney of any such instrument may be proved (i) by the certificate of a notary public or other officer authorized to take acknowledgments of deeds to be recorded in the jurisdiction in which he purports to act that the person signing such instrument acknowledged to him the execution thereof, or by the affidavit of a witness of such execution, duly sworn to before such a notary public or other officer or (ii) by the certificate, which need not be acknowledged or verified, of an officer of a bank, a trust company or a financial firm or corporation satisfactory to the

Issuer or the Registrar, as the case may be, that the person signing such instrument acknowledged to such bank, trust company, firm or corporation the execution thereof.

B. The authority of a person or persons to execute any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or treasurer or a vice-president or an assistant treasurer of such corporation with a corporate seal affixed, and is attested by a person purporting to be its secretary or assistant secretary.

C. The amount of fully registered Series 2005 A Bonds held by a person executing any instrument as a Bondholder, the date of his holding such Series 2005 A Bonds and the numbers and other identification thereof, shall be confirmed by the Bond Register.

Any request, consent or other instrument executed by the Holder of any Bond shall bind all future Holders and owners of such Bond in respect of anything done or suffered to be done hereunder by the Issuer or the Registrar in accordance therewith.

Section 10.03. Preservation and Inspection of Documents. To the extent allowable under law, all reports, certificates, statements and other documents received by the Registrar under the provisions of this Ordinance shall be retained in its possession and shall be available at all reasonable times for the inspection of the Issuer or any Bondholder, and their agents and their representatives, but any such reports, certificates, statements or other documents may, at the election of the Registrar, be destroyed or otherwise disposed of at any time after such date as the pledge created by this Ordinance shall be discharged as provided in Section 9.01.

Section 10.04. Cancellation of Bonds. All Series 2005 A Bonds purchased or paid shall, if surrendered to the Issuer, be canceled and delivered to the Registrar, or, if surrendered to the Registrar, be canceled by it. No such Bonds shall be deemed Outstanding under this Ordinance and no Series 2005 A Bonds shall be issued in lieu thereof. All such Bonds shall be canceled and upon order of the Issuer shall be destroyed, and a certificate evidencing such destruction shall be delivered to the Issuer.

Section 10.05. Failure to Present Bonds. Anything in this Ordinance to the contrary notwithstanding, any monies held by the Bond Commission or a Paying Agent in trust for the payment and discharge of any of the Series 2005 A Bonds which remain unclaimed for two years after the date on which such Bonds have become due and payable, whether by maturity or upon call for redemption, shall at the written request of the Issuer be paid by the Bond Commission or said Paying Agent to the Issuer as its absolute property and free from trust, and the Bond Commission or said Paying Agent shall thereupon be released and discharged with respect thereto, and the Holders of such Bonds shall look only to the Issuer for the payment of such Bonds; provided, however, that, before making any such payment to the Issuer, the Registrar, if so advised by the Bond Commission, or said Paying

Agent shall send to the Holder, at the address listed on the Bond Register, by certified mail, a notice that such monies remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of such notice is mailed, the balance of such monies then unclaimed will be returned to the Issuer.

Section 10.06. Notices, Demands and Requests. Unless otherwise expressly provided, all notices, demands and requests to be given or made hereunder to or by the Issuer, the Registrar, the Depository Bank, the Original Purchaser or the Bond Insurer shall be in writing and shall be properly made if sent by United States mail, postage prepaid, and addressed as follows or if hand-delivered to the individual to whom such notice, demand or request is required to be directed as indicated below:

CITY

City of Charles Town
101 East Washington Street
Charles Town, West Virginia 25414
Attention: City Manager

REGISTRAR

[Name(s) and address(s) to be set forth in
Supplemental Resolution]

PAYING AGENT

West Virginia Municipal Bond Commission
8 Capitol Street
Suite 500, Terminal Building
Charleston, West Virginia 25301
Attn: Executive Director

DEPOSITORY BANK

[Name(s) and address(s) to be set forth in
Supplemental Resolution]

ORIGINAL PURCHASER

Crews & Associates, Inc.
2000 Union National Plaza
124 West Capitol
Little Rock, Arkansas 72201

BOND INSURER

[Name(s) and address(es) to be set
forth in the Supplemental Resolution]

Any party listed above may change such address listed for it at any time upon written notice of change sent by United States mail, postage prepaid, to the other parties.

Section 10.07. No Personal Liability. No member of the Council, the Board or officer or employee of the Issuer shall be individually or personally liable for the payment of the principal of or the interest on any Bond, but nothing herein contained shall relieve any such member, official or employee from the performance of any official duty provided by law or this Ordinance.

Section 10.08. Law Applicable. The laws of the State shall govern the construction of this Ordinance and of all Series 2005 A Bonds issued hereunder.

Section 10.09. Parties Interested Herein. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or give to, any person or corporation, other than the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2005 A Bonds, the applicable Bond Insurer, if any, and the Original Purchaser, any right, remedy or claim under or by reason of this Ordinance. All the covenants, stipulations, promises and agreements contained in this Ordinance by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Registrar, the Paying Agent, the Holders of the Series 2005 A Bonds, the Bond Insurer and the Original Purchaser.

Section 10.10. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, such invalidity shall not affect any of the remaining provisions of this Ordinance.

Section 10.11. Table of Contents and Headings. The Table of Contents and headings of the articles, sections and subsections hereof are for convenience only and shall neither control nor affect in any way the meaning or construction of any of the provisions hereof.

Section 10.12. Conflicting Provisions Repealed. All ordinances, orders, resolutions or parts thereof in conflict with the provisions of this Ordinance, are, to the extent of such conflict, hereby repealed.

Section 10.13. Procedure on Enactment of Ordinance; Public Hearing. Upon adoption of this Ordinance, the Clerk is hereby authorized and directed to have an abstract of this Ordinance, which abstract has been determined by the Council of the Issuer to contain sufficient information to give notice of the contents of such Ordinance, published

once each week for 2 successive weeks, with not less than six full days between each publication, the first such publication to be not less than 10 days before the date stated below for the public hearing, in the *Spirit of Jefferson Advocate*, a newspaper published and having a general circulation in the City of Charles Town, together with a notice to all persons concerned, stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 2005 A Bonds described in this Ordinance and that any person interested may appear before the Council at the public hearing to be had at a public meeting of Council on the 4th day of April, 2005, at 7:30 p.m., in the Council Chambers of the City Hall, Charles Town and present protests, and that a certified copy of this Ordinance is on file with the Clerk for review by interested parties during the office hours of the Clerk. At such hearing all protests and suggestions shall be heard by the Council and it shall then take such action as it shall deem proper in the premises.

This Ordinance shall become effective following public hearing hereon in accordance with the Act.

First Reading:	February 22, 2005
Second Reading:	March 7, 2005
Effective following Public Hearing held on:	March 21, 2005

[SEAL]

Mayor

City Manager

ATTEST:

City Clerk

APPROVED AND CORRECT AS TO FORM:

By

City Attorney

CERTIFICATION

Certified a true, correct and complete copy of an Ordinance duly enacted by the City Council of the CITY OF CHARLES TOWN at a regular meeting of the City Council held at 7:30 p.m., on April 4, 2005, pursuant to proper notice, at which meeting a quorum was present and acting throughout, and which Ordinance was enacted following a public hearing thereon, notice of which public hearing was published once a week for two successive weeks in a newspaper having a general circulation in the City of Charles Town, the first publication having been not less than 10 days prior to such public hearing.

Dated this 15th day of June, 2005.

[SEAL]

City Clerk

EXHIBIT A - SERIES 2005 A BOND FORM

[DTC Legend]

No. AR-_____ $_____

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN (WEST VIRGINIA)
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
_____%	_____	_____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on _____ 1 and _____ 1, in each year,

beginning _____ 1, 200__ (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each _____ 15 and _____ 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by _____, _____, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $_____ designated the "City of Charles Town Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable)" (the "Series 2005 A Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated _____, 2005, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance the cost of acquisition and construction of certain additions, betterments and improvements to the sewerage portion of the combined waterworks and sewerage system of the Issuer, (ii) to fund a reserve account for the Series 2005 A Bonds, and (iv) to pay certain costs of issuance of the Series 2005 A Bonds and related costs. The Series 2005 A Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on _____, 2005, and supplemented by a supplemental resolution adopted by said Council on _____, 2005 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2005 A Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2005 A Bonds

and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the Ordinance are on file at the office of the City Clerk in the City of Charles Town, West Virginia.

[The Series 2005 A Bonds are additionally secured, but only to the extent described in the Statement of Insurance printed on the Bonds, by a policy of municipal bond insurance issued by __[Bond Insurer]___.]

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS OF THE ISSUER:

(1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds");

(2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds");

(3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds");

(4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds");

(5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds");

(6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds");

(7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781 (the "Series 2000 A Bonds");

(8) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000 (the "Series 2002 A Bonds");

(9) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000 (the "Series 2002 B Bonds");

(10) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C (Insured), dated December 1, 2002, issued in the original aggregate principal amount of $4,135,000 (the "Series 2002 C Bonds"); and

(11) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT - Uninsured), dated January 1, 2003, issued in the original aggregate principal amount of $1,000,000 (the "Series 2003 A Bonds").

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds and the Series 2003 A Bonds are hereinafter collectively called the "Prior Bonds." The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2005 A Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

(A) Optional Redemption. The Bonds maturing on and after _____, 20____, are subject to redemption prior to maturity at the option of the Issuer on or after _____, 20_____, in whole at any time and in part on any Interest Payment Date, as directed by the Issuer, in reverse order of maturity and by lot within a maturity, at the following Redemption Prices (expressed as percentages of the principal amount of Bonds to be redeemed), plus interest accrued thereon to the date fixed for redemption:

Period During Which Redeemed (Dates Inclusive)	Redemption Price

(B) Mandatory Sinking Fund Redemption. The Bonds maturing on _____, 20_____ and 20_____ are subject to annual mandatory sinking fund redemption prior to maturity by random selection as may be determined by the Registrar, on _____ 1 of the years and in the principal amounts set forth below, at the Redemption Price of 100% of the principal amount of each Bond so called for redemption plus interest accrued to the date fixed for redemption:

Bonds Maturing _____ 1, 20_____

Year (_____1)	Principal Amount

Bonds Maturing _____ 1, 20_____

Year (_____1)	Principal Amount

* Final Maturity

In the event of any redemption of less than all outstanding Series 2005 A Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2005 A Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2005 A Bonds are to be redeemed, the Series 2005 A Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2005 A Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2005 A Bond or Series 2005 A Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also

be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2005 A Bonds or portions of Series 2005 A Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2005 A Bonds or portions of Series 2005 A Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2005 A Bond.

The Series 2005 A Bonds and the interest thereon are payable only from and are secured by the Gross Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Gross Revenues created in favor of the holders of the Prior Bonds, all monies in the Series 2005 A Bonds Sinking Fund, and the Series 2005 A Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2005 A Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2005 A Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the monies in the Series 2005 A Bonds Sinking Fund and the Series 2005 A Bonds Reserve Account and said unexpended Series 2005 A Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2005 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2005 A Bonds, including the Prior Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2005 A Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2005 A Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, funding a reserve account for the Series 2005 A Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2005 A Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 2005 A Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Series 2005 A Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2005 A Bonds of which this Series 2005 A Bond is one.

This Series 2005 A Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

This Series 2005 A Bond and the income therefrom are, under the Act, exempt from taxation in the State of West Virginia, or any county, municipality, political subdivision or agency thereof.

This Series 2005 A Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, as defined on the reverse hereof, and the statutes under which this Series 2005 A Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2005 A Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN (West Virginia) has caused this Bond to be signed by its Mayor and City Manager, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Series 2005 A Bond to be dated as of the Series 2005 A Bond Date specified above.

[SEAL]

[Manual or facsimile signature]
Mayor

[Manual or facsimile signature]
City Manager

ATTEST:

[Manual or facsimile signature]
City Clerk

CERTIFICATE OF AUTHENTICATION
AND REGISTRATION

This Series 2005 A Bond is one of the fully registered Series 2005 A Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2005 A Bonds.

Dated: _____, 2005.

_____, as
Registrar

By _____
Its Authorized Officer

STATEMENT OF INSURANCE

[Bond Insurance Legend]

(FORM OF)
ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____
_____

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____
_____
_____ the within Bond and does hereby irrevocably constitute and appoint _____
_____
_____ to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

03/01/05
144220.00007

CITY OF CHARLES TOWN
(WEST VIRGINIA)

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS,
SERIES 2005 A
(Taxable)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION SETTING THE AMOUNTS, MATURITIES, INTEREST RATES, PRICES AND OTHER DETAILS AS TO THE COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE), OF THE CITY OF CHARLES TOWN; AUTHORIZING AND APPROVING A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, A REGISTRAR AGREEMENT, AN OFFICIAL STATEMENT AND OTHER INSTRUMENTS RELATING TO THE BONDS; APPOINTING A REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the City of Charles Town (the "Issuer"), in the County of Jefferson, State of West Virginia, is a municipal corporation of said State, the governing body of which is this Council;

WHEREAS, this Council duly enacted on April 4, 2005, an ordinance (the "Ordinance") entitled:

AN ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE PORTION OF THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF

THE COST THEREOF, NOT OTHERWISE PROVIDED, THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $3,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE); PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS.

WHEREAS, such Ordinance provided for the issuance of the Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable) (the "Bonds"), for the purposes of (i) paying costs of acquisition and construction of improvements and betterments to the sewerage portion of the combined waterworks and sewerage facilities of the Issuer; (ii) capitalizing interest on the Bonds; (iii) funding the Series 2005 A Bonds Reserve Account; and (iv) paying costs of issuance and related costs, all in accordance with the Act;

WHEREAS, the Ordinance further provided that the exact principal amount of the Bonds to be sold and the dates, maturities, interest rates, redemption provisions, price and other terms of the Bonds should be established, a Registrar, Paying Agent and Depository Bank be designated, that a Registrar Agreement be approved, that additional covenants and provisions relating to the Bonds be provided herein, and that other matters pertaining to the Bonds be provided for by a supplemental resolution of this Council upon receipt of a Bond Purchase Agreement for the Bonds acceptable to this Council;

WHEREAS, the Bonds are proposed to be purchased by Crews & Associates, Inc. (the "Original Purchaser"), pursuant to a Bond Purchase Agreement for the Bonds between the Original Purchaser and the Issuer (the "Bond Purchase Agreement");

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Ordinance; and

WHEREAS, this Council deems it essential and desirable that this Resolution be adopted and that the Bond Purchase Agreement, the Continuing Disclosure Agreement, and the Registrar Agreement hereinafter provided for be entered into by the Issuer, that the Official Statement relating to the Bonds, hereinafter described, be approved, that the prices, the maturity dates and amounts, and the interest rates of the Bonds, be fixed herein, all in accordance with said Ordinance;

NOW, THEREFORE, THE COUNCIL OF THE CITY OF CHARLES TOWN HEREBY RESOLVES:

Section 1. Pursuant to the Ordinance and the Act, this Resolution is adopted and there are hereby authorized and ordered to be issued the Bonds. The Bonds shall be dated June 1, 2005, upon original issuance. The Bonds shall be issued in the aggregate principal amount, bear interest payable semiannually on June 1 and December 1 of each year, commencing December 1, 2005, shall mature on June 1 in such years and shall have such redemption provisions as are set forth in EXHIBIT A - SERIES 2005 A (TAXABLE) BOND TERMS, attached hereto and incorporated by reference herein. Except as otherwise set forth herein, all other provisions relating to the Bonds shall be as provided in the Ordinance, and the Bonds shall be in substantially the form provided in the Ordinance.

Section 2. The Bond Purchase Agreement between the Original Purchaser and the Issuer, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Mayor of the Bond Purchase Agreement on behalf of the Issuer are hereby authorized, approved, and directed. Execution of the Bond Purchase Agreement by the Mayor shall be conclusive evidence of any approval required by this Section, and authorization of any action required by the Bond Purchase Agreement relating to the issuance and sale of the Bonds, including the payment of all necessary fees and expenses in connection therewith. The price of the Bonds, pursuant to the Bond Purchase Agreement, shall be $2,247,063.18 ($2,355,000.00 par amount, less $43,538.70 original issue discount, less $70,650.00 underwriters' discount, plus accrued interest of $6,251.88 from the date of the Bonds to the date of delivery of the Bonds).

Section 3. The Continuing Disclosure Agreement by and between the Issuer and the Original Purchaser, to be dated as of the date of delivery of the Bonds, substantially in the form submitted to this meeting, and the execution and delivery (in multiple counterparts) by the Mayor and the City Manager thereof shall be and the same are hereby authorized, approved and directed. The Mayor and the City Manager shall execute and deliver the Continuing Disclosure Agreement with such changes, insertions and omissions as may be approved by the Mayor and the City Manager. Execution of the Continuing Disclosure Agreement by the Mayor and the City Manager shall be conclusive evidence of any approval required by this Section.

Section 4. The Official Statement to be dated on the date of sale of the Bonds, to be substantially in the form of the Preliminary Official Statement described below (with such changes, insertions and omissions as may be necessary or advisable in the opinion of the Mayor and City Manager), and the distribution of counterparts or copies thereof by the Original Purchaser are hereby approved. The Mayor and City Manager shall execute and deliver the Official Statement with such changes, insertions and omissions as may be approved by the Mayor and City Manager. The execution of the Official Statement by the Mayor and City Manager shall be conclusive evidence of any approval required by this Section. The distribution by the Original Purchaser of the Preliminary Official Statement dated May 24, 2005 (which is a "deemed final" official statement in accordance with SEC Rule 15c2-12), substantially in the form submitted to this meeting is hereby ratified and approved. The certificates of the Issuer relating to compliance with SEC Rule 15c2-12 and the execution and delivery thereof by the Mayor and City Manager are hereby ratified and approved.

Section 6. The Registrar Agreement is to be dated as of the date of delivery, by and between the Issuer and the Registrar designated herein, substantially in the form submitted to this meeting, shall be and the same are hereby approved. The Mayor and the City Manager shall execute and deliver the Registrar Agreement with such changes, insertions and omissions as may be approved by the Mayor and the City Manager. The execution of the Registrar Agreement by the Mayor and City Manager shall be conclusive evidence of any approval required by this Section.

Section 7. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission for the purpose of serving in the capacity of Paying Agent for the Bonds.

Section 8. The Issuer does hereby appoint and designate United Bank, Inc., Charleston, West Virginia, for the purpose of serving in the capacity of Registrar for the Bonds and Branch Banking and Trust Company, Ranson, West Virginia, as Depository Bank for the Bonds.

Section 9. Series 2005 A Bonds proceeds in the amount of $152,253.56 shall be deposited in the Series 2005 A Bonds Sinking Fund, as capitalized interest and $6,251.88 shall be deposited in the Series 2005 A Bonds Sinking Fund, as accrued interest.

Section 10. Series 2005 A Bonds proceeds in the amount of $193,750.00 shall be deposited in the Series 2005 A Bonds Reserve Account.

Section 11. Series 2005 A Bonds proceeds in the amount of $58,100.00 shall be deposited in the Series 2005 A Bonds Costs of Issuance Fund and shall be drawn out, used and applied by the Issuer solely to pay costs of issuance of the Series 2005 A Bonds at the written direction of the Issuer. Any such proceeds held in the Series 2005 A Bonds Costs

of Issuance Fund that have not been applied within 120 days following the date of delivery of the Series 2005 A Bonds shall be transferred by the Issuer to the Series 2005 A Bonds Sinking Fund and applied to the next ensuing payment of interest on the Series 2005 A Bonds.

Section 12. The balance of the proceeds of the Series 2005 A Bonds shall be deposited in the Series 2005 A Bonds Acquisition and Construction Fund and applied solely to the costs of the Project.

Section 13. The firm of Steptoe & Johnson PLLC, Charleston, West Virginia, is hereby appointed bond counsel to the City in connection with the issuance of the Bonds.

Section 14. The notice addresses for the Registrar, Paying Agent, Depository Bank and Original Purchaser shall be as follows:

REGISTRAR

United Bank, Inc.
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust

DEPOSITORY BANK

Branch Banking and Trust Company
301 South Mildred Street
Ranson, West Virginia 25438
Attention: Branch Manager

PAYING AGENT

West Virginia Municipal Bond Commission
812 Quarrier Street, Suite 300
Charleston, West Virginia 25301
Attention: Executive Director

ORIGINAL PURCHASER

Crews & Associates, Inc.
300 Summers Street, Suite 930
Charleston, West Virginia 25301
Attention: Vice President

Section 15. The Mayor, City Manager and City Clerk are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds to the end that the Bonds may be delivered on a timely basis to the Original Purchaser pursuant to the Bond Purchase Agreement.

Section 16. Under the provisions of the Act, and as provided in the Ordinance and the Bonds, the Bonds and the interest thereon do not constitute indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, but shall be payable solely from the Gross Revenues derived from the operation of the System of the Issuer and the Series 2005 A Bonds Reserve Account established by the Ordinance, and neither the credit nor the taxing power of the Issuer is pledged for, and no tax shall ever be levied for, payment of the Bonds and the interest thereon.

Section 17. The Mayor, City Manager, City Clerk and other appropriate officers and employees of the Issuer are hereby authorized and directed to take all further actions necessary to cause the Bonds to be issued at the earliest practicable date.

Section 18. This Resolution shall be effective immediately.

Adopted this 27th day of May, 2005.

[SEAL]

Mayor

City Manager

ATTEST:

City Clerk

APPROVED AND CORRECT AS TO FORM:

City Attorney

EXHIBIT A

CITY OF CHARLES TOWN
(WEST VIRGINIA)

COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS,
SERIES 2005 A

$2,355,000 Term Bonds

Maturity Date (June 1)	Maturity Amount	Interest Rate	Price or Yield
2010	$130,000	5.250%	99.695%
2015	$205,000	6.000%	99.258%
2025	$685,000	6.750%	98.065%
2030	$555,000	7.000%	97.919%
2035	$780,000	7.250%	97.844%

(accrued interest to be added)

Redemption

Extraordinary Redemption. If any of the following events shall have occurred, the Series 2005 A Bonds shall also be subject to redemption as follows:

(1) If there should occur any damage to or destruction of the System or any condemnation of the title to or the use of the System, the applicable Series 2005 A Bonds shall be subject to redemption at any time at the redemption price of 100% of the principal amount thereof plus accrued interest to the Redemption Date from any condemnation awards or insurance proceeds which are not used to repair, rebuild or rearrange the System.

(2) If the Series 2005 A Bonds can be refunded by the issuance of tax-exempt bonds, in whole or in part at any time as provided below under Notice of Redemption, from amounts deposited with the Bond Commission by the City, at a redemption price equal to the 102% principal amount thereof, plus accrued interest to the date fixed for redemption.

(3) The Series 2005 A Bonds are subject to redemption at the option and direction of the City, prior to maturity, in whole or in part on any principal payment date, in inverse order of maturity of the Series 2005 A Bonds, in principal amounts of not less than $50,000, and multiples of $5,000 in excess of $50,000, from amounts deposited with the Paying Agent by the City from funds of the City available therefor (other than from proceeds of refunding bonds) at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

Optional Redemption. The Bonds maturing on or after June 1, 2011 are subject to redemption at the option of the Issuer, prior to maturity, on or after June 1, 2010, in whole or in part at any time at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The Bonds are subject to mandatory redemption prior to maturity, by lot, from the Redemption Account created in the Sinking Fund, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption:

Term Bonds Due June 1, 2010

Year (June 1)	Principal Amount
2007	$ 30,000
2008	$ 30,000
2009	$ 35,000
2010 (maturity)	$ 35,000

Term Bonds Due June 1, 2015

Year (June 1)	Principal Amount
2011	$ 35,000
2012	$ 40,000
2013	$ 40,000
2014	$ 45,000
2015 (maturity)	$ 45,000

Term Bonds Due June 1, 2025

Year (June 1)	Principal Amount
2016	$ 50,000
2017	$ 55,000
2018	$ 55,000
2019	$ 60,000
2020	$ 65,000
2021	$ 70,000
2022	$ 75,000
2023	$ 80,000
2024	$ 85,000
2025 (maturity)	$ 90,000

Term Bonds Due June 1, 2030

Year (June 1)	Principal Amount
2026	$ 95,000
2027	$105,000
2028	$110,000
2029	$120,000
2030 (maturity)	$125,000

Term Bonds Due June 1, 2035

Year (June 1)	Principal Amount
2031	$135,000
2032	$145,000
2033	$155,000
2034	$165,000
2035 (maturity)	$180,000

CERTIFICATION

Certified a true, correct and complete copy of a Supplemental Resolution duly adopted by the City Council of the CITY OF CHARLES TOWN at a special meeting of the City Council held at 7:00 p.m., on May 27, 2005, pursuant to proper notice, at which meeting a quorum was present and acting throughout.

Dated this 15th day of June, 2005.

[SEAL]

City Clerk

05/27/05

144220.00007

CITY OF CHARLES TOWN (WEST VIRGINIA)

Combined Waterworks and Sewerage System Revenue Bonds,
Series 2005 A
(Taxable)

CROSS-RECEIPT AND BOND PROCEEDS

On the 15th day of June, 2005, the undersigned, Gregory B. Isaacs, Vice President of Crews & Associates, Inc. (the "Underwriter"), for and on behalf of the Underwriter, and Peggy A. Smith, Mayor of the City of Charles Town (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the 15th day of June, 2005, in New York, New York, the Underwriter received the entire original issue of $2,355,000 in aggregate principal amount of the City of Charles Town, West Virginia, Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable) (the "Bonds"). The Bonds, as so received on original issuance, are in various denominations, are dated June 1, 2005, and are numbered from AR-1 upward in order of maturity, and are registered in the name of "CEDE & CO."

2. At the time of such receipt of the Bonds, they had been executed by Peggy A. Smith, as Mayor of the Issuer by her manual signature and by Jane E. Arnett, as City Manager of the Issuer, and the official seal of the Issuer had been impressed upon the Bonds and attested by Brenda S. Hamilton, City Clerk of the Issuer by her manual signature, and had been authenticated by United Bank, Inc., Charleston, West Virginia, as Registrar.

3. The Issuer has received and hereby acknowledges receipt from the Underwriter, as the original purchaser of the Bonds, of the proceeds of the Bonds, as follows:

Par Amount	$2,355,000.00
Less: Underwriter's Discount	70,650.00
Less: Original Issue Discount	43,538.70
Total	$2,240,811.30

Payment for the Bonds was made in immediately available funds (federal funds wire) in the amount of $2,240,811.30.

WITNESS our respective signatures as of the day and year first stated above.

CREWS & ASSOCIATES, INC.

By: _____
Its: Vice President

CITY OF CHARLES TOWN,
WEST VIRGINIA

By: _____
Its: Mayor

05/19/05
144220.00007

CITY OF CHARLES TOWN (WEST VIRGINIA)

Combined Waterworks and Sewerage System Revenue Bonds,
Series 2005 A
(Taxable)

DIRECTION TO AUTHENTICATE AND DELIVER

United Bank, Inc.,
as Registrar
Charleston, West Virginia

Ladies and Gentlemen:

On the 15th day of June, 2005, there are delivered to you herewith as Registrar for the above-captioned Bonds:

1. Bonds No. AR-1 through AR-5 constituting the entire original issue of the City of Charles Town, West Virginia, Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable), dated June 1, 2005, in the aggregate principal amount of $2,355,000 (the "Bonds"), executed by the Mayor and City Manager of the City of Charles Town (the "Issuer") and bearing the official seal of the Issuer. The Bonds are authorized to be issued under and pursuant to an Ordinance enacted by the Issuer on April 4, 2005, as supplemented by a Supplemental Resolution adopted by the Issuer on May 27, 2005 (collectively, the "Ordinance").

2. A copy of the Ordinance enacted April 4, 2005, as supplemented by a Supplemental Resolution adopted May 27, 2005, certified by the City Clerk of the Issuer.

3. A list of the names in which the Bonds are to be registered upon original issuance, together with taxpayer identification and other information as requested by you.

4. A signed, unqualified approving opinion of Steptoe & Johnson PLLC as bond counsel.

You are hereby requested and authorized, pursuant to Section 3.12 of the Ordinance, to authenticate, register and deliver the Bonds to the Depository Trust Company, New York, New York, for the account of Crews & Associates, Inc., as the original purchaser thereof.

Dated as of the day and year first stated above.

CITY OF CHARLES TOWN,
WEST VIRGINIA

By: _____
Its: Mayor

05/19/05
144220.00007

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate") is made and entered into by the City of Charles Town, a political subdivision of the State of West Virginia (the "Issuer"), in connection with the issuance of $2,355,000 City of Charles Town, Combined Waterworks and Sewerage System Bonds, Series 2005 A (Taxable) (the "Bonds"). The Bonds are being issued pursuant to the Issuer's Ordinance enacted on April 4, 2005, and its Supplemental Resolution adopted on May 27, 2005 (collectively, the "Ordinance"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5).

Any filing under this Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

SECTION 2. Definitions. In addition to the definitions set forth in the Ordinance and the Bond Purchase Agreement dated May 27, 2005, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in Sections 3 and 4 of this Certificate.

"Beneficial Owner" shall mean any person that has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Central Post Office" shall mean the MAC, which shall receive Annual Reports and Listed Events and then electronically transmit them to the National Repositories and the State Repository.

"Dissemination Agent" shall initially mean the Issuer and any later appointed Dissemination Agent or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean the Central Post Office for delivery to each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of West Virginia.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. [As of the date of this Certificate, there is no State Repository.]

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 12 months after the end of the Issuer's fiscal year (presently June 30), commencing with the report for the 2005 Fiscal Year, provide to the Central Post Office for delivery to each Repository an Annual Report, which is consistent with the requirements of Section 4 of this Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Certificate; provided, that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and not later than 15 days after receipt by the Issuer. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Central Post Office for delivery to each National Repository and the State Repository, if any; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) Within one hundred twenty (120) days after the end of its 2005 fiscal year and each subsequent fiscal year, to the Central Post Office for delivery to each National Repository and any State Depository, unaudited general purpose financial statements of the Issuer, and

(b) Within fifteen (15) days after receipt by the Issuer of its 2005 fiscal year-end, and each subsequent fiscal year, to the Central Post Office for delivery to each National

Repository and any State Repository, core financial information and operating data of the Issuer for the prior fiscal year, including (i) the audited financial statements, prepared in accordance with generally accepted auditing principles in effect from time to time, and (ii) material historical quantitative data of the type found in the Official Statement under the caption "Financial Statements of the Issuer":

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. unscheduled draws on debt service reserves reflecting financial difficulties;

4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions or events affecting the tax-exempt status of the security;

7. modifications to rights of security holders;

8. bond calls;

9. defeasances;

10. release, substitution, or sale of property securing repayment of the securities; and

11. rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of any of the Listed Events, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of any of the Listed Events would be material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board, the Central Post Office for delivery to the National Repository and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Ordinance.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Certificate.

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

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

In the event of any amendment or waiver of a provision of this Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for any of the Listed Events under Section 5(a), and (ii) the Annual Report for the year in which the change is made should

present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of any of the Listed Events, in addition to that which is required by this Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of any of the Listed Events in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it is any future Annual Report or notice of occurrence of any of the Listed Events.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Certificate (and, at the request of the Original Purchaser), any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Ordinance, and the sole remedy under this Certificate in the event of any failure of the Issuer to comply with this Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Issuer, the Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: June 15, 2005

CITY OF CHARLES TOWN

By: _____
Mayor

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Charles Town

Name of Issue: $2,355,000 City of Charles Town, Combined Waterworks and Sewerage System Bonds, Series 2005 A (Taxable)

Date of Issuance: June 15, 2005

Notice is hereby given that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by its covenant made in connection with the above-referenced bond issue. The Issuer anticipates that the Annual Report will be filed by _____.

Dated this _____.

CITY OF CHARLES TOWN

By: _____
Mayor

EXHIBIT B

Nationally Recognized Municipal
Securities Information Repositories
Approved by the Securities and Exchange
Commission as of June 1, 2005

Central Post Office
Website: http://www.disclosureusa.org

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
FAX: (609) 279-5962
E-mail: munis@Bloomberg.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, NY 10038
Phone: (212) 771-6999
FAX: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
E-mail: NRMSIR@FTID.com

Standard & Poor's J.J. Kenny Repository
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
FAX: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
FAX: (201) 947-0107
E-mail: nrmsir@dpcdata.com

SPECIMEN

Except as otherwise provided in the Ordinance, this global bond may be transferred, in whole but not in part, only to another nominee of DTC (as defined in the Ordinance) or to a successor of DTC or to a nominee of a successor of DTC. Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-1 $130,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN (WEST VIRGINIA)
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
5.25%	June 1, 2010	June 1,2005	160028 BH 8

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ONE HUNDRED THIRTY THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest

Payment Date to which interest has been paid in full, at the Interest Rate per annum specified above, semiannually, on June 1 and December 1, in each year, beginning December 1, 2005 (each an "Interest Payment Date"), until maturity or until the date fixed for redemption if this Bond is called for prior redemption and payment on such date is provided for. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the hereinafter-described Ordinance.

Interest accruing on this Bond on and prior to the Maturity Date hereof shall be payable by check or draft mailed by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (in such capacity, the "Paying Agent"), to the Registered Owner hereof as of the applicable Record Date (each May 15 and November 15) or, in the event of a default in the payment of Bonds, that special record date to be fixed by the hereinafter named Registrar by notice given to the Registered Owners not less than 10 days prior to said special record date at the address of such Registered Owner as it appears on the registration books of the Issuer maintained by United Bank, Inc., Charleston, West Virginia, as registrar (in such capacity, the "Registrar"), or, at the option of any Registered Owner of at least $500,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to a domestic bank account specified in writing by the Registered Owner to the Paying Agent at least 5 days prior to such Record Date. Principal and premium, if any, shall be paid when due upon presentation and surrender of this Bond for payment at the office of the Paying Agent, in Charleston, West Virginia.

This Bond is one of an issue of a series of bonds, in the aggregate principal amount of $2,355,000 designated the "City of Charles Town Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable)" (the "Series 2005 A Bonds"), of like tenor and effect, except as to number, denomination, date of maturity and interest rate, dated June 1, 2005, upon original issuance, the proceeds of which are to be used, together with other funds of the Issuer, (i) to finance the cost of acquisition and construction of certain additions, betterments and improvements to the sewerage portion of the combined waterworks and sewerage system of the Issuer, (ii) to fund a reserve account for the Series 2005 A Bonds, and (iii) to pay certain costs of issuance of the Series 2005 A Bonds and related costs. The Series 2005 A Bonds are issued under the authority of and in full compliance with the Constitution and statute of the State of West Virginia, including particularly, Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act"), and an ordinance duly enacted by the City Council of the Issuer on April 4, 2005, and supplemented by a supplemental resolution adopted by said Council on May 27, 2005 (hereinafter collectively referred to as the "Ordinance"), and is subject to all the terms and conditions of said Ordinance. The Ordinance provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 2005 A Bonds under the Ordinance. Reference is hereby made to the Ordinance, as the same may be amended and supplemented from time to time, for a description of the rights, limitations of rights, obligations, duties and immunities of the Issuer, the Registrar, the Paying Agent, the Registered Owners of the Series 2005 A Bonds and the Registered Owners of any subsequently issued additional bonds. Executed counterparts or certified copies of the

Ordinance are on file at the office of the City Clerk in the City of Charles Town, West Virginia.

THIS BOND IS ISSUED ON A PARITY WITH RESPECT TO LIENS, PLEDGE AND SOURCE OF AND SECURITY FOR PAYMENT, AND IN ALL RESPECTS, WITH THE FOLLOWING OUTSTANDING COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS OF THE ISSUER:

(1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds");

(2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds");

(3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds");

(4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds");

(5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds");

(6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds");

(7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781 (the "Series 2000 A Bonds");

(8) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000 (the "Series 2002 A Bonds");

(9) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000 (the "Series 2002 B Bonds");

(10) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C (Insured), dated December 1, 2002, issued in the original aggregate principal amount of $4,135,000 (the "Series 2002 C Bonds"); and

(11) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT - Uninsured), dated January 1, 2003, issued in the original aggregate principal amount of $1,000,000 (the "Series 2003 A Bonds").

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds and the Series 2003 A Bonds are hereinafter collectively called the "Prior Bonds." The ordinances which authorized the issuance of the Prior Bonds are herein collectively referred to as the "Prior Ordinances."

The Series 2005 A Bonds are subject to redemption prior to their stated maturity dates, as provided in the Ordinance and as set forth in the following lettered paragraphs:

Extraordinary Redemption. If any of the following events shall have occurred, the Series 2005 A Bonds shall also be subject to redemption as follows:

(1) If there should occur any damage to or destruction of the System or any condemnation of the title to or the use of the System, the applicable Series 2005 A Bonds shall be subject to redemption at any time at the redemption price of 100% of the principal amount thereof plus accrued interest to the Redemption Date from any condemnation awards or insurance proceeds which are not used to repair, rebuild or rearrange the System.

(2) If the Series 2005 A Bonds can be refunded by the issuance of tax-exempt bonds, in whole or in part at any time as provided below under Notice of Redemption, from amounts deposited with the Bond Commission by the City, at a redemption price equal to the 102% principal amount thereof, plus accrued interest to the date fixed for redemption.

(3) The Series 2005 A Bonds are subject to redemption at the option and direction of the City, prior to maturity, in whole or in part on any principal payment date, in inverse order of maturity of the Series 2005 A Bonds, in principal amounts of not less than $50,000, and multiples of $5,000 in excess of $50,000, from amounts deposited with the Paying Agent by the City from funds of the City available therefor (other than from proceeds of refunding bonds) at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

Optional Redemption. The Bonds maturing on or after June 1, 2011 are subject to redemption at the option of the Issuer, prior to maturity, on or after June 1, 2010, in whole or in part at any time at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The Bonds are subject to mandatory redemption prior to maturity, by lot, from the Redemption Account created in the Sinking Fund, at a redemption price equal to the principal amount thereof, together with accrued interest to the date fixed for redemption:

Term Bonds Due June 1, 2010

Year (June 1)	Principal Amount
2007	$ 30,000
2008	$ 30,000
2009	$ 35,000
2010 (maturity)	$ 35,000

Term Bonds Due June 1, 2015

Year (June 1)	Principal Amount
2011	$ 35,000
2012	$ 40,000
2013	$ 40,000
2014	$ 45,000
2015 (maturity)	$ 45,000

Term Bonds Due June 1, 2025

Year (June 1)	Principal Amount
2016	$ 50,000
2017	$ 55,000
2018	$ 55,000
2019	$ 60,000
2020	$ 65,000
2021	$ 70,000
2022	$ 75,000
2023	$ 80,000
2024	$ 85,000
2025 (maturity)	$ 90,000

Term Bonds Due June 1, 2030

Year (June 1)	Principal Amount
2026	$ 95,000
2027	$105,000
2028	$110,000
2029	$120,000
2030 (maturity)	$125,000

Term Bonds Due June 1, 2035

Year (June 1)	Principal Amount
2031	$135,000
2032	$145,000
2033	$155,000
2034	$165,000
2035 (maturity)	$180,000

In the event of any redemption of less than all outstanding Series 2005 A Bonds, the maturities to be redeemed shall be selected by the Paying Agent at the direction of the Issuer and Series 2005 A Bonds to be redeemed shall be determined by lot within a maturity, or in such other manner deemed appropriate by the Paying Agent. If less than all the Series 2005 A Bonds are to be redeemed, the Series 2005 A Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, CUSIP numbers and Maturity Dates.

Notice of any redemption of this Series 2005 A Bond, unless waived, shall be given by the Paying Agent on behalf of the Issuer by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Series 2005 A Bond or Series 2005 A Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Paying Agent. Such notice shall also be given by the Paying Agent to the Registrar. Notice of redemption having been given as aforesaid, the Series 2005 A Bonds or portions of Series 2005 A Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Series 2005 A Bonds or portions of Series 2005 A Bonds shall cease to bear interest.

Failure to receive such notice or any defect therein or in the mailing thereof shall not affect the validity of proceedings for the redemption of this Series 2005 A Bond.

The Series 2005 A Bonds and the interest thereon are payable only from and are secured by the Gross Revenues (as defined in the Ordinance) to be derived from the operation of the System, on a parity in all respects with the pledge of the Gross Revenues created in favor of the holders of the Prior Bonds, all monies in the Series 2005 A Bonds Sinking Fund, and the Series 2005 A Bonds Reserve Account therein, established under the Ordinance, and the unexpended proceeds of the Series 2005 A Bonds, and the Issuer hereby and in the Ordinance pledges such revenues and monies to such payment. Said Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose and to make the other payments required by the Ordinance. This Series 2005 A Bond does not constitute an indebtedness of the Issuer within any constitutional or statutory provision or limitation, nor shall the Issuer be obligated to pay the same or the interest hereon except from said special fund provided from the Gross Revenues, the monies in the Series

2005 A Bonds Sinking Fund and the Series 2005 A Bonds Reserve Account and said unexpended Series 2005 A Bond proceeds. Pursuant to the Ordinance, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest, if any, on the Series 2005 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2005 A Bonds, including the Prior Bonds. The Issuer has entered into certain further covenants with the registered owners of the Series 2005 A Bonds, for the terms of which reference is made to the Ordinance. Remedies provided the registered owners of the Series 2005 A Bonds are exclusively as provided in the Ordinance, to which reference is here made for a detailed description thereof.

All monies received from the sale of the Bonds except for accrued interest thereon shall be applied solely to pay all costs of the Project, funding a reserve account for the Series 2005 A Bonds and pay costs of issuance of the Bonds, and there shall be, and hereby is, created and granted a lien upon such monies, until so applied, in favor of the registered owners of said Series 2005 A Bonds.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 2005 A Bond have existed, have happened and have been performed in due time, form and manner as required by law, and that the amount of this Series 2005 A Bond, together with all other obligations of said Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia, and that a sufficient amount of the revenues of the System has been pledged to and will be set aside into said special fund by said Issuer for the prompt payment of the principal of and interest on the Series 2005 A Bonds of which this Series 2005 A Bond is one.

This Series 2005 A Bond, under the provisions of the Act is and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia, but may be transferred only upon the surrender hereof at the office of the Registrar and otherwise as provided by the within-described Ordinance.

This Series 2005 A Bond and the income therefrom are, under the Act, exempt from taxation in the State of West Virginia, or any county, municipality, political subdivision or agency thereof.

This Series 2005 A Bond shall not be entitled to any benefit under the Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon shall have been signed by the Registrar.

All provisions of the Ordinance, as defined on the reverse hereof, and the statutes under which this Series 2005 A Bond is issued shall be deemed to be a part of the contract evidenced by this Series 2005 A Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN (West Virginia) has caused this Bond to be signed by its Mayor and City Manager, and its corporate seal to be imprinted hereon and attested by its City Clerk, and has caused this Series 2005 A Bond to be dated as of the Series 2005 A Bond Date specified above.

[SEAL]

SPECIMEN

Mayor

SPECIMEN

City Manager

ATTEST:

SPECIMEN

City Clerk

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Series 2005 A Bond is one of the fully registered Series 2005 A Bonds described in the within-mentioned Ordinance and has been duly registered in the name of the Registered Owner on the date set forth below. Attached hereto is the complete text of the opinion of Steptoe & Johnson PLLC, bond counsel, signed originals of which are on file with the Registrar, delivered and dated on the date of the original delivery of and payment for the Series 2005 A Bonds.

Dated: June 15, 2005.

UNITED BANK, INC., as Registrar

By: _____
Its: Authorized Officer

SPECIMEN

ASSIGNMENT

Social Security or Other Identifying Number of Assignee _____
_____

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____
_____
_____ the within Bond and does hereby irrevocably constitute and appoint _____
_____
_____ to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____, _____.

_____

SIGNATURE GUARANTEED:

_____
(Bank, Trust Company or Firm)

_____
(Authorized Officer)

NOTICE: The Assignor's signature to this Assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or any change whatever.

05/24/05
144220.00007

Except as otherwise provided in the Ordinance, this global bond may be transferred, in whole but not in part, only to another nominee of DTC (as defined in the Ordinance) or to a successor of DTC or to a nominee of a successor of DTC. Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-2 $205,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN (WEST VIRGINIA)
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
6.00%	June 1, 2015	June 1,2005	160028 BJ 4

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: TWO HUNDRED FIVE THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest

Except as otherwise provided in the Ordinance, this global bond may be transferred, in whole but not in part, only to another nominee of DTC (as defined in the Ordinance) or to a successor of DTC or to a nominee of a successor of DTC. Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-3 $685,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN (WEST VIRGINIA)
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
6.75%	June 1, 2025	June 1,2005	160028 BK 1

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: SIX HUNDRED EIGHTY FIVE THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest

Except as otherwise provided in the Ordinance, this global bond may be transferred, in whole but not in part, only to another nominee of DTC (as defined in the Ordinance) or to a successor of DTC or to a nominee of a successor of DTC. Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-4

$555,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN (WEST VIRGINIA)
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
7.00%	June 1, 2030	June 1,2005	160028 BL 9

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FIVE HUNDRED FIFTY-FIVE THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest

Except as otherwise provided in the Ordinance, this global bond may be transferred, in whole but not in part, only to another nominee of DTC (as defined in the Ordinance) or to a successor of DTC or to a nominee of a successor of DTC. Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. AR-5

$780,000

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
CITY OF CHARLES TOWN (WEST VIRGINIA)
COMBINED WATERWORKS AND
SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE)

INTEREST RATE:	MATURITY DATE:	BOND DATE:	CUSIP:
7.25%	June 1, 2035	June 1,2005	160028 BM 7

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: SEVEN HUNDRED EIGHTY THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the CITY OF CHARLES TOWN (West Virginia), a municipal corporation organized and existing under the laws of the State of West Virginia (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the Registered Owner specified above, or registered assigns (the "Registered Owner"), on the Maturity Date specified above, the Principal Amount specified above and solely from such special funds also to pay interest on said Principal Amount from the Interest Payment Date (as hereinafter defined) preceding the date of authentication hereof or, if authenticated after the Record Date (as hereinafter defined) but prior to the applicable Interest Payment Date or on said Interest Payment Date, from said Interest Payment Date or, if no interest has been paid, from the Bond Date specified above, or, if and to the extent that the Issuer shall default in the payment of interest on any Interest Payment Date, then this Bond shall bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for, and in which case any Bond surrendered for transfer or exchange shall be dated as of the Interest

CHARTER
OF THE
CITY OF
CHARLES TOWN
WEST VIRGINIA

EDITOR'S NOTE: The Charles Town Charter was enacted by the West Virginia Legislature in 1915.

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CHARTER OF THE CITY OF CHARLES TOWN WEST VIRGINIA

SECTION 1. CORPORATE LIMITS.

The corporate limits of the Town of Charles Town shall be as follows, to-wit:

Beginning at the corner of William H. Travers and Andrew Hunter, on the north side of Smithfield, Charles Town and Harpers Ferry turnpike, being 41.1 poles from the east side to town alley (figure 1 in plat of S. Howell Brown's survey of January eighteenth, one thousand eight hundred and seventy-two); running thence with the line of said Travers and Hunter, and also the line of Richard Hessey and the said Hunter, N. 20 degrees, 20 minutes, W. to the Winchester and Potomac Railroad, and extending the same course in all 79.3 poles to a stake in James M. Ranson's field; thence parallel to Washington Street S. 69 degrees, 40 minutes, W. 290 poles to a stake at the prolongation of the line of Mrs. Buskirk and Henry B. Davenport; thence in the direction of said line S. 20 degrees, 20 minutes, E. 10.8 poles to a stake at the west side of new road, where the same intersects the "Old Mill Road"; thence with the west side of new road S. 20 degrees, 10 minutes, W. 52.9 poles, crossing the aforesaid turnpike to a stake in the line of said Davenport (5); and thence with the said line S. 17 degrees, 50 minutes, E. 30.9 poles to the south line of the "Old Winchester Road"; thence with it N. 69 degrees, 40 minutes, E. 36.05 poles to a point at the prolongation of the aforesaid line of Buskirk and Davenport; thence extending said course S. 20 degrees, 20 minutes, E. 147.12 poles to a stake in William Drew's field; thence parallel to Washington Street N. 69 degrees, 40 minutes, E. 122 poles to a stake; thence S. 20 degrees, 20 minutes, E. 45.45 poles to a stake; thence N. 69 degrees, 40 minutes, E. 115.25 poles to a stake; thence N. 20 degrees, 20 minutes, W. 45.45 poles to a stake; thence N. 69 degrees, 40 minutes, E. 52.75 poles to a stake in George H. Tate's field (13); thence N. 20 degrees, 20 minutes, W. 150.18 poles to beginning; containing 460 acres.

Editor's Note: In addition to the above described territory, the following territory was annexed to the city in 1967:

Beginning at the present corporation line of Charles Town in the east line of South Samuel Street; thence N 72-30 E 926 feet; thence N 17-30 W 750 feet, crossing Forrest Avenue, to a point; thence and still with said present corporation line, N 72-30 E 797.3 feet to a point; thence leaving said present corporation line and running with the east line of an alley, S 20-15 W 1463.7 feet to a point therein; thence S 69-45 E 3 feet; thence S 20-15 W 992.2 feet to a point; thence N 69-43 W 79.8 feet; and N 18-00 W 425.4 feet; N 13-30 E 285.7 feet; N 25-10 E 45 feet; N 14-15 W 205 feet; and S 73-15 W 343.5 feet to the east line of South Samuel Street (extended); and thence with same N 17-30 W 232 feet to the beginning; containing 22.48 acres.

SECTION 2. MUNICIPAL AUTHORITIES.

The Municipal authorities of said Town shall be a Mayor and two Councilmen from each ward who, together, shall be a Common Council.

SECTION 3. TOWN INCORPORATE.

The Mayor and Councilmen as soon as they shall be elected and qualified, as herein provided, shall be a body politic and corporate by the name of "The Corporation of Charles Town", and shall have perpetual succession and a common seal; and by that name may sue and be sued, plead and be impleaded, contract and be contracted with, and may purchase and hold real estate and other property necessary or proper to enable it to discharge its duties, and needful for the good order, government and welfare of said corporation.

SECTION 4. CORPORATE POWERS.

All the corporate powers of said town shall be exercised by the said Council or under its authority, except when otherwise provided.

SECTION 5. ELECTION OF MAYOR.

The Mayor and Councilmen shall be elected by the qualified voters of said corporation.

SECTION 6. WARDS; ELECTIONS THEREIN.

The said town shall consist of four wards located and bounded as follows:

The first ward shall include all the territory within the corporate limits lying north of Washington Street and the Summit Point road and west of George Street; the second ward, all the territory lying south of Washington Street and the Summit Point road and west of George Street; the third ward all the territory within said corporate limits lying east of George Street and south of Washington Street; the fourth ward all the territory within said corporate limits lying east of George Street and north of Washington Street. Elections in said corporation under this Act shall be held on the fourth Thursday in May, one thousand nine hundred and fifteen, and annually thereafter on such Thursday, and shall be under the supervision of three inspectors at each election precinct in said Town, who are to be appointed by the Council, and who shall be governed by such rules and regulations as the Council may prescribe. The Council shall select and designate the voting places of the respective wards in the Town.

SECTION 7. QUALIFICATIONS OF MAYOR, ETC.,

The Mayor and Councilmen must be, at the time of their election and during their terms of office, owners in fee of real estate in said corporation of the value of two hundred and fifty dollars over and above all encumbrances, and be entitled to vote for members of its common Council.

SECTION 8. TERMS OF OFFICE.

Their term of office shall be (except when to fill vacancies) for two years, and until their successors are elected and qualified, as herein provided; except that at the election to be held on the fourth Thursday in May, one thousand nine hundred and fifteen, there shall be elected one Councilman from the first, second, and fourth wards, and two Councilmen from the third ward, one of the said two so elected from the third ward to hold office for two years, and the other for one year; the terms of office of said Councilmen so elected from the third ward shall be determined by lot at the first meeting of the Council held after such election in one thousand nine hundred and fifteen.

Annually thereafter, on the fourth Thursday in May, there shall be elected one Councilman from each ward, to be voted for throughout the town as hereinbefore provided. The Mayor shall be elected on the fourth Thursday in May, one thousand nine hundred and sixteen, and every two years thereafter on such Thursday. The Mayor and members of the Council elected in May, one thousand nine hundred and fifteen, shall continue in office until their successors are elected in May, one thousand nine hundred and sixteen.

SECTION 9. CERTIFICATES OF ELECTION.

As soon as the result for such election for Mayor and Councilmen is ascertained, the inspectors of election shall sign a certificate containing complete returns of the polls taken at their place of voting for all of said officers, and shall enclose the certificate in an envelope, which shall be sealed up and endorsed by each of such inspectors. The inspectors, or one of them, shall, within three days after the day on which such election was held, deliver said certificates to the Mayor of said Town. At the next meeting of the Council thereafter the Mayor shall present such certificates to the Council, who shall examine the same and ascertain the true result of such election in said Town, and the person respectively appearing to have received the highest number of vote for the several offices shall be declared elected, and a certificate thereof signed by the Mayor shall be granted to the person so elected.

SECTION 10. WHO MAY VOTE.

Every person who shall have resided within the boundaries of said Town for one month, and within the ward in which he offers to vote for five days next preceding the election held therein, and who is a qualified voter under the laws and Constitution of this State, and no others, shall be entitled to vote at any election held in said town.

SECTION 11. VACANCIES IN OFFICE.

All vacancies occurring from any cause in any elective office of the Town shall be filled by appointment by the Council until the next election held in said Town for Councilmen; but in case of a Councilman, such appointment shall be made only of a resident of the ward in which such vacancy has occurred, and such appointees shall be otherwise qualified as is required by this Act.

SECTION 12. MODE OF VOTING.

At all elections the mode of voting shall be that prescribed by the State Constitution for election of State officers.

SECTION 13. TIE VOTES

Whenever two or more candidates for the same office at any election shall receive an equal number of votes, the Council shall, in an equitable mode, determine which of the persons so voted for shall be returned elected.

SECTION 14. CONTESTED ELECTIONS.

All contested elections shall be heard and decided by the Council for the time being; but the Council may order a new election if satisfied the ends of justice will be better attained thereby.

SECTION 15. QUORUM.

A majority of the Councilmen elected shall be necessary for the transaction of any business.

SECTION 16. NUMBER, TERMS, DUTIES AND COMPENSATION OF APPOINTIVE OFFICERS.

There shall be one or more Sergeants, a Clerk, a Treasurer, an Assessor, a City Attorney, a City Health Officer, a City Engineer, and three Commissioners of Roads, Streets and Alleys of said Town, who shall be appointed by the Council thereof and hold office during the pleasure of said Council. The duties of Sergeant, Clerk, Treasurer and Assessor may be discharged by the same person, or otherwise, as the Council may from time to time determine; but no member of the Council shall hold any of said offices. The compensation for said officers shall be in the discretion of the Council.

SECTION 17. OATH OF MAYOR AND COUNCILMEN..

The Mayor and Councilmen and all officers herein provided for, shall each, before entering upon the duties of his office, and within ten days of the time of his election or appointment, take and subscribe an oath to faithfully and impartially discharge the duties of his office, and the oath to support the Constitution of the United States, and the Constitution of the State of West Virginia. The Mayor, having taken such oath or affirmation, may administer the same to the Councilmen and other officers. Certificates of said oaths or affirmations shall be recorded in the journal of said Council, and whenever two-thirds of the members of the Council shall have qualified, they shall enter upon said offices.

SECTION 18. FAILURE TO QUALIFY.

If any one who shall have been elected Mayor or Councilman shall not be eligible as herein prescribed, or shall refuse or fail to take the oath or affirmation required under this Act, within the time prescribed, the Council may declare his office vacant and fill the vacancy as provided in Section Eleven of this Act.

SECTION 19. PRESIDING OFFICER.

The Council shall be presided over at its meetings by the Mayor, or in his absence, by the Mayor Pro Tem., who shall be chosen annually by a majority of the Council present at the first meeting of said Council, from the members of the Council after the election and qualification; and such Mayor Pro Tem., shall in the absence of the Mayor, have all the powers and perform all the duties of the Mayor.

SECTION 20. JOURNAL OF COUNCIL.

The Council shall cause to be kept, in a well-bound book, an accurate record of all its proceedings, bylaws, acts and orders, which shall be fully indexed, and open to the inspection of citizens of the Town. The proceedings of each meeting shall be read and corrected at the succeeding meeting, and signed by the person presiding for the time being. Upon the call of any member the yeas and nays shall be called and recorded in the journal. In all cases of a tie the person presiding at the time shall have the casting vote.

SECTION 21. POWERS OF COUNCIL.

The Council shall have power to open and grade new streets and extend, widen, straighten, repair and grade old streets and alleys; to curb and pave streets, sidewalks and gutters for public use, and to alter, improve and light the same, and shall have control of all the avenues for public use in said Town; to have the same kept in good order and free from obstructions on or over them; to regulate and determine the width of all streets, sidewalks and public alleys; to order and direct the curbing and paving of all sidewalks and footways for public use in said town, to be done and kept in good order by the owners or occupants of the adjacent property; to control the construction and repair of all houses, bridges and culverts; the opening and construction of all ditches, drains and gutters; to widen, deepen and clear the same of stagnant water and filth and to determine at whose expense the same shall be done; to purchase, lay off and appropriate public grounds and control the use of the same; to provide, contract for and take care of all public buildings proper to the Town; to provide for the regular building of houses or other structures; to cause the removal of unsafe walls or buildings; to prevent injury or annoyance to the public or individuals from anything dangerous, offensive or unwholesome; to abate or cause to be abated anything which, in the opinion of the majority of the whole Council, shall be a nuisance; to regulate the keeping of gunpowder and other combustibles and explosives; to provide in or near the Town places for the burial of the dead, and regulate the interments in the Town, and provide ornamental trees; to provide for making division fences, and for the draining of lots by proper drains and ditches; to make regulations for guarding against danger or damages from fire;

to provide for the poor of the Town; to organize one or more fire companies, and provide the necessary apparatus, tools, implements, engines, or any of them, for their use; to provide a sufficient revenue for said Town, and appropriate the same to its expenses; to issue bonds of the corporation and make sale thereof, but no such bonds shall be sold by said corporation for less than par, nor bearing a higher rate of interest than six percent per annum; nor shall said corporation be indebted on account of such issue at any period in a greater sum than ten thousand dollars without the consent of a majority of the voters of the Town expressed at an election held for that purpose; nor shall the whole indebtedness of said Town at any time ever exceed the sum of one hundred thousand dollars; to provide for the annual assessment of taxable persons and property in the Town; to adopt rules for the transaction of business and for the government and regulation of its own body; to promote the general welfare of the Town, and to protect the persons and the property of the citizens therein; to appoint the officers authorized by Section Sixteen of this Act, fix their terms of service and compensation, require and take from them bonds, with such sureties and in such penalties as the Council may determine, conditioned for the true and faithful discharge of their duties, and remove them at pleasure; but all bonds taken by the Council shall be made payable to the Town by its corporate name; to provide for and regulate the weighing of hay, coal, wood and other articles sold or for sale in said Town, and to regulate the transportation thereof through the streets; to establish and regulate markets, or prescribe the time for holding the same, and what articles shall be sold only in said markets; to protect places of divine worship; to lay off the Town into four or more wards, prescribing the boundaries of said wards; but should any change in the boundaries of the wards be made; the new wards shall be equal in population as nearly as possible; to appoint and publish the places of holding Town elections; to erect or authorize or prohibit the erection of gas works in or near the Town; to prevent injuries to, and provide protection of the same; to provide for the purity of the water and the healthfulness of the town; for all of which purposes except that of taxation, the Council shall have jurisdiction for one mile beyond the corporate limits of said Town; to prescribe and enforce ordinances for the purpose of protecting the health, decency, morality and order of the Town and its inhabitants, and to punish violators of such ordinances, even if the offenses under and against such ordinances shall also constitute offenses under the laws of the State of West Virginia, or the common law, for which purpose also the jurisdiction of said Town shall extend for one mile beyond the corporate limits thereof.

SECTION 22. POWER TO REPAIR SIDEWALKS, ETC.

If the owner or occupant of any sidewalk, footway, gutter or pavement in said Town, or of the real property next adjacent thereto, shall fail or refuse to curb, pave or keep the same clean, in the manner and within the time required by the Council, it shall be the duty of the Council to cause the same to be done at the expense of the said Town and to assess the amount of such expense upon such owner or occupant, and the same may be collected by the Town sergeant in the manner herein provided for the collection of Town taxes.

SECTION 23. GENERAL POWERS.

To carry into effect these enumerated powers, and all other powers conferred upon the said Town, or its Council, expressly or by implication, by this or any future act of the legislature of this State, the Council shall have power to make, pass and enforce all needful orders, bylaws, ordinances, resolutions, rules and regulations, not contrary to the Constitution and laws of this State; and to prescribe and impose reasonable fines, penalties, and imprisonment in the County jail for a term not exceeding thirty days, for violations thereof. Such fines, penalties and imprisonment shall be recovered and enforced under the judgment of the Mayor of said Town, or the person lawfully exercising the functions of Mayor. And the authorities of said Town may, with the consent of the County Court of Jefferson County, entered of record, use the jail of said County for any purposes for which the use of a jail may be needed by them, under the acts of the Council or of the State.

SECTION 24. ANNUAL ESTIMATE.

The Council shall cause to be made up annually and entered upon its journal an accurate estimate of all sums which are or may become lawfully chargeable on said Town, and which ought to be paid within one year, and it shall order a Town levy of so much, in its opinion, as may be necessary to pay the same; provided, however, that the tax rate shall not exceed thirty-five cents on the one hundred dollars, except where it appears to the satisfaction of the Council that a levy of thirty-five cents on each one hundred dollars will not produce sufficient revenue in any one year to pay current expenses, the interest on the bonded indebtedness of the Town, and provide for a sinking fund sufficient to liquidate such bonded indebtedness within the time prescribed by law; and in such case, the Council may, by a vote of a majority of all members elected to the Council, increase such tax rate to such a rate, not exceeding fifty cents on the one hundred dollars, as may be necessary for the purpose aforesaid. All vacant property embraced in the proposed boundaries of the said Town, beyond the old limits of the Town, shall be subject only to such taxation for the benefit of said Town, as is levied upon other property for county and district purposes, and until the said vacant property shall be divided into lots for building purposes, and offered for sale as such, and until the streets of the said Town shall be opened for the use and accommodation of the same.

SECTION 25 ANNUAL LEVY.

The levy so ordered shall be upon all male persons resident of said Town over the age of twenty-one years, dogs, and all real and personal estate within the said Town, subject to State or County taxes; provided, that the tax so levied upon persons does not exceed two dollars per head.

SECTION 26. LICENSES.

Whenever anything for which a State license is required is to be done within the said Town, the Council may require a Town license therefor, and may impose a tax thereon for the use of the Town. The Council may require from the persons so licensed a bond with sureties, payable to the Town, in such penalties and with such conditions as it may think proper, and may revoke such license at any time, after due notice and a hearing thereon, if the conditions of said bond be broken.

SECTION 27. ASSESSOR.

It shall be the duty of the Assessor to make an assessment of the persons, dogs, and property within said Town subject to taxation, substantially in the manner and form in which such assessments are made by the Assessor of the County, and to return the same to the Council on or before the first day of July in each year; and for this purpose he shall have all the powers conferred by law upon the County Assessor. He shall receive a compensation for his services to be fixed by the Council, which shall not be increased or diminished during his continuance in office.

SECTION 28. SERGEANT.

The Sergeant shall have power to collect the Town taxes, fines, and levies, and shall have power one month after he receives the books of the Assessor of said Town, to distrain and sell therefor, in like manner as the Sheriff may distrain and sell for State taxes, and shall in all other respects have the same powers as a Sheriff to enforce the payment and collection thereof; and the said Sergeant shall have power, within the corporate limits, to exercise all the duties of a constable as a conservator of the peace, and he shall be entitled to the same compensation therefor. Upon the conviction of any person arrested by him, for the violation of any of the ordinances of the Town, he shall be entitled to one dollar for such arrest, to be taxed in the costs against the person so convicted, and he and his sureties shall be liable to all fines, penalties and forfeitures that a constable is legally liable to, for any failure or dereliction in his said office, to be recovered in the same manner and before the same courts that said fines, penalties and forfeitures are now recoverable against constables.

SECTION 29. LIEN ON REAL ESTATE FOR TAXES.

There shall be a lien upon real estate within said corporation for the Town taxes assessed thereon, from the commencement of the year in which they are assessed, and for all other assessments, fines and penalties assessed or imposed upon the owners thereof by the authorities of the Town, from the time the same are so assessed or imposed, which liens shall be enforced by the Council in the same manner as the lien for taxes for county purposes is now enforced or by suit in equity in the circuit court of Jefferson County. The lien aforesaid shall have priority over all other liens, except that for taxes due the State.

SECTION 30. PROHIBITION OF SHOWS.

The Council may prohibit any theatrical or other performance, show or exhibition which it may deem injurious to the morals or good order of the Town.

SECTION 31. BONDS OF SERGEANT AND TREASURER.

The Council shall have the power to require and take from the sergeant and treasurer bonds, with sureties satisfactory to the Council, in such penalty as it may deem sufficient, except that as to the sergeant it shall not be for a penalty less than two thousand five hundred dollars; and said bond shall be conditioned for the true and faithful performance of his duties as sergeant, and for the collecting and accounting for and payment of the taxes, fines and other moneys of the Town which shall come into his hands, or which it shall be his duty to collect, at such times and to such persons as the Council may order.

The Treasurer's bond shall be conditioned for the true and faithful performance of his duties as Treasurer, and that he will faithfully pay over and account for all moneys that shall come into his hands as Treasurer, when and as he shall be thereto required by the Council.

SECTION 32. MAYOR; POWERS, DUTIES, ETC.

The Mayor shall be the chief executive officer of the Town, and shall take care that all bylaws, ordinances and orders of the Council are faithfully executed. He shall be ex officio a conservator and justice of the peace within said Town, and shall, within the same, exercise all the powers and duties vested in justices, except that he shall have no jurisdiction as such in civil cases. He shall have control of the police of the Town, and may appoint special police officers whenever he deems it necessary; and it shall be his duty especially to see that the peace and good order of said Town are preserved, and that the persons and property therein are protected; and to this end he may cause the arrest and detention of all riotous and disorderly persons in said Town before issuing his warrant therefor. He shall have power to issue executions for all fines, penalties and costs imposed by him, or he may require the immediate payment thereof, and in default of such payment he may commit the party in default to the jail of Jefferson County until the fine or penalty and costs shall be paid, to be employed during the term of his imprisonment as hereinafter provided; but the term of imprisonment in such case shall not exceed thirty days. He shall, from time to time, recommend to the Council such measures as he may deem needful to the welfare of the Town. He may receive a compensation for his services, to be fixed by the Council, which shall not be increased nor diminished during the term for which he was elected.

SECTION 33. CLERK; HIS DUTIES AND COMPENSATION.

It shall be the duty of the Clerk to keep the journal of the proceedings of the Council, and to have charge of and preserve the records, papers, documents, contracts, etc., of the Town. He shall attend the Mayor in all his examinations, issue his orders, swear witnesses, and perform all the duties of a Clerk in the Council and Mayor's Court. He shall receive such compensation for his services as may be fixed by the Council, which shall not be increased nor diminished during his term of office.

SECTION 34. SERGEANT; HIS DUTIES, LIABILITIES AND COMPENSATION.

It shall be the duty of the Town Sergeant to collect the taxes, fines and other income and revenue of the Town, as specified in his bond, and to account for and pay the same to the Treasurer at such times as the Council may order. And it shall be his duty, at least once in every three months, and oftener if required by the Council, to render an account of the taxes, fines and other claims in his hands for collection, and return a list of such as he shall have been unable to collect by reason of insolvency, to which list he shall make an oath that he has used due diligence to collect the same, but has been unable to do so. The Council shall, if it be satisfied that he could not have collected the same by the use of due diligence, allow them. But if the Council shall be of opinion that by the use of due diligence on the part of said Sergeant he could have collected the same, or any part thereof, then he shall be

charged with such as he might have collected. The said Sergeant shall do and perform all other acts pertaining to the office of Sergeant of a corporation, and of a police officer within said Town, and as such shall have the same powers, duties, fees and liabilities as are by law prescribed for a constable when acting as such. He shall for his services receive such compensation as shall be fixed by the Council.

SECTION 35. TREASURER.

All moneys belonging to said Town shall be paid over to the Treasurer, none of which shall be paid out by him except as the same have been apportioned and ordered to be paid by the Council; and the said Treasurer shall pay the same upon the certificate of the Mayor.

SECTION 36. MOTION AGAINST TREASURER.

If the Treasurer shall fail to account for and pay over all or any moneys that shall come into his hands, when thereto required by the Council, it shall be lawful for the Council, in the corporate name of the town, by motion before the circuit court of Jefferson County, or any court having jurisdiction, after ten days' previous notice, to recover from the treasurer and his sureties, or their personal representative, any sum that may be due from said treasurer to said town.

SECTION 37. MOTION AGAINST SERGEANT.

If the Sergeant shall fail to collect, account for and pay over all the taxes, fines and other revenue of the Town in his hands for collection, according to the conditions of his bond, it shall be lawful for the Council to recover the same by motion, in the corporate name of the Town, in the same manner and before the same courts as provided against the Treasurer in Section Thirty-Six of this Act.

SECTION 38. COMMISSIONER OF STREETS.

It shall be the duty of the Commissioner of Streets to superintend the opening, construction and repair of the roads, streets and alleys, sidewalks, crosswalks, footways, drains, and gutters within the said Town, and to put and keep the same in good repair, and to carry into execution all the resolutions, orders and ordinances of the Council in relation thereto.

SECTION 39. EXEMPTION FROM ROAD AND POOR TAX.

The said Town, and the taxable persons and property therein, shall be exempt and free from the payment of any poor taxes or ordinary road tax, and from contributing to any county expenses for the poor and the ordinary roads and bridges of said County, outside of the corporate limits of the said Town, for any year in which said Town shall, at its own expense, provide for its own poor and keep its streets and bridges in order.

SECTION 40. HITCHING YARD.

The Municipal authorities of the Town shall have power to provide, maintain and operate a hitching yard for the use of the public, and to this end may acquire by purchase, condemnation or otherwise, a sufficient amount of real estate, either within or without the corporate limits. It is authorized to make reasonable rules and regulations for the use of the same, including the rights to make reasonable charges against persons using and occupying it; to erect suitable buildings and sheds thereon; to keep the same clean; to provide a watchman or caretaker, and to prescribe his powers, duties and compensation, taking from him such bond as may be thought proper. The County Court of Jefferson County is hereby authorized to appropriate such sums annually as it may think proper for the purpose of maintaining in connection with the authorities of the Town of Charles Town such hitching yard. Should said County Court make such appropriation, rules and regulations respecting the use thereof shall be prescribed by a joint committee of the County Court of Jefferson County and the Council of the corporation of Charles Town. The amount of the appropriation by the County Court in each year shall not be less than one hundred nor more than five hundred dollars.

SECTION 41. FORMER TOLL ROADS WITHIN THE CORPORATE LIMITS.

Nothing contained in this Act shall be deemed to place upon the corporation of Charles Town the duty of maintaining and keeping in good order and repair and covered with gravel such streets and roads within the corporate limits as were formerly toll roads or turnpikes, the duty to maintain which and keep in good order and repair and covered with gravel, is placed upon the County Court by the acts of the legislature of one thousand nine hundred and three, one thousand nine hundred and seven and one thousand nine hundred and nine. The County Court of Jefferson County may, however, upon the request of the Council of the corporation of Charles Town surrender its jurisdiction and control of any or all of such roads or streets within the corporate limits to the corporation of Charles Town; and in such case, the duty of maintaining such streets, and keeping them in good order and repaired and covered with gravel, shall be placed upon the corporation of Charles Town; and in such case the county court of Jefferson County shall pay to the corporation of Charles Town annually such amounts as may be expended by it in maintenance of such roads and streets; or the said County Court of Jefferson County may, at its option, pay to the corporation of Charles Town such lump sum as may be agreed upon between them, in consideration of the corporation of Charles Town assuming jurisdiction of such roads and streets, and becoming liable for their upkeep, maintenance and repair, as aforesaid.

SECTION 42. OTHER PROVISIONS OF LAW APPLICABLE.

The corporation of Charles Town, except as is herein otherwise provided, shall have all the powers, rights and privileges, and be entitled to all the benefits now conferred on municipal corporations by West Virginia Code 8-11-1 et seq. or which may hereafter be granted to municipal corporations by general law.

SECTION 43. RIGHTS RESERVED.

All rights, privileges and properties of the said Town, heretofore acquired and possessed, owned and enjoyed by said Town under any act now in force, shall continue undiminished and remain vested in said Town under this Act; and all laws, ordinances and resolutions of the council now in force and not inconsistent with this Act shall be and continue in full force and effect until regularly repealed by a Council elected as provided under this Act.

SECTION 44. DUTIES OF THE COUNCIL.

The Council shall adopt all needful and just ward regulations, whether general or special, for the good of the citizens thereof. It shall authorize street expenditures in the several wards as equity and justice shall demand; and may authorize the collection of a special tax in any ward of the Town, for a specified purpose within such ward, when requested to do so by a majority of the voters thereof. Whenever in the opinion of the Council it becomes necessary to lay off said Town into more than four wards, the said Council shall lay it off.

SECTION 45. PRISONERS; HOW EMPLOYED.

The Council shall provide for the employment and safekeeping of persons who may be committed for default in payment of fines, penalties, or costs under this Act, and who are otherwise unable to discharge the same, by putting them to work for the benefit of the Town; shall keep on hand an ample supply of necessary material for the same, and shall provide all necessary tools, implements, fixtures, and facilities for the immediate employment of any and all of such persons; shall fix a reasonable rate per diem as wages to be allowed every person, until such fine and costs against him are discharged; and the clerk shall keep an account of all fines and penalties so collected and expended.

SECTION 46. OPENING STREETS.

The Council of said corporation shall be entitled to all the benefits of West Virginia Code 54-1-1 to 54-2-20 for the condemnation of land for streets, alleys and public buildings in said corporation, and the Commissioners appointed under said chapter shall in cases of opening streets or alleys or in widening the same, not only assess what is a just compensation as provided in said chapter, but they shall also assess the damages and benefits to all lot owners or property holders having lots or land adjacent to and abutting on said street or alley, whose lot or land may be benefited or injured by the opening of such street or alley or by the widening of any such street or alley, and shall make report as provided in said chapter, but lot owners and property holders shall be named in the application and served with notice as required by said chapter, and the duties of such Commissioners and their oaths shall cover the duties herein imposed. All assessments for benefits under this Act shall be a lien on the property against which the same are assessed, and may be enforced in a court of equity. But either party to such assessment of damages or benefits shall have the right to call for a jury as provided in said chapter.

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To Vince Collins | From Lou Arnett
Co./Dept. | Co. City of Charles Town
Phone # | Phone #

AMENDMENT TO THE CHARTER OF THE
CITY OF CHARLES TOWN, WEST VIRGINIA
WITH REGARD TO SECTION 8. TERMS OF OFFICE

BE IT ORDAINED by the City Council of the City of Charles Town as follows:

That Section 8, TERMS OF OFFICE of the Charter of the city of Charles Town be AMENDED pursuant to West Virginia Code 8-4-8, as follows:

SECTION 8. TERMS OF OFFICE.

Their term of office shall be (except when to fill vacancies) for four years, and until their successors elected and qualified, as herein provided; except that the election to be held the fourth Thursday in May, nineteen hundred ninety nine, there shall be one Councilperson from the first, second, third and fourth wards, their terms of office shall be for four years.

Bi-annually thereafter, on the fourth Thursday of May, there shall be elected one Councilperson from each ward, to be voted for throughout the town as hereinbefore provided. The Mayor shall be elected on the fourth Thursday in May, 2001 and every four years thereafter on such Thursday. the Mayor and members of Council elected in May, 1998 shall continue in office until their successors are elected in May, 2001.

BE IT ORDAINED that this Charter Amendment shall take effect and be in full force as provided by West Virginia Code 8-4-8.

CITY OF CHARLES TOWN

By: J. Randolph Hilton
Mayor J. Randolph Hilton

Attest:

Gwendolyn A. Hamilton
Clerk

Date of Public Hearing: September 8, 1998
Enacted/Passed: September 21, 1998

02-19

RESOLUTION NO. 02-08

A RESOLUTION PROMULGATING RULES OF THE COMMON COUNCIL OF THE CITY OF CHARLES TOWN IN ACCORDANCE WITH WEST VIRGINIA STATE CODE §6-9A-3, *Proceedings to be open; public notice of meetings.*

The Common Council of the City of Charles Town recognizes the right of each citizen to be heard before the Council and;

WHEREAS, the Common Council of the City of Charles Town hereby finds and states the following declaration of policy in accordance with West Virginia State Code §6-9A-1:

> That public agencies in this City exist for the singular purpose of representing citizens of this City in governmental affairs, and it is, therefore, in the best interests of the people of this City for the proceedings of public agencies be conducted openly, with only a few clearly defined exceptions. The Common Council hereby further finds and declares that the citizens of the City do not yield their sovereignty to the governmental agencies that serve them. The people in delegating authority do not give their public servants the right to decide what is good for them to know and what is not good for them to know. The people insist on remaining informed so that they may retain control over the instruments of government created by them.
>
> Open government allows the public to educate itself about government decision-making through individuals' attendance and participation at government functions, distribution of government information by the press or interested citizens, and public debate on issues deliberated within the government.
>
> Public access to information promotes attendance at meetings, improves planning of meetings, and encourages more thorough preparation and complete discussion of issues by participating officials. The government also benefits from openness because better preparation and public input allow government agencies to gauge public preferences accurately and thereby tailor their actions and policies more closely to public needs. Public confidence and understanding ease potential resistance to government programs.

Accordingly, the benefits of openness inure to both the public affected by governmental decision-making and the decision makers themselves. The Common Council finds, however, that openness, public access to information and a desire to improve the operation of government do not require nor permit every meeting to be a public meeting. The Common Council finds that it would be unrealistic, if not impossible, to carry on the business of government should every meeting, every contact and every discussion seeking advice and counsel in order to acquire the necessary information, data or intelligence needed by a governing body were required to be a public meeting. It is the intent of the Common Council to balance these interests in order to allow government to function and the public to participate in a meaningful manner in public agency decision-making.

WHEREAS, the Common Council of the City of Charles Town intends to adhere to West Virginia State Code §6-9A-3, *Proceedings to be open; public notice of meeting,* that states in part:

> Any governing body may make and enforce reasonable rules and regulations for attendance and presentation at any meeting where there is not room enough for all members of the public who wish to attend. This article does not prohibit the removal from a meeting of any member of the public who is disrupting the meeting to the extent that orderly conduct of the meeting is compromised: Provided, That persons who desire to address the governing body may not be required to register to address the body more than fifteen minutes prior to time the scheduled meeting is to commence.

WHEREAS, the Common Council of the City of Charles Town intends to adhere to West Virginia State Code §6-9A-3, *Proceedings to be open; public notice of meeting,* that further states in part:

> Each governing body shall promulgate rules by which the date, time, place and agenda of all regularly scheduled meetings and the date, time, place and purpose of all special meetings are made available, in advance, to the public and news media, except in the event of an emergency requiring immediate official action.

WHEREAS, the Common Council of the City of Charles Town by this Resolution shall establish and enforce as reasonable regulations the following:

1. To constitute a meeting, the Common Council hereby finds that a meeting is the convening of any public agency for which a quorum is required in order to make a decision or to deliberate toward a decision on any matter that results in an official action.

Resolution No. 02-08

2. That when a governing body holds regular meetings every two weeks, or less frequently, a meeting agenda should be made available to the media and public at least three days in advance of the meeting. In calculating the three-day notice period, Saturdays, Sundays, and legal holidays are not counted. The governing body can amend an agenda that was issued three or more days in advance of a meeting, to add additional items that were not known when the agenda was first issued. However, this amended agenda must be made available at least two days in advance of the meeting. Notices required herein shall be placed on the public notice board at 105 S. George Street, Charles Town, WV.

3. That the right of each citizen to be heard before the Council shall be for an initial period of five minutes. Council may upon motion extend this time period with regard to complex subject matter. That persons who desire to address the governing body shall register to address the body fifteen minutes prior to the time the scheduled meeting is to commence.

4. This Resolution shall not be construed to prohibit the removal from a meeting of any member of the public who is disrupting the meeting to the extent that orderly conduct of the meeting is compromised.

5. All Boards and ~~Committees~~ Commissions of the City of Charles Town shall comply with this Resolution.

6. In keeping with past practice and procedure, the standing committees of the Common Council shall not require a quorum to meet.

7. Exceptions set forth in West Virginia State Code §6-9A-4 are applicable herein.

NOW, THEREFORE, BE IT RESOLVED that the Common Council of the City of Charles Town in Jefferson County of the State of West Virginia hereby proclaims this Resolution a promulgation of rules in accordance with West Virginia State Code §6-9A-3, *Proceedings to be open; public notice of meeting.*

ADOPTED by the City of Charles Town at its regular meeting this 15th Day of July, 2002

CITY OF CHARLES TOWN

J. Randolph Hilton

J. Randolph Hilton, Mayor

Attest: Brenda S Hamilton

Clerk

State of West Virginia,

COUNTY OF JEFFERSON, SCT.

I, **Donald Watson Clendening**, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia.

I, **Donald Watson Clendening**, do solemnly swear that I will faithfully discharge and perform the duties of the office of **Councilmember Ward 3 for the City of Charles Town**, to the best of my skill and judgment, and according to law. So help me God.

Donald Watson Clendening

The above oath was taken and subscribed by the Honorable Mayor, Peggy A. Smith, on this 6th day of June, 2005

Peggy A. Smith, Mayor

State of West Virginia,

COUNTY OF JEFFERSON, SCT.

I, **Peggy A. Smith**, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia.

I, **Peggy A. Smith**, do solemnly swear that I will faithfully discharge and perform the duties of the office of **Mayor for the City of Charles Town**, to the best of my skill and judgment, and according to law. So help me God.

Peggy A. Smith

The above oath was taken and subscribed by the Honorable Mayor, J. Randolph Hilton, on this 6th day of June, 2005.

J. Randolph Hilton, Mayor

State of West Virginia,

COUNTY OF JEFFERSON, SCT.

I, **Sandra Slusher McDonald**, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia.

I, **Sandra Slusher McDonald**, do solemnly swear that I will faithfully discharge and perform the duties of the office of **Councilmember Ward 1 for the City of Charles Town**, to the best of my skill and judgment, and according to law. So help me God.

Sandra Slusher McDonald

The above oath was taken and subscribed by the Honorable Mayor, Peggy A. Smith, on this 6th day of June, 2005

Peggy A. Smith, Mayor

State of West Virginia,

COUNTY OF JEFFERSON, SCT.

I, **Amy Schmitt**, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia.

I, **Amy Schmitt**, do solemnly swear that I will faithfully discharge and perform the duties of the office of **Councilmember Ward 2 for the City of Charles Town**, to the best of my skill and judgment, and according to law. So help me God.

Amy Schmitt

Amy Schmitt

The above oath was taken and subscribed by the Honorable Mayor, Peggy A. Smith, on this 6th day of June, 2005

Peggy A. Smith

Peggy A. Smith, Mayor

State of West Virginia,

COUNTY OF JEFFERSON, SCT.

I, **Geraldine Willingham**, do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia.

I, **Geraldine Willingham**, do solemnly swear that I will faithfully discharge and perform the duties of the office of **Councilmember Ward 4 for the City of Charles Town**, to the best of my skill and judgment, and according to law. So help me God.

Geraldine Willingham

The above oath was taken and subscribed by the Honorable Mayor, Peggy A. Smith, on this 6th day of June, 2005

Peggy A. Smith, Mayor

State of West Virginia,

COUNTY OF JEFFERSON, SCT.

I, **Joseph Cosentini,** do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia.

I, **Joseph Cosentini,** do solemnly swear that I will faithfully discharge and perform the position of **City Clerk/Recorder for the City of Charles Town** to the best of my skill and judgment, and according to law. So help me God.

Joseph Cosentini

The above oath was taken and subscribed by the Mayor, Peggy A. Smith, on this 6th day of June, 2005

Peggy A. Smith, Mayor

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PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 19th day of May, 2005.

CASE NO. 04-0095-S-CN (Reopened)

CITY OF CHARLES TOWN SEWER DEPARTMENT, a municipal utility, Jefferson County.

Petition to reopen proceeding for an application for a certificate of convenience and necessity to construct improvements to its existing wastewater treatment system.

COMMISSION ORDER

The Commission approves the request for revised financing.

BACKGROUND

By Recommended Decision entered on September 30, 2004, (Final October 20, 2004) the City of Charles Town Sewer Department (Charles Town) was granted a certificate of convenience and necessity to construct improvements to its wastewater treatment system, subject to the Commission's receipt of a revised NPDES permit and Charles Town enacting an ordinance which includes bulk resale rates within 18 months of the closing date of the project.

The total estimated project cost was $2.5 million. The following financing was also approved:

1) the 1st revised Debt Service Guarantee Agreement between Huntfield, L.C. and Charles Town in the amount of $700,000;

2) the issuance of a series of 20-year revenue bonds in the total amount of $2.5 million at an average rate of 5.5%, with $700,000 of the debt payments guaranteed by Huntfield.

If the project's plans, scope or terms of financing were modified, Charles Town was ordered to petition to reopen this case for Commission review and approval of the modifications.

On March 16, 2005, Charles Town moved to reopen the case for approval of revised financing. (Motion to Reopen p. 1). Charles Town's bond counsel has advised that current IRS regulations deem the proposed borrowing to be "private activity bonds" and thus not eligible for tax exempt financing. (Id.) The bond underwriter has advised that the bonds can be issued on a taxable basis with an average coupon rate of 7.55 percent (Id.) Charles Town attached a revised financial exhibit pursuant to Rule 42 of the Commission's Rules for the Construction and Filing of Tariffs, 150 C.S.R. Series 2, (Tariff Rules) to show that the fact that the bonds are taxable will have very little impact on the utility's cash flow and that Charles Town will continue to meet its debt service coverage requirements. (Id. p. 2).

Although a witness testified at the hearing that the term was 20 years for the bonds, the Tariff Rule 42 exhibit filed in the case reflected a 30-year term. Charles Town clarified that the correct term was 30 years. (Id.)

The proposed 30-year bonds will have call provisions allowing the utility to pay off the debt early without penalty by use of the capacity improvement fee, which is part of Charles Town's and Ranson's tariffs and is expected to be approved for Jefferson County Public Service District's tariff. (Id.)

Bond counsel advises that a revised order is needed from the Commission, before the revenue bonds can be issued. (Id.) Thus, Charles Town asked the Commission to authorize the issuance of a series of 30-year revenue bonds in the total amount of $2.5 million at an average rate not to exceed 8.0 percent. (Id.)

On April 26, 2005, Staff recommended approval of the revised financing. (Initial & Final Joint Staff Memorandum p. 1 & Initial & Final Internal Memorandum pp. 3-4, attached). Staff advised that a resale rate was recently developed in a municipal appeal case, in which the Commission reviewed Charles Town's recently enacted ordinance

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regarding sewer rates. See City of Charles Town, Case Number 04-1819-S-MA (Rec. Dec. April 11, 2005, final May 1, 2005). Prior to this, all three sewer utilities equally divided the operation, maintenance and treatment costs of Charles Town's sewer plant, pursuant to a 1988 Sewer Service Agreement. (Initial & Final Internal Memorandum pp. 1-2).

Staff said that paragraph 1[1] of the Supplemental Agreement to the 1988 Sewer Service Agreement conflicted with the process for access to sewerage services followed by most West Virginia utilities. (Id.) The Supplemental Agreement was not challenged in Charles Town's certificate case and was allowed to remain in effect until the passage of a resale rate. (Id. p. 2). As a result of the approval of Charles Town's certificate and the rates developed in the municipal appeal case, Charles Town now is obligated to provide sewer service as needed. (Id.) Charles Town can no longer be limited by the decisions of Jefferson County and Ranson regarding any needed sewer system expansion, Staff said. (Id.)

Staff recognized that Charles Town was concerned that any modification to the Supplemental Agreement would affect the Huntfield agreement, which was approved in the certificate case and which guarantees the debt service for the certificate project. (Id.) Since any change to the Supplemental Agreement could, then, lead to additional pleadings and delay badly needed sewer capacity, Staff said it would not oppose the language which provides a *de facto* capacity reservation. However, Staff recommended that the parties be required to acknowledge that within *each share of the new capacity* (emphasis in original), there be a first come, first served requirement. Also, to prevent future disputes similar to those which have developed as a result of lack of sewer capacity, Staff recommended that, as acknowledgment of the apparent reservation language, Charles Town be required to submit a second certificate filing for an additional capacity increase within 90 days of any approval of Charles Town's motion to reopen the certificate case. (Id.) Area utilities and developers have advised Staff that they all believe that the 500,000 gallon daily capacity increase which will result from the certificate project will be consumed within a two to three-year period. (Id.) This is why the allocation language is needed, which will allow many planned projects to secure bank financing and proceed to construction, Staff wrote. (Id. p. 3). Staff recognized that acknowledgment of the allocation language does not constitute approval and does not

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[1] Staff pointed to this language:

> The shares of increased capacity in the Treatment Plant shall be apportioned equally among the parties, subject to reallocation according to ¶ E.1. of the agreement.

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protect against future challenges to the allocation language, which may result in a different recommendation. (Id.)

On May 4, 2005, Charles Town advised that Staff has raised two issues which were either contrary to Staff's initial position or which clearly have no bearing on this case. Staff asks that Charles Town, Ranson and Jefferson County be required to insert new language in an agreement which has already been approved in the certificate case, even though Staff did not except to the Recommended Decision. (Response p. 1). Staff also asks that Charles Town be required to file a new certificate application for a further expansion of the treatment plant. (Id. pp. 1-2). Charles Town asserted that Staff's proposal jeopardizes the Debt Service Guarantee Agreement by Huntfield. "Without such a guarantee in place the structure of the bonds will be required to be radically changed with unknown consequences upon Charles Town, Ranson, JSPSD and the customers of those three utilities," Charles Town wrote. (Id. p. 2).

Charles Town acknowledged that it would have to apply for a certificate for any further expansion of the wastewater plant, and Charles Town is acquiring real estate adjacent to the plant for such an expansion. (Id.) However, Charles Town has temporarily paused in proceeding with the design of the next expansion, due to the following:

> 1. Consideration of how of any further expansion will be affected by the requirements of the Chesapeake Bay Initiative. Charles Town's plant discharges into the Potomac River, and Maryland is expected to issue discharge limitations upon all states that are a part of the Potomac River Basin. When these limits are issued, the West Virginia Division of Environmental Protection is expected to issue regulations requiring all wastewater plants within the drains of the Potomac to upgrade their facilities. Charles Town said those new standards should be incorporated into any further expansion.
>
> 2. The West Virginia Legislature recently enacted Senate Bill 700, and if the Governor signs it, the rate of growth of additional flows into Charles Town's plant may be altered. Charles Town believes that several developers are considering the construction of alternative treatment plants, pursuant to Senate Bill 700, and it expects that at least some of those developers would divert flows from Charles Town's plant to other plants.
>
> (Id. pp. 2-3).

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Charles Town will open bids on May 12, 2005. (Id. p.3). If it is able to maintain that schedule, Charles Town anticipates awarding a contract, issuing a notice to proceed and closing on the revenue bond financing in late May or early June. Construction should be substantially complete in six months, around December 2005. (Id.) And, construction of the new South Jefferson High School is dependant upon completion of the plant. (Id. p. 4).

Charles Town asked the Commission to rule upon this matter as quickly as possible. (Id.) Specifically, Charles Town asked the Commission to reject the two conditions proposed by Staff.

On May 6, 2005, the Jefferson County Public Service District responded to Staff's memo, urging the Commission to promptly approve the revised financing. (Ltr. p. 1). "It is of the utmost importance that the Jefferson County area receive an expeditious increase in available wastewater treatment capacity," Jefferson County wrote. "As matters currently stand, prospective customers are unable to receive commitment letters and connect to facilities upon request. A prompt increase in capacity at the Charles Town wastewater treatment plant is essential if this situation is to be alleviated." (Id.)

Jefferson County supported the Amendment to the 1988 Sewer Service Agreement, and notes that it was previously approved by the Commission and provides the basis for the financing of this project. (Id.) Under the 1988 Sewer Service Agreement, all three utilities have contributed to the engineering fees associated with Charles Town's certificate project. (Id. pp. 1-2). The Amendment sets forth a common method for the three utilities to collectively meet the project's debt service requirements. "Because the three utilities are sharing in securing payment of the project debt, and have jointly shared in paying for engineering design services, it follows that no one entity should be reimbursed for its prior contributions towards engineering fees out of bond proceeds to the exclusion of other utilities." (Id. p. 2). The Commission should specify that in calculating the project cost to be included in the project financing, Charles Town must either include the full amount of engineering fees, with reimbursement to each of the contributing utilities, or exclude engineering design costs from project costs. (Id.)

Paragraph E.1 of the 1988 Sewer Service Agreement provides for reallocation of sewer service capacity, by renegotiation of the Agreement, when any party reaches 90% of their allotted share of capacity on a regular basis. (Id.). Jefferson County noted that the Agreement was subject to the continuing jurisdiction of the Commission, which may modify the Agreement in its discretion. Jefferson County did not object to Staff's recommendation that the order approving the revised financing state that each utility is required to serve customers on a first come first served basis. (Id.).

Jefferson County asked that the Commission reject Staff's recommendation to require a Phase II certificate filing within 90 days. Jefferson County stated that placing an artificial deadline for such a filing would be to ask for an incomplete application that may change substantially during the pendency of the case. (Id. p. 3).

On May 16, 2005, Staff filed a Further Final Joint Staff Memorandum to which was attached a Further Final Internal Memorandum. Staff clarified that it was recommending that the revised financing be approved. The additional recommendations contained in the April 26, 2005, memorandum were not meant to be contingency requirements to the refinancing. (Further Final Internal Memorandum pp. 2-3).

Staff removed its original recommendation to require the parties to the 1988 Sewer Service Agreement to formally acknowledge the first come first served policy. However, Staff noted that in any future proceeding related to a dispute concerning access to sewer plant capacity, Staff would take the first come first served position in such a dispute. (Further Final Internal Memorandum p. 3).

Staff also revised its recommendation to require Charles Town to file a certificate for a second plant expansion within ninety (90) days. Instead, Staff recommended a requirement that is similar to the one set forth on the Charles Town's NPDES permit issued by the West Virginia Department of Environmental Protection. When the Charles Town plant reaches 90% of its permitted capacity, it is required to file a plan to address the capacity problem. Staff indicated that the planned permitted capacity of the Charles Town plant is 1.75 million gallons per day (MGD). (Further Final Internal Memorandum p. 3). On or before the time that Charles Town reaches 1.57 MGD flow level, it should be required to file for a certificate. (Id.). Staff also recommended that Charles Town be required to file monthly reports stating average daily sewage flow and stating the remaining capacity available at the plant. (Id).

DISCUSSION

As Charles Town is not eligible for the tax exempt financing originally contemplated and approved by the Commission, it is necessary to revise the project financing. In light of Staff's recommendation, the Commission concludes that it is reasonable to approve Charles Town's request to issue a series of 30-year revenue bonds in the total amount of $2.5 million at an average rate not to exceed 8.0 percent.

At this time, the Commission will defer ruling on Staff's recommendations to require Charles Town to file for a certificate on or before the time that Charles Town reaches 1.57 MGD flow level or to require the filing of monthly reports. The parties should be given the opportunity to respond to the Staff recommendation. Such responses shall be filed within ten days of the date of this order.

FINDINGS OF FACT

1. By Recommended Decision entered on September 30, 2004, (Final October 20, 2004) Charles Town was granted a certificate of convenience and necessity to construct improvements to its wastewater treatment system. At that time, project financing was approved, including the issuance of a series of 20-year revenue bonds in the total amount of $2.5 million at an average rate of 5.5%. (Order p. 17).

2. On March 16, 2005, Charles Town moved to reopen this case for approval of revised financing. Charles Town was advised that the bonds originally proposed were not eligible for tax exempt financing. (Motion to Reopen p. 1).

3. Charles Town asked the Commission to authorize the issuance of a series of 30-year revenue bonds in the total amount of $2.5 million at an average rate not to exceed 8.0 percent. Charles Town stated that the change in the tax status of the bonds would have little impact on the utility's cash flow and that Charles Town would continue to meet its debt service coverage requirements. (Id. p. 2).

4. On April 26, 2005, Staff recommended approval of the revised financing. (Initial & Final Joint Staff Memorandum p. 1 & Initial & Final Internal Memorandum pp. 3-4, attached). Staff made additional recommendations regarding the 1988 Sewer Service Agreement and a future certificate filing for Charles Town. (Initial & Final Joint Staff Memorandum p. 1 & Initial & Final Internal Memorandum pp. 3-4, attached).

5. Both Charles Town and Jefferson County filed responses to the Staff memorandum.

6. On May 16, 2005, Staff filed a Further Final Joint Staff Memorandum. Staff clarified that it was recommending that the revised financing be approved. The additional recommendations contained in the April 26, 2005, memorandum were not meant to be contingency requirements to the refinancing. (Further Final Internal Memorandum pp. 2-3).

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7. Staff removed its original recommendation to require the parties to the 1988 Sewer Service Agreement to formally acknowledge the first come first served policy. (Further Final Internal Memorandum p. 3).

8. Staff recommended that on or before the time the Charles Town plant reaches 1.57 MGD flow level, which is 90% of its permitted capacity, it be required to file for a certificate. (Further Final Internal Memorandum p. 3). Staff also recommended that Charles Town be required to file monthly reports stating average daily sewage flow and stating the remaining capacity available at the plant. (Id).

CONCLUSIONS OF LAW

1. The Commission concludes that it is reasonable to approve Charles Town's request to issue a series of 30-year revenue bonds in the total amount of $2.5 million at an average rate not to exceed 8.0 percent.

2. Before the Commission makes a final determination on Staff's recommendations to require Charles Town to file for a certificate on or before the time that Charles Town reaches 1.57 MGD flow level or to require the filing of monthly reports, the parties will have ten days from the date of this order to respond.

ORDER

IT IS, THEREFORE, ORDERED that the petition to reopen, filed by Charles Town on March 16, 2005, is hereby granted.

IT IS FURTHER ORDERED that Charles Town's motion for revised financing, consisting of a series of 30-year revenue bonds in the total amount of $2.5 million at an average rate not to exceed 8.0 percent, is hereby approved.

IT IS FURTHER ORDERED that in the event of any other change to the funding, terms of financing, plans, or scope of the approved project, the Charles Town shall petition the Commission to reopen this proceeding for approval of the same.

IT IS FURTHER ORDERED that, the parties shall have ten (10) days from the date of this order to respond to the Staff recommendation regarding the filing of a future certificate and the filing of monthly reports by Charles Town.

IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this order upon all parties of record by United States First Class Mail and upon Commission Staff by hand delivery.

A True Copy, Teste:

Sandra Squire

Sandra Squire
Executive Secretary

JMH/sek
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PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

FINAL
10-20-04

Entered: September 30, 2004

CASE NO. 04-0095-S-CN

CITY OF CHARLES TOWN SEWER DEPARTMENT
Application for a certificate of convenience and necessity to construct improvements to its existing wastewater treatment system.

RECOMMENDED DECISION

On January 26, 2004, the City of Charles Town Sewer Department (Utility) filed an application for a certificate of convenience and necessity to construct improvements to its existing wastewater treatment system.

On February 6, 2004, the Jefferson County Public Service District (PSD) petitioned the Commission to intervene. The PSD's wastewater is treated by the Utility.

On March 9, 2004, the Commission referred the matter. The current decision due date is October 7, 2004.

On May 26, 2004, the Utility filed documents significantly revising its proposed project. The revisions significantly increased the estimated cost of the project.

By Procedural Order issued June 1, 2004, the Utility was ordered to publish a Revised Notice of Filing reflecting the increased project costs.

By Procedural Order issued June 10, 2004, the PSD was granted intervenor status. The matter was set for hearing on August 24, 2004.

On July 2, 2004, the City of Ranson (Ranson) petitioned to intervene in the proceeding. Ranson's wastewater is treated by the Utility.

By Procedural Order issued July 6, 2004, Ranson was granted intervenor status.

On July 16, 2004, Paul Burke filed a motion to intervene. Mr. Burke is a resident of Jefferson County and expressed concerns regarding environmental and other issues with the project.

On July 22, 2004, Huntfield, L.C. (Huntfield), petitioned to intervene. Huntfield is a developer with a large project under construction which requires sewer capacity.

By Procedural Order issued July 28, 2004, Mr. Burke and Huntfield were both made parties to the proceeding. The Utility was ordered to publish notice of the hearing previously scheduled for August 24, 2004.

The hearing was held as scheduled. Hoy G. Shingleton, Jr., Esquire, and Richard L. Lewis II, Esquire, appeared on behalf of the Utility. James V. Kelsh, Esquire, appeared on behalf of the PSD. David C. Glover, Esquire, appeared on behalf of Ranson. Georgiana M. Pardo, Esquire, appeared on behalf of Huntfield. Paul Burke appeared on his own behalf. Both public comment and evidence were received at the hearing. A briefing schedule was established.

PUBLIC COMMENT

James Cummings is a biologist and lives in Bakerton. (Tr. 22, 23). Mr. Cummings supports the proposed upgrade for the water treatment plant, as long as it is built so that it can handle the waste from the County's septic tanks and any lines are designed carefully. (Tr. 24). Mr. Cummings explained that, given the limestone geography of the area, sewer line breaks are very dangerous to the County's ground water. (Tr. 24). Mr. Cummings also wants to make sure that the creek where the effluent is discharged is adequately protected environmentally. (Tr. 26).

Jane Rissler is a resident of Greenbelt, Maryland, and believes that the project should result in a review under Section 106 of the National Historic Preservation Act to consider the potential effect on nearby historical resources. (Tr. 26, 27, 28, 29, 30, 31). The Act requires a historic review on any project that requires federal licensing. (Tr. 27). Ms. Rissler pointed out several historic structures within a mile of the proposed sewer upgrade. (Tr. 28, 29, 30).

Beth Haney is a resident of Jefferson County. (Tr. 32). Ms. Haney believes that the project is not in the public interest because it will allow new development. (Tr. 33, 34). Ms. Haney believes that new residential units cost more in services needed than in the tax revenue they produce. (Tr. 34). She believes that each new house "adds to the downward spiral that continues to drain our economic vitality". (Tr. 35). Ms. Haney pointed out various programs in the metropolitan Washington, D.C. area, which were designed to limit growth. (Tr. 35, 36). Ms. Haney believes that development is an economic pyramid scheme where a few developers get rich and the rest of the community pays for the expansion. (Tr. 37).

Nick Latterell, a professor emeritus of biology at Shepherd University, supports the upgrading of the sewer plant. (Tr. 38, 39). He believes that it is badly needed, given the history of frequent failures on the part of the Utility to meet its environmental permits. (Tr. 39). Mr. Latterell opposes any expansion of sewer service into the rural area of the County. (Tr. 39). Mr. Latterell believes that increased development comes at a negative cost to the County. (Tr. 39, 40). Mr.

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Latterell believes that County residents should get to vote on whether or not the sewer plant is expanded. (Tr. 41).

Lee Snyder, a resident of Jefferson County, believes that there is a sewer capacity crisis and that the opponents to growth are fighting the sewer expansion in order to stop development. (Tr. 42). Mr. Snyder believes that the lack of sewer capacity has the potential to destroy the area's economic vitality in short order. (Tr. 42). Mr. Snyder believes that they do not even have sufficient capacity to serve the new high school for which the bond has already been passed. (Tr. 42, 43). Mr. Snyder believes that the expansion of utility service to serve new customers should be automatic under the obligation to serve. (Tr. 43). He believes that, without a significant expansion of capacity at the Charles Town plant soon, it will create an economic crisis in Jefferson County. (Tr. 43).

Mary L. MacElwee will soon retire on a limited income and opposes having to hook up to sewer service. (Tr. 44). Ms. MacElwee is also concerned about the impact on the Shenandoah River of the proposed expansion. (Tr. 44). She is also concerned with additional traffic and pollution connected to growth. (Tr. 44, 45).

Ed Wormald, a professional engineer, is in favor of the expansion of capacity. (Tr. 45, 46). He believes it is essential for Jefferson County and good for the public. (Tr. 45). He believes the expansion will protect the environment and is certain that any discharge into the streams would be of extremely high quality, probably cleaner than the creek water itself. (Tr. 45, 46). Mr. Wormald believes there is currently an informal moratorium on new connections to the Charles Town plant. (Tr. 48). The lack of available capacity has resulted in a hotel delaying its construction schedule. (Tr. 46). Mr. Wormald believes that availability of water and sewer service should not be used as a way to control growth. (Tr. 46). Mr. Wormald believes the only option to the treatment plant expansion is no growth for Jefferson County. (Tr. 46). Mr. Wormald believes that residential housing does carry its financial burden within the community. (Tr. 47). Mr. Wormald believes that businesses will come into the County after the additional housing stock is built and occupied. (Tr. 47). He believes that denying the project will cause economic recession for Jefferson County. (Tr. 47).

Leslie Carter, a resident of Jefferson County, believes that uncontrolled growth will decrease the quality of life in the area. (Tr. 48). Ms. Carter believes that many tourists visit the area because of the quality of the environment, the beauty of the rivers and the quality of the historical resources. (Tr. 49).

Kelly Baty, a geologist, is concerned about the wells in the County, given the sewer project. (Tr. 49, 50). Mr. Baty's concern is with breakages in sewer lines, as well as inflow and infiltration problems. (Tr. 50). Given the limestone nature of the area's geology, Mr. Baty believes that sewer projects must be very carefully designed. (Tr. 51). The area is subject to sinkholes. (Tr. 51).

Frances Latterell is opposed to upgrading the sewer plant. (Tr. 52). She believes that an expansion and the related development will lower the quality of life in Jefferson County. (Tr. 52, 53).

Barbara Hunes is concerned with the County's quality of life. (Tr. 54). She is opposed to growth such as occurred in the neighboring Counties of Virginia and Maryland. (Tr. 54).

EVIDENCE

Jane Arnett is the Chairman of the Utility. (Tr. 56). The Utility's treatment plant provides service to its own customers, as well as to the PSD and Ranson. (Tr. 62). The utilities entered into an agreement in 1988 (88 Agreement) regarding joint use of the treatment plant. (Tr. 62). The Utility, Ranson and the PSD concluded in 2003 that an expansion of capacity was needed. (Tr. 58). Ms. Arnett believes that one of the fundamental duties of a public utility is its duty to serve new customers. (Tr. 76, 77).

Ranson's engineer prepared an estimate of the total number of equivalent dwelling units (EDUs) of capacity it would need to serve its customers over the next 20 years. (Tr. 59). Ranson estimates that it needs 10,506 EDUs of capacity over that time. (Tr. 59, 60).

The Utility is proposing an immediate increase in its capacity by 500,000 gallons a day. (Tr. 60). An increase in capacity of 500,000 gallons provides about 2,778 EDUs of capacity. (Tr. 61).

Huntfield plans to build 3,200 new homes, as well as related businesses. (Tr. 63). There are already existing sewer mains and pump stations in the Huntfield development. (Tr. 64). Norbourne Glebe projects building structures which will consume 500 EDUs. (Tr. 63). There is a townhouse development which is already partially completed and is going to complete an additional 141 units. (Tr. 63). Ms. Arnett is familiar with another small development for 44 housing units. (Tr. 63). The Board of Education intends to open a new high school in the Huntfield development within three years. (Tr. 64).

The Department of Environmental Protection (DEP) informed the Utility on February 10, 2004, that it only had 150,000 gallons a day of capacity remaining at the treatment plant on that date. (Tr. 66). Since that date, the Utility has consumed an additional 35,000 gallons of the available capacity. (Tr. 66, 78). Ms. Arnett believes that much more capacity would have been consumed, but for the fact that the three utilities were very careful with the limited amount of remaining capacity. (Tr. 78). The Utility desires to withhold 20,000 gallons of available capacity as a buffer to permit it to more closely comply with its NPDES permit. (Tr. 78).

The Utility recently received an increase in its rates. (Tr. 82, 83). That rate increase was to cover increases in its operating costs since 1998. (Tr. 83). The Utility has been relying on the water department to get a legally adequate debt coverage ratio. (Tr. 83).

The Utility has attempted to fix the immediate cause of its recent violations of its DEP permit. (Tr. 97). The upgrade at the sewer treatment plant will result in improved water quality of the discharge from the plant. (Tr. 97).

The 88 Agreement calls for each utility to have a certain number of shares of capacity at the plant. (Tr. 101). Ranson was allocated 330,000. (Tr. 101). Charles Town got 470,000. (Tr. 101). The PSD got 400,000. (Tr. 101).[1] The original plan was to allocate the extra 500,000 gallons from the project equally between the three utilities. (Tr. 102). The Utility has now agreed to essentially a first-come, first-served system for the remaining capacity. (Tr. 103).

The original project envisioned an effluent line being constructed to the Shenandoah River and did not include the additional blowers and digesters. (Tr. 106). At some point, the DEP suggested the additional blowers and a digester. (Tr. 106). Later still, it was determined that it was not necessary to add the effluent line to the Shenandoah. (Tr. 106). The scope of the project was reduced from a cost of $6,000,000 to $2,500,000, when the decision was made not to try run a new effluent line to the Shenandoah. (Tr. 68, 69).

The Utility negotiated a proposed agreement with Huntfield to guarantee the debt service for the improvements to the treatment plant for the first few years until growth will pay for the debt service. (Tr. 72). As a result of modifications to the plans, the agreement with Huntfield was amended to reflect the lower costs associated with the project. (Tr. 72, 73). The guarantee from Huntfield has been reduced to $700,000, given the decrease in the size of the project. (Tr. 73). Huntfield was not granted any exclusive right to capacity as a result of its guarantee. (Tr. 74).

The quality of the discharge from the plant after the upgrade will be of a much higher quality than exists from the plant today. (Tr. 111). If no new additional customers are served, the improvement to the plant would still significantly increase the quality of the effluent. (Tr. 111).

The Utility made certain improvements to the plant in 2001, which required reprogramming of its software. (Tr. 115). Programming errors resulted in some discharge problems at first. (Tr. 115). The Utility also had trouble cleaning its ultraviolet lights, which also limited the ability to comply with its discharge permit. (Tr. 116). The Utility has taken care of both the programming error and the O&M issue with the ultraviolet lights. (Tr. 116).

David Choate is a professional engineer who helped design the project. (Tr. 124). The proposed project will add two blowers to the Sequencing Batch Reactor (SBR) system, which will provide supplemental

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[1]Staff pointed out in a filing made September 17, 2004, that, although the 88 Agreement calls on the utilities to share in the plant's operation and maintenance costs in accordance with their share of the capacity, the utilities have actually been paying one-third each for these expenses.

oxygen in order to handle additional incoming loads. (Tr. 128). It will also replace the dissolved oxygen analyzers and controllers. (Tr. 128). It will add a 600,000 gallon aerobic digester to enhance digestion and reduce the total amount of solids. (Tr. 128).

The existing treatment plant uses bacteria to consume much of the sewage and to remove the ammonium nitrogen. (Tr. 129). The bacteria is then allowed to settle and the clean water is decanted off and discharged into the stream. (Tr. 129). The additional blowers will provide more oxygen to the bacteria in the reactors allowing them to consume more sewage. (Tr. 137).

The remaining parts of the treatment plant, including the head works, effluent pumping, disinfection process and belt press are all adequate to handle the increased capacity. (Tr. 138). The added blower and aerobic digester will result in a drier, thicker sludge, which will be easier to handle with the existing press. (Tr. 139).

The Utility has an existing discharge permit into Evitt's Run. (Tr. 129). The amount of pollution into Evitt's Run will not increase, but the new project will require a permit modification because there is an increase of flow going through the treatment plant and a change in the treatment plant process. (Tr. 130).

The decision to keep the effluent line on Evitt's Run came because of a change in water quality standards related to nitrogen. (Tr. 131, 132). The plant's three basins are always in a different phase of the cycle with a computer controlling the sequencing of the basins. (Tr. 137). The plant operates 24-hours a day. (Tr. 137).

The project is designed to be able to be retrofitted to handle any new regulations regarding nitrates that come from new requirements associated with the Chesapeake Bay watershed. (Tr. 140). The Health Department has issued a construction permit for the proposed project. (Tr. 140, 141).

The new plant, as designed, will be able to handle the peak biochemical oxygen demand (BOD) levels, which, occasionally, hit the Utility's treatment plant. (Tr. 160). The facility has a historic high level of BOD on its system, much higher than most other municipal plants. (Tr. 160). There is a bypass on the plant for occasions when flow exceeds three million gallons a day, but the bypass has not been used since four meters were installed in 2001. (Tr. 164, 165).

It is impractical to place the digester underground given the low elevation of the area and the high level of its ground water. (Tr. 169). It would be extremely expensive to de-water the area and not very environmentally sensitive. (Tr. 170).

L. Eli McCoy has a Ph.D., with an emphasis in aquatic ecology and aquatic quality. (Tr. 177, 178). Mr. McCoy served as Director of the DEP in the past and is currently a consultant to the Utility. (Tr. 178). Mr. McCoy explained that, due to then-existing environmental regulations, the Utility planned to build a new effluent line to the Shenandoah River. (Tr. 179). The relaxation of the criteria by the DEP made it

environmentally and economically appropriate to continue to discharge the plant's effluent at Evitt's Run. (Tr. 181, 182).

Evitt's Run is impacted by a variety of non-effluent pollution sources, most of which are from agricultural practices. (Tr. 183). Increasing the flow of the effluent from 1.2 million gallons to 1.7 million gallons a day will actually reduce the dissolved oxygen sag in the creek by half a milligram per liter, resulting in improved stream conditions. (Tr. 184, 185). The mass of pollutants will not actually increase with the increased discharge given the pollutants are going to decrease per unit. (Tr. 185). The additional flow should improve water quality on Evitt's Run from the dissolved oxygen standpoint. (Tr. 185). The additional flow in the stream is also a benefit because aquatic organisms benefit from a wet habitat. (Tr. 185).

The DEP will allow public comment and go through an entire process in determining the ultimate final environmental impact of the project. (Tr. 187). The only type of water pollution control permit in West Virginia is issued by the State. (Tr. 187).[2] The Federal Pollution Control Program was delegated to the State in 1982. (Tr. 187).

John C. Kunkle is the accountant consulting with the Utility. (Tr. 197). The project is expected to create $90,000 of additional operation and maintenance (O&M) expenses. (Tr. 205). The project is going to cost $2.5 million, with a debt service of $203,300, and a replacement reserve requirement of $6,582. (Tr. 205). Funding will be derived through the Sewer Service Agreement with a secondary back up through the guarantee by Huntfield. (Tr. 205). Additionally, the project will be supported annually by relying on $61,000 of the Utility's revenue from its water operations. (Tr. 205).[3] The Utility's recent rate increase, which is not reflected in the most recent Rule 42T filing, is an attempt to eliminate the need for the sewer operations to rely on revenue from the water operations to meet its debt service coverage. (Tr. 206).

The financial exhibits are based upon the project being completed with no new customers being connected to the system. (Tr. 207). Mr. Kunkle believes that the developer's subsidy will rapidly decrease as new customers are connected. (Tr. 207).

The debt service is for 20 years. (Tr. 209). The particular bonds to finance this project will have call provisions allowing the Utility to pay off the debt early without penalty. (Tr. 210). Such a bond is very easy to sell given the current low interest rates in the market. (Tr. 211).

There are four ways that the bond is going to be paid. (Tr. 211). First, each utility will contribute $6.10 a month (EDU Fee) for each new customer hooked up. (Tr. 108, 212). Second, money will come from the

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[2]Accordingly, a review under the National Historic Preservation Act is not required.

[3]The $61,000 assistance from the water operations is not a transfer of real cash dollars. (Tr. 206).

$1,127 capacity fee charged for each new hookup, which was approved by a Recommended Decision, but is pending on appeal before the Commission. (Tr. 212, 213).[4] At the beginning of the project, there will be insufficient cash flow from the EDU fee and the capacity fee to pay for annual debt service and it will be necessary to use the letter of credit from Huntfield to cover the shortfall. (Tr. 214). Huntfield will be billed any principal and interest payments not covered by the other mechanisms. (Tr. 108, 109). The Utility's Rule 42 Exhibit assumes 225 EDUs connected to the system per year, which is consistent with the historic average for the utilities but probably a very conservative estimate given all of the expected growth in the county. (Tr. 216, 217). Even in the worse scenario, with no new customers hooking onto the system, and the developer going broke, the rate impact for the customers of the existing systems for the project would be less than 10%. (Tr. 112, 219, 220). The Utility's current rate for 4,500 gallon customer is $19.93. (Tr. 220).

Jim Duszeynski is with Huntfield, which is a planned community for 3,200 residential units and a minimum of 200,000 square feet of commercial space. (Tr. 250). Huntfield will also include a high school and perhaps an elementary or middle school. (Tr. 250). Huntfield is a customer of the PSD and has been annexed by the City of Charles Town. (Tr. 251). Huntfield is still willing to guarantee the debt service for the sewer project. (Tr. 252, 253). Huntfield anticipates being able to sell and occupy about 250 residential units a year. (Tr. 253). It has already constructed 123 units, about half of which are currently occupied. (Tr. 253). It has some 850 lots approved. (Tr. 254). It dedicated 57 acres to the Board of Education for the school. (Tr. 254). Mr. Duszeynski understands that the Board of Education has in its possession all the money it needs to build the new high school, which will need sewer service. (Tr. 255).

Huntfield is willing to post a letter of credit for $700,000, not the full $2.5 million estimate of the project. (Tr. 256). It had already received a commitment from its bank for a letter of credit of $1.7 million, so reducing it to $700,000 should not be a problem (Tr. 256). If the project is substantially delayed, it will be financially devastating for Huntfield. (Tr. 257). Mr. Duszeynski testified that it would put Huntfield out of business. (Tr. 257).

Harry Kable, the Chairman of the PSD, supports the proposed project. (Tr. 260, 261). Mr. Kable believes that, even if the Commission does not approve the capital improvement fee, the project should go forward. (Tr. 261).

Suzanne Laton is the General Manager of the PSD, which serves 1,600 customers in Jefferson County. (Tr. 267). The PSD has been adding 20 customers a month in recent years. (Tr. 267). The PSD has been facing a limited capacity due to limited capacity at the Utility's treatment plant. (Tr. 267). The plant must be expanded in order for the PSD to continue to serve and meet its demand. (Tr. 267, 268). Ms. Laton

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[4]If the Commission does not approve the capital improvement fee, the project would be financed through the other mechanisms. (Tr. 109).

testified that there were 9,946 EDUS demanded from the PSD by various developers, which have not been provided yet. (Tr. 269, 270). Some of those developers may not actually proceed to developing their property. (Tr. 270).

If the proposed project is delayed for a year, the PSD will not be able to serve all of the customers who demand service. (Tr. 270). Although the PSD is reviewing the possibility of building its own plant, the plans are several years away from actually resulting in any additional capacity. (Tr. 270, 271).

Mr. Burke believes that there are 516 homes with final approval for construction in Jefferson County. (Tr. 285).

Paul David Mills is the City Manager of Ranson, which serves 1,265 sewer customers. (Tr. 296). Ranson supports the project. (Tr. 297). Ranson has recently annexed 22 separate properties for a total of 3,351 acres. (Tr. 298). Ranson believes that the Charles Town treatment plant is its most viable option for getting new capacity. (Tr. 301). Expansion of the Charles Town treatment plant is not only efficient but it is also less costly than attempting to build a separate plant. (Tr. 301). Ranson estimates that it will need additional capacity of 600,000 gallons or so over the next 20 years. (Tr. 301). Ranson believes that there are 3,325 residential units and five commercial developments in some stage of being developed in Ranson. (Tr. 303). Ranson is currently the largest municipality in Jefferson County in both terms of population and acreage. (Tr. 304). It is imperative that new capacity be developed and that Ranson receive a portion of that capacity. (Tr. 305).

The Staff submitted its recommendation in a post-hearing exhibit filed September 3, 2004.[5] The Utility filed its post-hearing documents: a revised Rule 42 Exhibit; a revised loan commitment letter; documents relating to an increase in O&M expenses; a pro forma cash flow analysis from the Charles Town Water Department; a revision to the 88 Agreement; and a revised Agreement from Huntfield regarding the guarantee of the debt service. (See File). Staff recommended approval of the certificate contingent upon receiving the West Virginia DEP NPDES permit modification. (See Post Hearing Final Joint Staff Memorandum filed September 3, 2004). Staff recommended that the Commission approve the amendment to the 88 Agreement (without approving the specific terms and conditions of the agreement) for a limited period of up to one year or until a sewer resale rate is implemented by the Utility. Id. Staff recommended Commission approval of the Debt Service Agreement between Huntfield and the Utility contingent upon receipt of the line of credit between M&T Mortgage Corporation and Huntfield. Id.

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[5] Pursuant to the procedural schedule agreed to at hearing, all parties were given until September 7, 2004, to object to the Staff recommendation and indicate that they desired to cross-examine the Staff witnesses. No parties indicated the necessity to cross-examine the Staff witnesses and so no additional hearing was scheduled. It will not be assumed that the parties agree to the Staff recommendation simply because they failed to demand an additional hearing.

The proposed project relates to necessary upgrades to meet the DEP discharge requirements and is a necessary step for a capacity increase. Id. The Utility estimated an increase in O&M expenses of $90,000 and Staff agrees with the estimate. (See Staff Memorandum filed September 22, 2004).

The current plant is under DEP notification of DEP's intent to sue to force it to improve operations and the Utility is facing civil penalties for past discharge violations. (See Post Hearing Final Joint Staff Memorandum filed September 3, 2004). The plant normally operates within its parameters but it has significant excursions above the maximums permitted. Id.

The plant is also approaching its design capacity of 1.2 million gallons a day. Id. Staff believes that there is rapid growth occurring in the County. Id. The lack of capacity led to the Health Department refusing to issue building permits in late 2003 and implementing an unofficial moratorium on sewer service. Id.

Staff opposes any revision of the 88 Agreement, which attempts to reserves capacity, and believes that all customers should be served on a "first come first served" basis. Id. Staff believes that the Utility should establish a resale rate for sewer service within 120 days or Staff threatened to petition the Commission for a general investigation to establish a resale rate for the Utility. Id. A resale rate would eliminate the need for the 88 Agreement. Id.

Staff concluded that the project is convenient as it will improve the discharge effluent quality during the high BOD inflow events and reduce the sludge disposal cost for the Utility. Id. The project is needed to support the continued growth of industrial, commercial and residential construction. Id. Staff recommended a limited approval of the revisions to the 88 Sewer Agreement with certain conditions. Id. Those conditions include: that no capacity reservation will be permitted and that all customers will be served on a "first come, first served" basis; that the Utility would establish a resale rate within 120 days; and that the Agreement be approved for a period of one year or until the resale rate is implemented by the Utility, whichever comes first. Staff recommended that the Utility take action to approve the maintenance of its system. Id. Staff recommended that bids be filed with the Commission and be made a part of the file as soon as they are tabulated. Id. Staff recommended that, if there is any change in the plans, scope or terms of financing of the project, the Utility request that the proceeding be reopened for Commission review and approval. Id.

On September 29, 2004, the Utility filed a letter from the M&T Mortgage Corporation committing to issue a letter of credit in the amount of $700,000 to secure Huntfield's obligations to guarantee a portion of the debt service related to the project.

DISCUSSION

The first issue is whether there is a need for the proposed project.[6] The current treatment plant is quickly running out of capacity. The Utility was informed by the DEP in February that it only had 150,000 gallons a day of remaining capacity at the plant. It has since used 35,000 gallons of that capacity. It desires to maintain a 20,000 gallon a day buffer to help ensure compliance with its NPDES permit.

All three utilities served by the treatment plant have a large number of pending requests for service. There are already far more requests for service than capacity available at the existing treatment plant. The area served by the treatment plant is undergoing relative rapid development. The development includes residential and commercial development, as well as plans for a new public high school.

All of the parties, except Mr. Burke, agree that there is a capacity crunch. They all agree that rapid development in the area requires the immediate increase in capacity at the plant. The proposed project is only a first step to increasing capacity and the Utility is reviewing plans for additional increases of plant capacity. Mr. Burke believes that various factors will result in a much lower rate of growth than expected by the other parties.[7] He argues that, if the expected growth

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[6]A preliminary issue is whether there was adequate notice of the proposed project. Mr. Burke raised the issue prior to the hearing and it was denied by Procedural Order issued July 28, 2004, and by Commission Order entered August 20, 2004. He raised it again at hearing and it was denied from the bench. Mr. Burke raises the issue, yet again, in his reply brief. He requests that the whole process be aborted and that "[p]ublic notice should be given that the project involves blowers, a digester, and discharge to Evitts Run, not an effluent pipe with discharge to the Shenandoah River." The Utility twice gave notice of its filing at the direction of the Commission. It gave the normal notice and, when it appeared that project costs had substantially increased, the Commission required it to publish a second notice of filing. Both notices indicated that the proceeding involved a plan by the Utility "to construct certain additions and improvements to its wastewater treatment system." The required notice did NOT go into engineering details of what pieces of equipment would be added or replaced or where effluent lines might discharge. It is not unusual in certificate cases for engineering to change throughout the process. If the public had to be notified about each engineering modification in a certificate case, no project could be completed in a reasonable time. Mr. Burke's request goes far beyond what is reasonable or necessary to provide the public with adequate notice. The public in this proceeding realized that important issues were pending before the Commission and participated in an active way. Numerous individuals filed letters and appeared at the hearing to make public comment. Mr. Burke, himself, intervened and was granted party status although his direct interest in the matter was limited to being a resident of Jefferson County.

[7]Among the factors Mr. Burke lists are a lack of local jobs, high gas prices, road bottlenecks, loosening land control measures in Virginia and increasing land control measures and fees in West Virginia.

does not come, it will result in significant rate increases for existing customers.[8]

The record demonstrates that the Utility needs additional capacity. Although many of the developers who have requested service from each of the three utilities will never actually complete the proposed developments, there is almost a certainty that some of the development will occur. The proposed increase in capacity is relatively small and would be consumed if only a small fraction of the proposals actually come to fruition. Huntfield is a reality. It already has constructed 123 homes and has 850 lots approved. Many of the other developments are far beyond simple plans and will require sewer service in the near future. Several actually have started construction.

Some of the individuals offering public comment, and perhaps Mr. Burke, oppose additional development and advocate that the Commission deny the application as a way to put brakes on development. There is an argument that, to protect the public interest, the Commission must stop all local development by simply making sure there is no additional sewer capacity in Jefferson County. Ms. Haney insisted that development drains the economic vitality of the area with each new residence costing much more in services than it generates in taxes. Several individuals expressed concern that development was decreasing the quality of life in the area. Although the Commission is obligated to consider the broad public interest, the record is far from convincing that it would be in the public interest to prevent all development in the area by simply insuring an end to any additional sewer capacity. Issues related to the proper development of the County are far better left to the Jefferson County Commission and the Jefferson County Planning Commission who can take more nuanced measures to control or even limit additional development. It would be imprudent and contrary to the public interest for the Commission to end all development in the area by refusing to permit a much-needed increase in sewer capacity.

Additionally, the Utility has had a history of difficulty in meeting its discharge permit and is under pressure from the DEP to improve the ability of the plant to meet the permit. The proposed project will enable the Utility to meet the requirements in its discharge permit. Even if additional flows come to the plant as a result of growth, the upgrade of the plant will result in no additional amount of pollution being discharged into the environment. If the expected growth does not come, then there will be significantly less pollution put into the environment and it will be easier for the Utility to stay within the confines of its permit.

The record clearly demonstrates a need for the proposed upgrade, both to expand the capacity of the plant and to aid the Utility in meeting its discharge permit.

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[8]Mr. Kunkle estimated that rates would have to go up 10% or less if no new development occurred and Huntfield went bankrupt. (Tr. 112, 219, 220). Mr. Burke is not a sewer customer of any of the utilities in the proceeding.

The financing of the proposed upgrade is complex and unusual. The Utility will issue a series of twenty-year revenue bonds at an average interest rate of 5.5%. In an effort to ensure that existing customers are not paying for any expansions of capacity used by new customers, the Utility, the PSD and Ranson agreed to pay off these bonds through a number of different sources. Each of the utilities has pledged to contribute to the project $6.10 a month for each new customer hooked up to their systems whose sewage flows to the Utility's treatment plant. Second, the utilities plan to use money from the $1,127 capacity fee each plans to charge all new customers. The third source of revenue is a guarantee by Huntfield for up to $700,000. If all else fails, then the utilities would simply raise rates to cover the cost of the project. The proposal requires Commission approval of a revision to the 88 Agreement as well as approval of the Huntfield guarantee.

Mr. Burke argues that the Commission should not approve the project unless Huntfield and other developers guarantee the entire amount of the project.

Mr. Burke's insistence that developers guarantee the entire cost of the project is unreasonable and should be rejected. Huntfield is only one of many developers in the County. It is not receiving a guarantee that the capacity which it helps to pay for will even be there when Huntfield needs sewer service. Frankly, it is surprising that Huntfield is willing to make even this amount of guarantee given that no other developer has made a guarantee and there is no certainty that Huntfield itself will consume the capacity it contributed toward.

The proposed financing is reasonable and should be approved. The 1st Revised Debt Service Guarantee Agreement between Huntfield and the Utility should be approved.

Mr. Burke argues that the Commission should not approve the project until it approves the capacity fees pending in Case Nos. 03-1490-PSD-T-PC and 04-1221-S-MA. The capacity fees are one of the primary ways that the Utility plans to pay off the bonds. However, there are other provisions to provide for the repayment of the bonds. Both the EDU fees and the Huntfield guarantee will also be used to make bond payments. The other parties to the proceeding all agree that the project should proceed whether or not the Commission approves the capacity fees. They want the capacity fees to be approved by the Commission, but argue that, whether or not they are approved, the project is essential for the continued growth of Jefferson County and the ability of each of the three utilities to continue to meet customer demand. Approval of the capacity fees helps to insure that the new growth supports the costs it creates. But even without the capacity fees, the rate impact on existing customers would be relatively minor.

Mr. Burke argues that the additional digester should only be approved contingent on the Utility being able to be in compliance with its existing NPDES permit using its existing equipment for "a year or

two."[9] He argues that the Utility upgraded its plant in 2000/2001 with the same engineering firm to bring it into environmental compliance but it apparently did not work.

Mr. Burke's proposal would delay a significant part of the project for a year or two in order to test the validity of the last upgrade. Mr. Burke pointed out at hearing numerous failures on the part of the Utility to meet its NPDES permit. It seems counterintuitive to delay a project which will help the Utility meet its environmental obligations until it can prove it can meet the obligations without the proposed upgrade. It seems apparent that the DEP is concerned with the Utility's failure to meet its NPDES permit. There is pending, in Circuit Court, a DEP enforcement action against the Utility seeking civil monetary fines and penalties.

Mr. Burke also suggests that the Commission make approval contingent upon the Utility continuing to search for BOD sources given the unusually high BOD loads that plague the system.[10] The Utility testified at hearing that it does continually try and determine the cause of its high BOD loads. It does work in locating and inspecting grease traps in restaurants. Although the project approval should not be contingent upon the Utility continuing to investigate the sources of its BOD problem, the Utility should be ordered by the Commission to continue its efforts to reduce the BOD load at its source.

Staff argues that the Commission should only approve the changes to the 88 Agreement for a period of one year or until the Utility properly implements tariff rates for resale customers which would end the necessity for the 88 Agreement. The PSD indicated that, although it preferred to be served under a simple bulk rate, it was concerned that the Staff recommendation would make it difficult, if not impossible, to

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[9]Similarly, in his reply brief, Mr. Burke argues that approval of the project be contingent upon "the project allowing no increase in any pollutant." The DEP, not the Commission, has primary regulatory powers related to the environment. The evidence offered by Mr. McCoy indicated that the project would mean substantial benefits for the environment. The evidence presented and the assurance that the project will only move forward with the blessing of the DEP is sufficient. It is not appropriate for the Commission to insist that a pending project result in no increase of any pollutant.

[10]In his reply brief, Mr. Burke adds yet another proposed contingency. He proposes making the project contingent upon the Utility searching for the source of "bacteriacidal dumping." There was no showing in the record that the system has an ongoing problem with such events. The Utility is certainly encouraged to continually monitor its system and do whatever investigations are prudent to protect its treatment process. There is nothing in the record to demonstrate that the Utility is somehow lax in its management of the treatment process. It has had problems in the past but very few sewage treatment plants operate flawlessly. Treatment plants are especially subject to difficulties when they are relatively new or recently underwent a major upgrade, as the operators are learning the new complexities of the process.

issue the bonds for the project. It argued that the Commission should wait until after the project financing closed before anything was done related to replacing the 88 Agreement with a bulk rate. The PSD also suggested that any attempt, as suggested by Staff, that the Commission modify rates in a general investigation case might be vulnerable to a challenge based on jurisdiction. Both the Utility and Ranson also opposed limiting approval of the modifications to the 88 Agreement to a one-year period. The Utility suggested just notifying all the parties that the 88 Agreement is subject to the continuing jurisdiction of the Commission.

The PSD's concerns relating to the sale of bonds are persuasive. It does seem likely that a one-year limit on the 88 Agreement--which contains provisions which are the main way the bonds are going to be repaid--may create a problem for project financing. It is also understandable that Staff believes that the time has come for the Utility to have a more traditional rate for resale and terminate the 88 Agreement. The terms of the agreement have not been followed by the parties and the agreement has resulted in a fair amount of contention between the three utilities. It is likely that all three utilities would benefit from a more traditional arrangement. The Utility would have more independence to manage its own treatment plant and more ability to plan for increased demand. The PSD and Ranson could always protest and intervene in any rate ordinance or intervene in any certificate case.

The modifications to the 88 Agreement should be approved contingent upon the Utility agreeing to pass a municipal ordinance which includes bulk resale rates within eighteen months of the closing of project financing. Proceeding with the project will indicate the Utility's acceptance of the contingency. Given that the Utility will initiate a rate ordinance process establishing a bulk rate in the relatively near future,[11] it is not necessary to limit the approval of the modifications to a one-year period and it will not be necessary to try and adjust municipal rates in a general investigation. The procedure should also create less potential trouble for the sale of the project bonds, but satisfy the Staff's desire that the 88 Agreement be replaced by a resale rate in the Utility's tariff.

The certificate application should be approved contingent upon: receipt of a revised NPDES permit and the Utility agreeing to enact an ordinance which includes bulk resale rates within eighteen months of the closing of project financing.

FINDINGS OF FACT

1. The existing Charles Town treatment plant has inadequate capacity to meet current and expected demand. (Tr. 42, 43, 46, 47, 58, 59, 60, 63, 64, 66, 78, 250, 253, 254, 255, 257, 267, 269, 270, 301, 303, Post-Hearing Staff Ex. filed September 7, 2004; Ranson Ex. 1; PSD Ex. 1; Charles Town Ex. 2; Charles Town Ex. 9).

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[11]This assumes the Utility will agree to the contingency of adopting an appropriate bulk rate for its resale customers.

2. The proposed project, as designed, will increase capacity and will also improve the Utility's ability to conform to its NPDES permit. (Tr. 60, 97, 111, 128, 130, 137, 139, 160, 185; Post-Hearing Staff Ex. filed September 7, 2004; see application as amended).

3. The complex financing arrangement designed by the Utility, the PSD, and Ranson was an effort to place the burden of paying for the additional capacity upon new users of the system. The Utility intends to use a monthly contribution from each new customer taken out of its regular monthly bills, the capacity fee paid by each new customer and a guarantee by Huntfield to repay the bonds. (Tr. 71, 108, 109, 212, 213, 214, 216, 217).

4. Huntfield has agreed to guarantee up to $700,000 of repayments on the bonds at issue. (Tr. 214, 252, 253, 256).

5. Even if all of the growth fails to occur and Huntfield goes bankrupt, the project would only result in an increase in rates to existing customers of less than 10%. (Tr. 112, 219, 220).

6. The project is estimated to cost $2.5 million dollars and will result in an additional 500,000 gallons per day of capacity. (Tr. 60, 205, see application as amended).

7. The project design substantially conforms to Commission rules and regulations and Staff recommends approval of the application. (Post-Hearing Staff Ex. filed September 7, 2004).

8. The proposed project will add two blowers to the SBR system, which will provide supplemental oxygen in order to handle additional incoming loads. It will also replace the dissolved oxygen analyzers and controllers. It will add a 600,000 gallon aerobic digester to enhance digestion and reduce the total amount of solids. (Tr. 128).

9. The new plant, as designed, will be able to handle the peak BOD levels, which, occasionally, hit the Utility's treatment plant. (Tr. 160).

10. The project will result in improved water quality in Evitt's Run. (Tr. 184, 185).

11. Staff raises serious concerns about the continuing value of the 88 Agreement, including that the 88 Agreement has not been complied with and that it has created contention between the parties. Staff recommends a limited one-year approval of the modifications to the 88 Agreement as a way to encourage the Utility to replace the agreement with a bulk resale rate. (Post-Hearing Staff Ex. filed September 7, 2004).

CONCLUSIONS OF LAW

1. The public convenience and necessity require the proposed project.

2. The application for a certificate should be approved upon the following conditions: receipt of a revised NPDES permit and the Utility agreeing to enact an ordinance which includes bulk resale rates within eighteen months of the closing date of project financing.

3. The proposed financing is reasonable and should be approved, including the 1st Revised Debt Service Guarantee Agreement between Huntfield, L.C., and the City of Charles Town in the amount of $700,000.

4. The modifications to the 88 Agreement should be approved, contingent upon the project moving forward upon the conditions outlined in Conclusion of Law 2.

ORDER

IT IS, THEREFORE, ORDERED that the application for a certificate of convenience and necessity filed by the City of Charles Town on January 26, 2004, as subsequently amended, be, and hereby is, granted, subject to the following contingencies: receipt of a revised NPDES permit and the Utility agreeing to enact an ordinance which includes bulk resale rates within eighteen months of the closing date of project financing. Proceeding with the project will indicate the Utility's acceptance of the second contingency.

IT IS FURTHER ORDERED that the proposed amendments to the 1988 Sewer Service Agreement, as filed on August 27, 2004, be, and hereby are, approved, without approving the specific terms and conditions of the agreement. The parties should be aware that the agreement is subject to the continuing jurisdiction of the Commission.

IT IS FURTHER ORDERED that the 1st Revised Debt Service Guarantee Agreement between Huntfield, L.C., and the City of Charles Town in the amount of $700,000 be, and hereby is, approved.

IT IS FURTHER ORDERED that the proposed financing of issuing a series of 20-year revenue bonds in the total amount of $2.5 million dollars at an average rate of 5.5%, with $700,000 of the debt payments guaranteed by Huntfield, be, and hereby is, approved.

IT IS FURTHER ORDERED that the City of Charles Town continue in its efforts to investigate the sources of high BOD loads in an effort to reduce the BOD at its source.

IT IS FURTHER ORDERED that a copy of the project bids be filed with the Commission as soon as they are tabulated.

IT IS FURTHER ORDERED that, if the plans, scope or terms of financing of the project are modified, the City of Charles Town petition the Commission to reopen this proceeding to review and approve the modifications.

The Executive Secretary is hereby ordered to serve a copy of this order upon the Commission by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested.

Leave is hereby granted to the parties to file written exceptions supported by a brief with the Executive Secretary within fifteen (15) days of the date this order is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served the exceptions.

If no exceptions are filed, this order shall become the order of the Commission, without further action, five (5) days following the expiration of the fifteen (15) day time period, unless it is ordered stayed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's Order by filing an appropriate petition in writing with the Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's Order the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.

K. A. George

Keith A. George
Administrative Law Judge

KAG:pst/jas
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Public Service Commission
of W. Va. Tariff Office
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Special Studies Section
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P.S.C. W. Va. No. 7
Canceling P.S.C. W. Va. No. 6

CITY OF CHARLES TOWN, a municipal corporation

OF

CHARLES TOWN, WEST VIRGINIA

RATES, RULES AND REGULATIONS FOR FURNISHING

WATER

at Charles Town, Ranson and vicinity, Jefferson County, West Virginia

Filed with THE PUBLIC SERVICE COMMISSION
of
WEST VIRGINIA

Issued October 22, 2001

Effective for service rendered on and after October 19, 2001
or as otherwise provided herein

Adopted by City Council

Issued by CITY OF CHARLES TOWN, a municipal corporation

By J. Ramsey Allen
Mayor
Title

RULES AND REGULATIONS

I. Rules and Regulations for the Government of Water Utilities, adopted by the Public Service Commission of West Virginia, and now in effect, and all amendments thereto and modifications thereof hereafter made by said Commission.

APPLICABILITY

Applicable to entire area served

AVAILABILITY

Available for general domestic, commercial and industrial service

(C,A) RATES

First 10,000 gallons used per month	$6.67 per 1,000 gallons
Next 30,000 gallons used per month	$5.67 per 1,000 gallons
Over 40,000 gallons used per month	$4.48 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than the following amounts, according to the size of the meter installed, to-wit:

(A)	5/8 inch or 5/8 inch x 3/4 inch meter	$ 16.68 per month
(A)	3/4 inch meter	25.02 per month
(A)	1 inch meter	41.70 per month
(O)		
(R)	1 -1/2 inch meter	83.40 per month
(R)	2 inch meter	133.40 per month
(R)	3 inch meter	250.20 per month
(R)	4 inch meter	417.00 per month
(R)	6 inch meter	834.00 per month

(C,A) FLAT RATE

For Domestic, Commercial or Industrial Customers
$30.02 for 4,500 gallons per month

MULTIPLE OCCUPANCY

In apartment buildings, shopping centers or other multiple occupancy buildings, ea[illegible] shall be required to pay not less than the minimum monthly charge provided above

(C,A) CONNECTION CHARGE

A service connection charge of $350.00 shall be paid for all new service connections

(C) Indicates change in text
(A) Indicates increase
(O) Indicates omission
(R) Indicates reduction

(N) DISCONNECT FOR NON-PAYMENT

Whenever water service has been discontinued for non-payment of sewe bills, a disconnection fee of $10.00 shall be charged.

(N) RECONNECTION SERVICE CHARGE

Whenever water service which has been previously disconnected or otherwise withheld for non-payment of sewer bills is reconnected, a fee of $10.00 shall be charged.

(C,A) DELAYED PAYMENT PENALTY

The above tariff is net. On all current usage billings not paid within twenty (20) days, a ten percent (10%) charge shall be added to the net current amount unpaid. The delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

RATES FOR FIRE PROTECTION - PUBLIC

Fire Hydrants, each	$72.00 per annum

RATES FOR FIRE PROTECTION - PRIVATE

Fire Hydrants, each	$72.00 per annum
Sprinkler Heads, each	$00.20 per annum

CAPACITY IMPROVEMENT CAPITAL COST FEE

In addition to all the fees provided above, there shall be paid to the City at the time the application is made for connection of an unserved facility to the water system a capacity improvement capital cost fee of $750 for each residential connection. Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule set forth hereinafter. The funds collected from the capacity improvement capital cost fee shall be maintained in a separate fund by the Water System and shall be used only for the purpose of improving the water system treatment, storage and transmission facilities. These charges shall also be paid by customers of the water system who resell water supplied by the City to its customers in the same amount as if those connected to the resale customer system were to become direct customers of the City. The residential usage equivalent for other than single family residential units for the capacity improvement capital cost fee are as follows:

(N) Indicates new
(C) Indicates change in text
(A) Indicates increase

RESIDENTIAL USAGE EQUIVALENTS FOR CAPACITY IMPROVEMENT CAPITAL COST FEE

	UNIT	RESIDENTIAL GALLONS PER DAY	USAGE EQUIVALENT
	Apartments	150/unit	1.0/unit
	Bowling Alleys	200/alley	1.33/alley
	Churches with kitchen	8/member	0.05/member
	Churches w/o kitchen	2/member	0.013/member
	Food Service	32/seat	0.213/seat
	Fast Food Restaurant	35/seat	0.23/seat
	Bar & Cocktail Lounge (additive)	2/patron	0.013/patron
	Tavern-Little or no-food	20/seat	0.132/per seat
(C)	Hotel	120/room	0.8/per room
	Industry, sanitary	15/person/shift	0.1/person per shift
	Institutions		
	Hospital	250/bed	1.67/bed
	Nursing Homes	150/bed	1.0/bed
	Others	75/person	0.5/person
	Office Buildings	15/person	0.1/person
	Laundry Self Service	250/washer	1.67/washer
	Mobile Home Park	150/unit space	1.0/unit space
	Motels	120/room	0.8/room
	Retail Stores	400/toilet room	2.67/toilet room
	Residence	150/residence	1.0/residence
	School:		
	Day, no cafeteria/showers	15/pupil	0.1 /pupil
	Day with cafeteria	18/pupil	0.12/pupil
	Day with cafeteria/showers	20/pupil	0.133/pupil
	Boarding	75/pupil	0.5/pupil
	Service Station	500/set of pumps	3.33/set of pumps
	Shopping Centers	16/100 ft. of sales area	0.12/100 ft. of sales area
	Swimming Pools	10/swimmer design capacity	0.067/swimmer design capacity
	Theaters:		
	Drive In	4/car space	0.027/car space
	Others	3/seat	0.02/seat
	Warehouse	15/employee	0.1/employee

If a unit does not appear on this schedule the water department shall determine its Residential Usage Equivalent in consultation with its consulting engineer.

(C) Indicates change in text

Public Service Commission
of W. Va. Tariff Office

NOV 01 1999

Special Studies Section

P.S.C. W. Va. No. 8
Canceling P.S.C. W. Va. No. 7

CITY OF CHARLES TOWN, a municipal utility

OF

CHARLES TOWN, WEST VIRGINIA

RATES, RULES AND REGULATIONS FOR FURNISHING SEWERAGE AND SEWAGE DISPOSAL SERVICE

at Charles Town, Jefferson County, West Virginia

Filed with THE PUBLIC SERVICE COMMISSION
of
WEST VIRGINIA

Issued October 19, 1999

Effective October 22, 1999
or as otherwise provided herein

RECEIVED

Passed by City Council

OCT 29 1999

Public Service Commission of WV
Utilities Division
Special Studies Section

Issued by CITY OF CHARLES TOWN, a public utility

By J. Randolph Hilton

Mayor
Title

RULES AND REGULATIONS

I. Rules and Regulations for the Government of Sewerage Utilities adopted by the Public Service Commission of West Virginia, and now in effect, and all amendments thereto and modifications thereafter made by the Commission are hereby adopted by reference.

II. MULTIPLE OCCUPANCY
In apartment buildings, shopping centers or other multiple occupancy buildings, each unit shall be required to pay not less than the minimum monthly charge provided above.

RATES

AVAILABILITY

Available for general domestic, commercial and industrial services in entire territory served.

(C,A) **RATE**

First	2,500 gallons used per month	$4.85 per 1,000 gallons
All over	2,500 gallons used per month	3.90 per 1,000 gallons

(A) **FLAT RATE**

Domestic, commercial and industrial — $19.93 per month, based on 4,500 gallons usage per month

MINIMUM BILL

(A) No bill shall be rendered for less than $12.13 per month.

DELAYED PAYMENT PENALTY

The above schedule is net. On all accounts not paid in full within twenty (20) days after the date of the bill, five percent (5%) will be added to the net amount shown. The delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

(N) **DEFERRED PAYMEENT AGREEMENT**

A sewer customer who has been notified that water service is to be terminated for non-payment of sewer bills shall be given the opportunity to enter into a deferred payment agreement: Provided, That such customer has demonstrated an ability to pay but only in installments. The customer shall be informed at the time a disconnect notice is issued of the option for a reasonable payment plan. The terms of such deferred payment agreement are available upon request.

(C) Indicates change in text
(A) Indicates increase
(N) Indicates new

CONNECTION FEE

For all those applications for sewer service permits filed with Council a connection fee in an amount of four hundred dollars ($400.00) shall be due and payable on the day the application is made. A connection fee shall be paid by the owner of each parcel of improved property that is to be connected to the sewer system and no such connection shall be made until the fee has been deposited with the City. A connection fee shall be due from each improved property regardless of whether or not connection to the sewer system is made by the owner on a voluntary or compulsory basis at the time

INSPECTION FEE

A fee of twenty dollars ($20.00) shall be charged for inspection of hook-up to the system.

(N) RECONNECT FEE

A fee of ten dollars ($10.00).

(N) Indicates new

September 4, 2001

The Common Council of the City of Charles Town, Jefferson County, West Virginia met in regular session pursuant to the rules of said Common Council in the councilroom in said city on Tuesday, September 4, 2001 at 7:30 p.m. due to the Labor Day Holiday on Monday, September 3, 2001. The following members of Council were present: Randy Breeden, Violet Lowery, Russell Miller, John Ward, Matthew Ward and Geraldine Willingham. Mayor J. Randolph Hilton presided and Brenda S. Hamilton, Clerk took the minutes of the meeting. Also present were Jane Arnett, City Manager and Chief W. Michael Aldridge.

It was moved by Councilman John Ward, seconded by Councilman Miller and unanimously voted to dispense with the reading of the minutes dated August 20, 2001. It was moved by Councilman John Ward, seconded by Councilwoman Lowery and unanimously voted to approve said minutes as received.

Mayor Hilton read by title and opened the floor for comments regarding the second reading of the proposed Ordinance, "AN ORDINANCE TO AMEND AND RE-ENACT AN ORDINANCE ESTABLISHING A SCHEDULE OF JUST AND EQUITABLE RATES, CHARGES AND PENALTIES FOR THE USE OF AND SERVICES RENDERED BY THE WATER SYSTEM OF THE CITY OF CHARLES TOWN, THE PURPOSE AND EFECT OF THIS ORDINANCE BEING TO PROVIDE A NEW INCREASED SCHEDULE OF RATES AS HEREINAFTER STATED". It is noted that no one from the public appeared to comment or object. Upon discussion, it was moved by Councilman Breeden, seconded by Councilman John Ward and unanimously voted to approve and adopt said ordinance effective immediately as hereinafter stated and as follows:

Water Rate Ordinance

AN ORDINANCE TO AMEND AND RE-ENACT AN ORDINANCE
ESTABLISHING A SCHEDULE OF JUST AND
EQUITABLE RATES, CHARGES AND PENALTIES
FOR THE USE OF AND SERVICES RENDERED BY
THE WATER SYSTEM OF THE CITY OF CHARLES
TOWN, THE PURPOSE AND EFFECT OF THIS
ORDINANCE BEING TO PROVIDE A NEW INCREASED
SCHEDULE OF RATES AS HEREINAFTER STATED.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHARLES TOWN THAT THE PREVIOUS WATE RATE ORDINANCE BE AMENDED AND RE-ENACTED TO READ AS FOLLOWS:

ESTABLISHMENT OF A SCHEDULE OF JUST AND EQUITABLE RATES, CHARGES AND PENALTIES FOR WATER SERIVE; USE OF WATER METERS; PROVISION FOR FLAT RATE

For the payment of the proper and reasonable expense of operation, repair, replacements, improvements, additions, betterments, extension and maintenance of the water system and for the payment of the sums required to pay the principal and interest of all water revenue bonds as the same become due, there is hereby established a schedule of just and equitable rates, charges and penalties for the use of and services rendered by the municipal water system and works of the city of Charles Town, West Virginia, which schedule, based upon the metered amount of water supplied to the premises, where possible, but providing for a flat rate when no meter is available, shall be as follows:

APPLICABILITY

Applicable to entire area served.

AVAILABILITY

Available for general domestic, commercial and industrial service.

RATES

First	10,000 gallons used per month	$6.67	per 1,000 gallons
Next	30,000 gallons used per month	$5.67	per 1,000 gallons
Over	40,000 gallons used per month	$4.48	per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than the following amounts, according to the size of the meter installed, to-wit:

5/8" or 5/8" x ¾"	Meter	$16.68 per month
¾"	Meter	$25.02 per month
1"	Meter	$41.70 per month
1-1/2"	Meter	$83.40 per month
2"	Meter	$133.40 per month
3"	Meter	$250.20 per month
4"	Meter	$417.00 per month
6"	Meter	$834.00 per month

FLAT RATE

For Domestic, Commercial or Industrial Customers - $30.02 for 4,500 gallons per month.

MULTIPLE OCCUPANCY

In apartment buildings, shopping centers or other multiple occupancy buildings, each unit shall be required to pay not less than the minimum monthly charge provided above.

CONNECTION CHARGE

A service connection charge of $350.00 shall be paid for all new service connections.

DISCONNECTION FOR NON-PAYMENT

Whenever water service has been disconnected for non-payment of sewer bills, a disconnection fee of $10.00 shall be charged.

RECONNECTION SERVICE CHARGE

Whenever water service which has been previously disconnected or otherwise withheld for non-payment of sewer bills is reconnected, a fee of $10.00 shall be charged.

DELAYED PAYMENT PENALTY

The above tariff is net. On all current usage billings not paid within twenty (20) days, a ten percent (10%) charge shall be added to the net current amount unpaid. The delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

RATES FOR FIRE PROTECTION – PUBLIC

Fire Hydrants, each	$72.00 per annum

RATES FOR FIRE PROTECTION – PRIVATE

Fire Hydrants, each	$72.00 per annum
Sprinkler Heads, each	$00.20 per annum

CAPACITY IMPROVEMENT CAPITAL COST FEE

In addition to all the fees provided above, there shall be paid to the City at the time the application is made for connection of an unserved facility to the water system a capacity improvement capital cost fee of $750.00 for each residential connection. Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule set forth hereinafter. The funds collected from the capacity improvement capital cost fee shall be maintained in a separate fund by the Water System and shall be used only for the purpose of improving the water system treatment, storage and transmission facilities. These charges shall also be paid by customers of the water system who resell water supplied by the City to its customers in the same amount as if those connected to the resale customer system were to become direct customers of the City. The residential usage equivalent for other than single family residential units for the capacity improvement capital cost fee are as follows:

RESIDENTIAL USAGE EQUIVALENTS
FOR CAPACITY IMPROVEMENT CAPITAL COST FEE

UNIT	GALLONS PER DAY	RESIDENTIAL USAGE EQUIVALENT
Apartments	150/unit	1.0/unit
Bowling Alleys	200/alley	1.33/alley
Churches with kitchen	8/member	0.05/member
Churches w/o kitchen	2/member	0.013/member
Food Service	32/seat	0.213/seat
Fast Food Restaurant	35/seat	0.23/seat
Bar & Cocktail Lounge (additive)	2/patron	0.032/patron
Tavern-Little or no food	20/seat	0.132/per seat
Hotel	120/room	0.8/per room
Industry, sanitary	15/person/shift	0.1/person per shift
Institutions:		

Hospital	[illegible]/bed	[illegible]/bed
Nursing Homes	150/bed	1.0/bed
Others	75/person	0.5/person
Office Buildings	15/person	0.1/person
Laundry Self Service	250/washer	1.67/washer
UNIT	GALLONS PER DAY	RESIDENTIAL USAGE EQUIVALENT
Mobile Home Park	150/unit space	1.0/unit space
Motels	120/room	0.8/room
Retail Stores	400/toilet room	2.67/toilet room
Residence	150/residence	1.0/residence
School:		
Day, no cafeteria/showers	15/pupil	0.1/pupil
Day with cafeteria	18/pupil	0.12/pupil
Day with cafeteria/showers	20/pupil	0.133/pupil
Boarding	75/pupil	0.5/pupil
Service Station	500/set of pumps	3.33/set of pumps
Shopping Centers	16/100 ft. of sales area	0.12/100 ft. of sales area
Swimming Pools	10/swimmer design capacity	0.067/swimmer design capacity
Theaters:		
Drive In	4/car space	0.027/car space
Others	3/seat	0.02/seat
Warehouse	15/employee	0.1/employee

If a unit does not appear on this schedule the water department shall determine its Residential Usage Equivalent in consultation with its consulting engineer.

EFFECTIVE DATE

The rate and charges provided herein shall become effective forty-five (45) days after final enactment hereof.

SEPARABILITY; REPEAL OF CONFLICTING ORDINANCES

The provisions of this Ordinance are separable, and if any clause, provision or section hereof shall be held void or unenforceable by the West Virginia Public Service Commission or any court of competent jurisdiction, such holding shall not affect the remainder of this Ordinance. Upon the effective date hereof, all ordinances, resolutions, orders or parts thereof in conflict with the provisions of this Ordinance are, to the extend of such conflicts, hereby repealed, and to the extend that the provisions of this Ordinance do not touch upon the provisions of prior ordinances, resolutions, orders or parts thereof, the same shall remain in full force and effect.

STATUTORY NOTICE AND PUBLIC HEARING

Upon introduction hereof, the City Clerk shall cause to be published a copy of this Ordinance once a week for two (2) successive weeks within a period of fourteen (14) consecutive days, with at least six (6) days between each publication, in the Spirit of Jefferson Farmer's Advocate and The Journal, being two qualified newspapers of general circulation in the City of Charles Town, and said notice shall state that this Ordinance has

been introduced, and that any person interested my appear before Council Chambers, Charles town, West Virginia, on September 4, 2001, at 7:30 p.m., which date is not less than ten days after the date of the first publication of the Ordinance and notice, and present any comment or protest thereto, following which hearing, Council shall take such action as it shall deem proper. Copies of this Ordinance shall be available to the public for inspection at the office of the City Clerk, Charles Town, West Virginia.

Passed on First Reading: August 6, 2001

Passed on Second Reading: September 5, 2001
(following Public Hearing)

By: /s/ J. Randolph Hilton
Mayor

CERTIFICATION AND NOTICE

I hereby certify that the foregoing is a true and accurate copy of an Ordinance which has been introduced and adopted on first reading at a meeting of the City Council of the City of Charles town held on August 6, 2001, pursuant to proper notice, at which meeting a quorum was present and acting throughout. Any person interested may appear before the City Council of the City of Charles Town at the City Hall, 101 East Washington Street, Charles Town, West Virginia, on September 4, 2001 at 7:30 p.m., being the date, time and place of the proposed final adoption of this Ordinance, and be heard. The Council will then take such action as it shall deem proper in the premises. The proposed ordinance may be inspected by the public at the Office of the Clerk in the City Hall, Charles Town, West Virginia during regular office hours.

By: /s/ Brenda S. Hamilton
City Clerk

Mrs. Arnett requested approval of Council to publish the General Fund Financial Statement in the local newspaper. Upon discussion, it was moved by Councilman John Ward, seconded by Councilwoman Willingham and unanimously voted to sign and publish the General Fund Financial Statement in the local newspaper.

Mayor Hilton informed that he was in receipt of a Special Activity Permit #01-14 from Robbie Nick of the Jefferson Junior Wrestling Association to conduct a "Tag Day Fundraiser" (Center line collection) at the main downtown intersection on September 29, 2001 from 9:00 a.m. –1:00 p.m. Chief Aldridge informed that the location had been changed to Charles and Washington Streets. Upon discussion, it was moved by Councilman John Ward, seconded by Councilwoman Willingham and unanimously voted to approve said request as stipulated.

Chief Aldridge informed that he and the Jefferson County Preservation Alliance to Save Our Heritage had come to an agreement to conduct their activity at the City Permit Parking Lot on September 8, 2001 from 2:00 p.m. to 6:00 p.m. in lieu of closing the streets previously requested. Upon discussion, it was moved by Councilwoman

Lowery, seconded by Councilman Miller and unanimously voted to approve said request as stipulated.

Mrs. Arnett informed Council that the packet was completed to distribution for the "Proposal For Downtown Improvements Program 2001". She stated that this program would provide grants of up to $1,500.00 per business or building to local businesses located within the principal business are of the city (portion of the city zoned CBD), concentrating on Washington Street and on George Street, with secondary emphasis on commercial properties located within the Downtown Charles town Historic District for exterior improvements in keeping with the historic character of the buildings. She added that grants would be provided upon completion of the work and would be for not more than half the cost. The Mayor stated that this was a great incentive for property owners and recommended to focus on signage also in the package. Upon discussion, it was moved by Councilman Matthew Ward, seconded by Councilwoman Willingham and unanimously voted to approve the Proposal For Downtown Improvements Program 2001 with the change of adding to focus on signage and that funding for the grants would come from the Capital Reserve Account.

Mayor Hilton commended Chief Aldridge and the department for their success in last weeks drug raid. Chief Aldridge gave a brief update on the arrests and also the success of the booth sponsored by the Charles Town Police Department at the Jefferson County Fair.

COMMITTEE REPORTS:

Finance Committee:

Mrs. Arnett informed that the Finance Committee recommends the hiring of Jenny Sue Potts as Assistant Court Clerk and Cashier at the rate of $9.50 per hour. It was moved by Councilwoman Willingham, seconded by Councilman John Ward and unanimously voted to accept and approve the recommendation.

Mayor Hilton informed that John Rendeiro agreed to accept the appointment to the Zoning Board of Appeals. It was moved by Councilman Breeden, seconded by Councilman Matthew Ward and unanimously voted to appoint John Rendeiro to the City of Charles Town Zoning Board of Appeals for a term of two (2) years.

Mayor Hilton read by title and opened for discussion regarding the first reading of the proposed ordinance, "AMENDMENT TO THE CODIFIED ORDINANCE OF THE CITY OF CHARLES TOWN, WEST VIRGINIA WITH REGARD TO PART NINE STREETS, UTILITIES AND PUBLIC SERVICES CODE ARTICLE 951, GARBAGE

COLLECTION". Upon discussion, it was moved by Councilman John Ward, seconded by Councilwoman Lowery and unanimously voted to approve the first reading of the proposed amendment, , "AMENDMENT TO THE CODIFIED ORDINANCE OF THE CITY OF CHARLES TOWN, WEST VIRGINIA WITH REGARD TO PART NINE STREETS, UTILITIES AND PUBLIC SERVICES CODE ARTICLE 951, GARBAGE COLLECTION".

Mayor Hilton read by title and opened the floor for discussion regarding the first reading of the proposed ordinance, "AMENDMENT TO THE CODIFIED BUILDING CODES OF THE CITY OF CHARLES TOWN, WEST VIRIGNIA WITH REGARD TO PART ELEVEN HEALTH AND SANITATION CODE ARTICLE 1101-NUISANCES". Upon discussion, it was moved by Councilman John Ward, seconded by Councilman Breeden and unanimously voted to approve the first reading of the proposed amendment, "AMENDMENT TO THE CODIFIED BUILDING CODES OF THE CITY OF CHARLES TOWN, WEST VIRIGNIA WITH REGARD TO PART ELEVEN HEALTH AND SANITATION CODE ARTICLE 1101-NUISANCES".

Mayor Hilton read by title and opened the floor for discussion regarding the first reading of the proposed ordinance, "AMENDMENT TO THE CODIFIED BUILDING CODES OF THE CITY OF CHARLES TOWN, WEST VIRIGNIA WITH REGARD TO PART ELEVEN HEALTH AND SANITATION CODE ARTICLE 1101-NUISANCES". Upon discussion, it was moved by Councilwoman Lowery, seconded by Councilman John Ward and unanimously voted to approve the first reading of the proposed amendment, , "AMENDMENT TO THE CODIFIED BUILDING CODES OF THE CITY OF CHARLES TOWN, WEST VIRIGNIA WITH REGARD TO PART ELEVEN HEALTH AND SANITATION CODE ARTICLE 1101-NUISANCES".

Mayor Hilton read by title and opened the floor for discussion regarding the first reading of the proposed ordinance, "AMENDMENT TO THE CODIFIED BUILDING CODES OF THE CITY OF CHARLES TOWN, WEST VIRGINIA WITH REGARD TO PART ELEVEN HEALTH AND SANITATION CODE ARTICLE 1102-ANIMALS AND FOWL". Upon discussion, it was moved by Councilman Matthew Ward, seconded by Councilman John Ward and unanimously voted to approve the first reading of the proposed amendment, "AMENDMENT TO THE CODIFIED BUILDING CODES OF

THE CITY OF CHARLES TOWN, WEST VIRGINIA WITH REGARD TO PART ELEVEN HEALTH AND SANITATION CODE ARTICLE 1102-ANIMALS AND FOWL".

Mayor Hilton read by title and opened the floor for discussion regarding the first reading of the proposed ordinance, "AMENDMENT TO THE CODIFIED BUILDING CODES OF THE CITY OF CHARLES TOWN, WEST VIRGINIA WITH REGARD TO PART ELEVEN HEALTH AND SANITATION CODE ARTICLE 1103-WEEDS, TREES AND SHRUBS". Upon discussion, it was moved by Councilman Matthew Ward, seconded by Councilman John Ward and unanimously voted to approve the first reading of the proposed amendment, , "AMENDMENT TO THE CODIFIED BUILDING CODES OF THE CITY OF CHARLES TOWN, WEST VIRGINIA WITH REGARD TO PART ELEVEN HEALTH AND SANITATION CODE ARTICLE 1103-WEEDS, TREES AND SHRUBS".

Street Committee:

Mrs. Arnett informed that the Street Committee had met and makes the following recommendations:

1. To accept the Prism Group's bid for services to prepare the accumulated yard waste and grind into usable mulch at a price of not to exceed $14,000.00 from the FY00 Contingency Fund; and
2. To begin replacement of street signs with a white sign/black reflecting lettering. Mrs. Arnett recommended to begin at West Street and move west and onto Eagle Avenue, then concentrate on the downtown area with the revitalization project. She added that this project would be performed in phases.

Upon discussion, it was moved by Councilman John Ward, seconded by Councilman Breeden and unanimously voted to accept and approve the recommendations of the Street Committee as stipulated above.

It is further noted that further review of the dump truck will be referred to the Street Committee and Utility Board.

It was moved by Councilman Matthew Ward, seconded by Councilman John Ward and unanimously voted to approve all bills as received.

At 8:18 p.m., it was moved by Councilman John Ward, seconded by Councilman Matthew Ward and unanimously voted to adjourn.

MAYOR: Randolph Hilton Date: 9-17-01

CLERK: Brenda A Hamilton Date: 9-17-01

Certificate of Publication

JEFFERSON PUBLISHING COMPANY, INC., Publisher
SPIRIT OF JEFFERSON ADVOCATE

Charles Town, WV, August 23, 2001

I hereby certify that the annexed Notice of public hearing

in the case of City of Charles Town Water Rate Ordinance

has been published once a week for two successive weeks, in the ***Spirit of Jefferson Advocate***, a newspaper published in Charles Town, Jefferson County, West Virginia, in the issues of

August 23 and August 30, 2001

as required by law as a Legal Advertisement.

Editor/Manager, Spirit of Jefferson Advocate

State of West Virginia
County of Jefferson

Personally appeared before me, Edward W. Dockeney, Jr. Editor/Manager of the *Spirit of Jefferson Advocate*, and made oath that the above certificate is true and correct.

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
CARA D. YOUNG
JEFFERSON PUBLISHING CO., INC.
P. O. BOX 966
CHARLES TOWN, WV 25414
My Commission Expires January 27, 2009

Cara D. Young
Notary Public

Commission expires

Legal Advertisements

NOTICE OF PUBLIC HEARING ON
CITY OF CHARLES TOWN WATER RATE ORDINANCE

A public hearing will be held on Tuesday, September 4, 2001, at 7:30 p.m. on the following ordinance which has been introduced on August 6, 2001. Any person interested may appear before the City Council of the City of Charles Town at the Charles Town City Hall, 101 East Washington Street, Charles Town, West Virginia, and present any comment or protest thereto. Following which hearing Council shall take such action as it shall deem proper.

* * * * *

AN ORDINANCE TO AMEND AND RE-ENACT AN ORDINANCE ESTABLISHING A SCHEDULE OF JUST AND EQUITABLE RATES, CHARGES AND PENALTIES FOR THE USE OF AND SERVICES RENDERED BY THE WATER SYSTEM OF THE CITY OF CHARLES TOWN, THE PURPOSE AND EFFECT OF THIS ORDINANCE BEING TO PROVIDE A NEW INCREASED SCHEDULE OF RATES AS HEREINAFTER STATED.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHARLES TOWN THAT THE PREVIOUS WATER RATE ORDINANCE BE AMENDED AND RE-ENACTED TO READ AS FOLLOWS:

ESTABLISHMENT OF A SCHEDULE OF JUST AND EQUITABLE RATES, CHARGES AND PENALTIES FOR WATER SERVICE, USE OF WATER METERS, PROVISION FOR FLAT RATE

For the payment of the proper and reasonable expense of operation, repair, replacements, improvements, additions, betterments, extension and maintenance of the water system and for the payment of the sums required to pay the principal and interest of all water revenue bonds as the same become due, there is hereby established a schedule of just and equitable rates, charges and penalties for the use of and services rendered by the municipal water system and works of the City of Charles Town, West Virginia, which schedule, based upon the metered amount of water supplied to the premises, where possible, but providing for a flat rate when no meter is available, shall be as follows:

APPLICABILITY

Applicable to entire area served.

AVAILABILITY

Available for general domestic, commercial and industrial service.

RATES

First	10,000 gallons used per month	$6.67 per 1,000 gallons
Next	30,000 gallons used per month	$5.67 per 1,000 gallons
Over	40,000 gallons used per month	$4.48 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than the following amounts, according to the size of the meter installed, to-wit:

5/8" or 5/8" x 3/4"	Meter	$16.68 per month
3/4"	Meter	25.02 per month
1"	Meter	41.70 per month
1-1/2"	Meter	83.40 per month
2"	Meter	133.40 per month
3"	Meter	250.20 per month
4"	Meter	417.00 per month

FLAT RATE

For Domestic, Commercial or Industrial Customers - $30.02 for 4,500 gallons per month.

MULTIPLE OCCUPANCY

In apartment buildings, shopping centers or other multiple occupancy buildings, each unit shall be required to pay not less than the minimum monthly charge provided above.

CONNECTION CHARGE

A service connection charge of $350.00 shall be paid for all new service connections.

DISCONNECT FOR NON-PAYMENT

Whenever water service has been discontinued for non-payment of sewer bills, a disconnection fee of $10.00 shall be charged.

RECONNECTION SERVICE CHARGE

Whenever water service which has been previously disconnected or otherwise withheld for non-payment of sewer bills is reconnected, a fee of $10.00 shall be charged.

DELAYED PAYMENT PENALTY

The above tariff is net. On all current usage billings not paid within twenty (20) days, a ten percent (10%) charge shall be added to the net current amount unpaid. The delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

RATES FOR FIRE PROTECTION - PUBLIC

Fire Hydrants, each	$72.00 per annum

RATES FOR FIRE PROTECTION - PRIVATE

Fire Hydrants, each	$72.00 per annum
Sprinkler Heads, each	$00.20 per annum

CAPACITY IMPROVEMENT CAPITAL COST FEE

In addition to all the fees provided above, there shall be paid to the City at the time the application is made for connection of an unserved facility to the water system a capacity improvement capital cost fee of $750 for each residential connection. Connections for non residential use shall be paid in accordance with a residential usage equivalent schedule set forth hereinafter. The funds collected from the capacity improvement capital cost fee shall be maintained in a separate fund by the Water System and shall be used only for the purpose of improving the water system treatment, storage and transmission facilities. These charges shall also be paid by customers of the water system who resell water supplied by the City to its customers in the same amount as if those connected to the resale customer system were to become direct customers of the City. The residential usage equivalent for other than single family residential units for the capacity improvement capital cost fee are as follows:

RESIDENTIAL USAGE EQUIVALENTS
FOR CAPACITY IMPROVEMENT CAPITAL COST FEE

UNIT	GALLONS PER DAY	RESIDENTIAL USAGE EQUIVALENT
Apartments	150/unit	1.0/unit
Bowling Alleys	200/alley	1.33/alley
Churches with kitchen	8/member	0.05/member
Churches w/o kitchen	2/member	0.013/member
Food Service	32/seat	0.213/seat
Fast Food Restaurant	35/seat	0.23/seat
Bar & Cocktail Lounge (additive)	2/patron	0.013/patron
Tavern-Little or no food	20/seat	0.132/per seat
Hotel	120/room	0.8/per room
Industry, sanitary	15/person/shift	0.1/person per shift
Institutions:		
Hospital	250/bed	1.67/bed
Nursing Homes	150/bed	1.0/bed
Others	75/person	0.5/person
Office Buildings	15/person	0.1/person
Laundry Self Service	250/washer	1.67/washer
Mobile Home Park	150/unit space	1.0/unit space
Motels	120/room	0.8/room
Retail Stores	100/toilet room	2.67/toilet room
Residence	150/residence	1.0/residence

School:

Day, no cafetria/showers	15/pupil	0.1/pupil

UNIT	GALLONS PER DAY	RESIDENTIAL USAGE EQUIVALENT
Day with cafeteria	18/pupil	0.12/pupil
Day with cafeteria/showers	20/pupil	0.133/pupil
Boarding	75/pupil	0.5/pupil
Service Station	500/set of pumps	3.33/set of pumps
Shopping Centers	16/100 ft. of sales area	0.12/100 ft of sales area
Swimming Pools	10/swimmer design capacity	0.67/swimmer design capacity
Theaters:		
Drive In	4/car space	0.27/car space
Others	3/Seat	0.02/seat
Warehouse	15/employee	0.1/employee

If a unit does not appear on this schedule the water department shall determine its Residential Usage Equivalent in consultation with its consulting engineer.

EFFECTIVE DATE

The rates and charges provided herein shall become effective forty-five (45) days after final enactment hereof.

SEPARABILITY: REPEAL OF CONFLICTING ORDINANCES

The provisions of this Ordinance are separable, and if any clause, provision or section hereof shall be held void or unenforceable by the West Virginia Public Service Commission or any court of competent jurisdiction, such holding shall not affect the remainder of this Ordinance. Upon the effective date hereof, all ordinances, resolutions, orders or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflicts, hereby repealed, and to the extent that the provisions of this Ordinance do not touch upon the provisions of prior ordinances, resolutions, orders or parts thereof, the same shall remain in full force and effect.

STATUTORY NOTICE AND PUBLIC HEARING

Upon introduction hereof, the City Clerk shall cause to be published a copy of this Ordinance once a week for two (2) successive weeks within a period of fourteen (14) consecutive days, with at least six (6) days between each publication in the Spirit of Jefferson Farmer's Advocate and The Journal, being two qualified newspapers of general circulation in the City of Charles Town, and said notice shall state that this Ordinance has been introduced, and that any person interested may appear before Council Chambers, Charles Town, West Virginia, on September 4, 2001, at 7:30 p.m., which date is not less than ten days after the date of the first publication of the Ordinance and notice, and present any comment or protest thereto, following which hearing, Council shall take such action as it shall deem proper. Copies of this Ordinance shall be available to the public for inspection at the office of the City Clerk, Charles Town, West Virginia.

Passed on First Reading: August 6, 2001

Passed on Second Reading (following Public Hearing): _____, 2001.

CERTIFICATION AND NOTICE

I hereby certify that the foregoing is a true and accurate copy of an Ordinance which has been introduced and adopted on first reading at a meeting of the City Council of the City of Charles Town held on August 6, 2001, pursuant to property notice, at which meeting a quorum was present and acting throughout. Any person interested may appear before the City Council of the City of Charles Town at the City Hall, 101 East Washington Street, Charles Town, West Virginia, on September 4, 2001, at 7:30 p.m., being the date, time and place of the proposed final adoption of this Ordinance, and be heard. The Council will then take such action as it shall deem proper in the premises. The proposed ordinance may be inspected by the public at the Office of the Clerk in the City Hall, Charles Town, West Virginia during regular office hours.

8/23/2t

/s/ Brenda S. Hamilton
City Clerk

NOTICE OF PUBLIC HEARING ON CITY OF CHARLES TOWN WATER RATE ORDINANCE

A public hearing will be held on Tuesday, September 4, 2001 at 7:30 p.m. on the following ordinance which has been introduced on August 6, 2001. Any person interested may appear before the City Council of the City of Charles Town at the Charles Town City Hall, 101 East Washington Street, Charles Town, West Virginia, and present any comment or protest thereto. Following which hearing Council shall take such action as it shall deem proper.

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AN ORDINANCE TO AMEND AND RE-ENACT AN ORDINANCE ESTABLISHING A SCHEDULE OF JUST AND EQUTABLE RATES, CHARGES AND PENALTIES FOR THE USE OF AND SERVICES RENDERED BY THE WATER SYSTEM OF THE CITY OF CHARLES TOWN, THE PURPOSE AND EFFECT OF THIS ORDINANCE BEING TO PROVIDE A NEW INCREASED SCHEDULE OF RATES AS HEREINAFTER STATED.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CHARLES TOWN THAT THE PREVIOUS WATER RATE ORDINANCE BE AMENDED AND RE-ENACTED TO READ AS FOLLOWS:

ESTABLISHMENT OF A SCHEDULE OF JUST AND EQUITABLE RATES, CHARGES AND PENALTIES FOR WATER SERVICE; USE OF WATER METERS; PROVISION FOR FLAT RATE

For the payment of the proper and reasonable expense of operation, repair, replacements, improvements, additions, betterments, extension and maintenance of the water system and for the payment of the sums required to pay the principal and interest of all water revenue bonds as the same due, there is hereby established a schedule of just and equitable rates, charges and penalties for the use of and services rendered by the municipal water system and works for the City of Charles Town, West Virginia, which schedule, based upon the metered amount of water supplied to the premises, where possible, but providing for a flat rate when no meter is available, shall be as follows:

APPLICABILITY

Applicable to entire area served.

AVAILABILITY

Available for general domestic, commercial and industrial service.

RATES

First	10,000 gallons used per month	$6.67	per 1,000 gallons
Next	30,000 gallons used per month	$5.67	per 1,000 gallons
Over	40,000 gallons used per month	$4.48	per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than the following amounts, according to the size of the meter installed, to-wit:

5/8" or 5/8" x 3/4"	Meter	$16.68 per month
3/4"	Meter	25.02 per month
1"	Meter	41.70 per month
1-1/2"	Meter	83.40 per month
2"	Meter	133.40 per month
3"	Meter	250.20 per month
4"	Meter	417.00 per month
6"	Meter	834.00 per month

FLAT RATE

For Domestic, Commercial or Industrial Customers - $30.02 for 4,500 gallons per month.

MULTIPLE OCCUPANCY

In apartment buildings, shopping centers or other multiple occupancy buildings, each unit shall be required to pay not less than the minimum monthly charge provided above.

CONNECTION CHARGE

A service connection charge of $350.00 shall be paid for all new service connections.

DISCONNECT FOR NON-PAYMENT

Whenever water service has been discontinused for non-payment of sewer bills, a disconnection fee of $10.00 shall be charged.

RECONNECTION SERVICE CHARGE

Whenever water service which has been previously disconnected or otherwise withheld for non-payment of sewer bills is reconnected, a fee of $10.00 shall be charged.

DELAYED PAYMENT PENALTY

The above tariff is net. On all current usage billings not paid within twenty (20) days, a ten percent (10%) charge shall be added to the net current amount unpaid. The delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

RATES FOR FIRE PROTECTION - PUBLIC

Fire Hydrants, each	$72.00 per annum

RATES FOR FIRE PROTECTION - PRIVATE

Fire Hydrants, each	$72.00 per annum
Sprinkler Heads, each	$00.20 per annum

CAPACITY IMPROVEMENT CAPITAL COST FEE

In addition to all the fees provided above, there shall be paid to the City at the time the application is made for connection of an unserved facility to the water system a capacity improvement capital cost fee of $750 for each residential connection. Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule set forth hereinafter. The funds collected from the capacity improvement capital cost fee shall be maintained in a separate fund by the Water System and shall be used only for the purpose of improving the water system treatment, storage and transmission facilities. These charges shall also be paid by customers of the water system who resell water supplied by the City to its customers in the same amount as if those connected to th resale customer system were to become direct customers of the City. The residential usage equivalent for other than single family residential units for the capacity improvement capital cost fee as as follows:

RESIDENTIAL USAGE EQUIVALENTS
FOR CAPACITY IMPROVEMENT CAPITAL COST FEE

UNIT	GALLONS PER DAY	RESIDENTIAL USAGE EQUIVALENT
Apartments	150/unit	1.0/unit
Bowling Alleys	200/alley	1.33/alley
Churches with kitchen	8/member	0.05/member
Churches w/o kitchen	2/member	0.013/member
Food service	32/seat	0.213/seat
Fast Food Restaurant	35/seat	0.23/seat
Bar & Cocktail Lounge (additive)	2/patron	0.013/patron
Tavern-Little or no food	20/seat	0.132/per seat
Hotel	120/room	0.8/per room
Indsutry, sanitary	15/person/shift	0.1/person per shift
INSTITUTIONS:		
Hospital	250/bed	1.67/bed
Nursing Homes	150/bed	1.0/bed
Others	75/person	0.5/person
Office Buildings	15/person	0.1/person
Laundry Self Service	250/washer	$1.67/washer
Mobile Home Park	150/unit space	1.0/unit space
Motels	120/room	0.8/room
Retail Stores	400/toilet room	2.67/toilet room
Residence	150/residence	1.0/residence
SCHOOL:		
Day, no cafeteria/showers	15/pupil	0.1/pupil

UNIT	GALLONS PER DAY	RESIDENTIAL USAGE EQUIVALENT
Day with cafeteria	18/pupil	0.12/pupil
Day with cafeteria/Showers	20/pupil	0.133/pupil
Boarding	75/pupil	0.5/pupil
Service Station	500/set of pumps	3.33/set of pumps
Shopping Centers	16/100 ft. of sales area	0.12/100 ft. of sales area
Swimming Pools	10/swimmer design capacity	0.067/swimmer design capacity
THEATERS:		
Drive Inn	4/car space	0.027/car space
Others	3/seat	0.02/seat
Warehouse	15/employee	0.1/employee

If a unit does not appear on this schedule the water department shall determine its Residential Usage Equivalent in consultation with its consulting engineer.

EFFECTIVE DATE

The rates and charges provided herein shall become effective forty-five (45) days after final enactment hereof.

SEPARABILITY: REPEAL OF CONFLICTING ORDINANCES

The provisions of this Ordinance are separable, and if any cause, provision or section hereof shall be held void or unenforceable by the West Virginia Public Service Commission or any court of competent jurisdiction, such holding shall not effect the remainder of this Ordinance. Upon the effective date hereof, all ordinances, resolutions, orders of parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflicts, hereby repealed, and to the extent that the provisions of this Ordinance do not touch upon the provisions of prior ordinances, orders or parts thereof, the same shall remain in full force and effect.

STATUTORY NOTICE AND PUBLIC HEARING

Upon introduction hereof, the City Clerk shall cause to be published a copy of this Ordinance once a week for two (2) successive weeks within a period of fourteen (14) consecutive days, with at least six (6) days between each publication, in the **Spirit of Jefferson Farmer's Advocate** and **The Journal**, being two qualified newspapers of general circulation in the City of Charles Town, and said notice shall state that this Ordinance has been introduced, and that any person interested may appear before Council Chambers, Charles Town, West Virginia, on September 4, 2001, at 7:30 p.m., which date is not less than ten days after the date of the first publication of the Ordinance and notice, and present any comment or protest thereto, following which hearing, Council shall takes such action as it shall deem proper. Copies of this Ordinance shall be available to the public for inspection at the office of the City Clerk, Charles Town, West Virginia.

Passing on First Reading: August 6, 2001.

Passed on Second Reading
(following Public Hearing): _____, 2001.

By: _____
Mayor

CERTIFICATION AND NOTICE

I hereby certify that the foregoing is a true and accurate copy of an Ordinance which has been introduced and adopted on first reading at a meeting of City Council of the City of Charles Town held on August 6, 2001, pursuant to proper notice, at which meeting a quorum was present and acting throughout. Any person interested may appear before the City Council of the City of Charles Town at the City Hall, 101 East Washington Street, Charles Town, West Virginia, on September 4, 2001, at 7:30 p.m. being the date, time and place of the proposed final adoption of this Ordinance, and be heard. The Council will then take such action as it shall deem proper in the premises. The proposed ordinance may be inspected by the public at the Office of the Clerk in the City Hall, Charles Town, West Virginia during regular office hours.

/s/ Brenda S. Hamilton
City Clerk

8:24,31(2t)

Certificate of Publication

This is to certify the annexed advertisement

Steptoe & Johnson
Public Hearing: City of Charles
Town Water Rate Ordinance

appeared for 2 consecutive days/weeks in The Journal Publishing Company, a newspaper published in the City of Martinsburg, WV in its issue beginning:

8/24

and ending

8/31

The Journal
207 W. King Street
Martinsburg, WV 25401

Fee $ 552.07

THE STATE OF WEST VIRGINIA
COUNTY OF BERKELEY

The foregoing instrument was acknowledged before me this 9/4/01 by Debra Jo Smith.

My commission expires 8/16/05.

Notary Public

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
SANDRA B. SPERRY
ROUTE 4, BOX 296
HEDGESVILLE, WV 25427
My Commission Expires August 16, 2005

February 22, 2005

The Common Council of the City of Charles Town, Jefferson County, West Virginia, met in regular session pursuant to the rules of said Common Council in the councilroom in said city on Tuesday, February 22nd, 2005 at 7:30 p.m. due to the observation of the Washington Birthday Holiday on Monday, February 21st, 2005. The following members of Council were present: Randy Breeden, Violet Lowery, Russell Miller, John Ward and Geraldine Willingham. Mayor J. Randolph Hilton presided and Brenda S. Hamilton took the minutes of the meeting. Also present were Jane Arnett, City Manager and Richard Lewis, Esquire, Attorney for the City of Charles Town. It is noted that Councilman Matthew Ward attended the meeting at 7:33 p.m.

It was moved by Councilman John Ward, seconded by Councilman Miller and unanimously voted to dispense with the reading of the minutes dated February 7, 2005. It was moved by Councilwoman Lowery, seconded by Councilman Breeden and unanimously voted to approve said minutes as presented.

Mayor Hilton read by title and opened the floor for discussion regarding the first reading of an ordinance "AMENDMENT TO THE CODIFIED ORDINANCE OF THE CITY OF CHARLES TOWN, WEST VIRGINIA WITH REGARD TO PART THREE TRAFFIC CODE ARTICLE 305, TRAFFIC CONTROL". Mayor Hilton informed that there was a revision made to correct the signage per block. Upon discussion, it was moved by Councilman Matthew Ward, seconded by Councilman John Ward and unanimously voted to approve the first reading of said ordinance, "AMENDMENT TO THE CODIFIED ORDINANCE OF THE CITY OF CHARLES TOWN, WEST VIRGINIA WITH REGARD TO PART THREE TRAFFIC CODE ARTICLE 305, TRAFFIC CONTROL".

Mayor Hilton read by title and opened the floor for discussion regarding the first reading and public hearing of "AN ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE PORTION OF THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $3,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE) PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNER OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS". Mrs. Arnett assured members of Council that she had read the document thoroughly and received input from Steptoe & Johnson regarding some concerns. She informed that this was the bond for capacity improvements through the D.E.P. permit hand carried this evening by Richard Lewis.

She added that this was the beginning of financing to put this in place. She added that there were four (4) sources of financing for this project, with the primary source being Huntfield's letter of credit for the 500,000 gallon improvement. She noted that the capacity improvement fee was now in the hands of the Public Service Commission for approval and that said fee would begin from the date of approval by the Public Service Commission. She added that this bond would be paid off in nine (9) years with capacity improvement capital costs fees and that the interest rate on the bond would be 7.7% until such time as a letter of credit is removed from the guarantee, making this a taxable bond for the first time. She further informed that there would be no impact, no rate increases on the current rate payers, but a charge would be placed on the new residents coming in. Upon further discussion, it was moved by Councilman Matthew Ward, seconded by Councilman Breeden and unanimously voted to approve the first reading of said ordinance, "AN ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE PORTION OF THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED THROUGH THE ISSUANCE BY THE CITY OF NOT MORE THAN $3,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE) PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SECURITY FOR, THE REGISTERED OWNER OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS".

At 7:41 p.m., it was moved by Councilwoman Willingham, seconded by Councilwoman Lowery and unanimously voted to go into executive session to discuss two (2) cases of pending litigation:

1. Pending Litigation (West Virginia Code – Section 6-9A-4(b)(9) – (Executive Session) and authorization for the Mayor to execute Settlement Agreement in the Circuit Court of Jefferson County Civil Case No. 04-C-194;

2. Pending Litigation (West Virginia Code – Section 6-9A-4(b)(9) – (Executive Session) in the Circuit Court of Jefferson County Civil Case No. 04-C-79 and Pending Litigation ((WV State Code Section §6-9A-4(b)(9,11 & 12) – Executive Session)), in the Circuit Court of Jefferson County Civil Case No. 04-C-79 – To consider matters involving or affecting the purchase, sale or lease of property, advance construction planning from the Utility Board.

At 8:32 p.m., it was moved by Councilman Breeden, seconded by Councilman Matthew Ward and unanimously voted to reconvene back into regular session.

It was moved by Councilwoman Willingham, seconded by Councilman Breeden and unanimously voted to approve settlement of Civil Case 04-C-194 for the amount recommended by legal counsel representing the Charles Town Police Department.

Mayor Hilton opened the floor for discussion regarding the appointment of additional Magistrates for the City of Charles Town Municipal Court. He recommended Bob Kutcher and Wendy Bowman. He informed that Chief Aldridge recommends their appointments and that both parties were cleared in a background check. Upon discussion, it was moved by Councilman Matthew Ward, seconded by Councilwoman Willingham and unanimously voted to appoint Bob Kutcher and Wendy Bowman as Magistrates for the City of Charles Town.

COMMITTEE REPORTS:

Finance Committee: Councilwoman Willingham informed that the Finance Committee had met and makes the following recommendations:

1. That evaluations were performed on employees for raises on merit. The raises given were from 0% to 7% for city employees (water, sewer and street); 3% to employees of the police department and 5% to the City Manager;
2. The Finance Committee recommends the holding of a public hearing to obtain citizen input regarding grass clippings and curbside pick-up;
3. That the Chief of Police had requested the hiring of two (2) additional police officers and two (2) police cruisers. The Finance Committee recommends the hiring of one (1) police officer and one ~~(1)~~ 2 police cruiser at this time; 1 more cruiser in next year budget
4. The Finance Committee further recommends a freeze on all overtime of employees of the Charles Town Police Department, except for emergency situations that cannot be covered by creative scheduling.

Upon discussion, it was moved by Councilman John Ward to accept and approve the recommendations of the Finance Committee as presented. Said motion was seconded by Councilman Matthew Ward if the motion was amended to approve the recommendations 1 through 3 as presented, but to amend recommendation "4" regarding overtime to change the wording to say we do not have overtime, but it can be if it is covered by creative scheduling or if necessary. Said motion was amended and voted unanimously.

REFERRALS TO COMMITTEES:

It was moved by Councilman John Ward, seconded by Councilwoman Lowery and unanimously voted to refer the requests from the Jefferson County Fair Association and Independent Fire Company to the Finance Committee.

It was moved by Councilman Matthew Ward, seconded by Councilman John Ward and unanimously voted to refer the request from Community Ministries to the Street Committee.

APPOINTMENTS TO COMMITTEES & BOARDS:

Board of Park and Recreation Commissioners: Councilman Matthew Ward informed that Wally Boston of Huntfield had expressed an interest, but that he would talk with him and get back to Council with his decision.

Zoning Board of Appeals: It was noted that no one had expressed an interest at this time nor by the advertisement ran in the newspaper.

Planning Commission: Mayor Hilton informed that Jeff Roth had expressed an interest to serve. Councilman Matthew Ward nominated him to serve a term of two (2) years. Upon discussion, it was moved by Councilman Matthew Ward, seconded by Councilman John Ward and unanimously voted to appoint Jeff Roth to the City of Charles Town Planning Commission for the term of two (2) years.

It was moved by Councilman John Ward, seconded by Councilwoman Willingham and unanimously voted to approve all bills as presented.

It was moved by Councilman John Ward, seconded by Councilman Breeden and unanimously voted to approve all bills as presented.

At 9:04 p.m., it was moved by Councilman John Ward, seconded by Councilman Matthew Ward and unanimously voted to adjourn.

MAYOR:_____Date:_____

CLERK:_____Date:_____

March 21, 2005

The Common Council of the City of Charles Town, Jefferson County, West Virginia, met in regular session pursuant to the rules of said Common Council in the councilroom in said city on Monday, March 21st, 2005 at 7:30 p.m. The following members of Council were present: Violet Lowery, Timothy Robinson, John Ward, Matthew Ward and Geraldine Willingham. Mayor J. Randolph Hilton presided and Brenda S. Hamilton took the minutes of the meeting. Also present were Jane Arnett, City Manager and Jeremy Camp, City Planner.

It was moved by Councilman John Ward, seconded by Councilwoman Willingham, Councilwoman Lowery and unanimously voted to dispense with the reading of the minutes dated March 7th, 2005. It was moved by Councilman Matthew Ward, seconded by Councilman John Ward and unanimously voted to approve said minutes as received.

Mayor Hilton administered the oath of office for the position of Zoning Administrator to Jeremy Camp.

Mayor Hilton read by title and opened the floor for discussion regarding the second reading and public hearing of "AN ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE PORTION OF THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED THROUGH THE ISUANCE BY THE CITY OF NOT MORE THAN $3,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE) PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SCURITY FOR, THE REGISTERED OWNER OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS". Upon discussion, it was moved by Councilman John Ward, seconded by Councilman Matthew Ward and unanimously voted to approve the second reading of "AN ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE PORTION OF THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED THROUGH THE ISUANCE BY THE CITY OF NOT MORE THAN $3,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE) PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SCURITY FOR, THE REGISTERED OWNER OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A

CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS". It is noted that the third public hearing on said matter will be scheduled for April 4, 2005 and will be published in the Spirit of Jefferson Advocate on March 24, 2005 and March 31, 2005.

COMMITTEE REPORTS:

Councilwoman Willingham informed that the Finance Committee had met and makes the following recommendations:

1. The first reading of the FY06 Budget (to finalize and adopt prior to official adoption on April 19, 2005);
2. FY05 Budget Revision Approval and
3. Proposed Budget for Heritage Day Celebration in the amount of $6,175.00

Upon discussion, it was moved by Councilman John Ward, seconded by Councilman Robinson and unanimously voted to accept and approve the recommendations of the Finance Committee as stipulated. Mayor Hilton read by title and opened the floor for comments regarding the first reading of the FY 06Budget. Upon discussion, it was moved by Councilman John Ward, seconded by Councilman Robinson and unanimously voted to approve the first reading of the FY06 Budget. It is noted that official adoption of the FY06 Budget has been scheduled for April 19, 2005.

Mayor Hilton opened the floor for discussion regarding the proposed "City of Charles Town Banner Policy for Washington Street at Samuel Street" recommended by the Street Committee. Upon discussion, it was moved by Councilman Matthew Ward, seconded by Councilman John Ward and unanimously voted to approve and adopt the "City of Charles Town Banner Policy for Washington at Samuel Street" with changes noted and as follows:

CITY OF CHARLES TOWN
BANNER POLICY FOR WASHINGTON STREET AT SAMUEL STREET

PURPOSE: The purpose of this policy is to govern the use of banners within the right-of-ways in the City of Charles Town.

ELIGIBILITY REQUIREMENTS: Applications will only be accepted from non-religious, non-political, civic organizations advertising community events.

RESERVATIONS: A calendar shall be maintained by the City of Charles Town to reserve banner installation dates. Organizations are limited to two events per year for a two week period unless scheduling permits an extension or a waiver is granted by the City Council.

APPLICATION FOR PERMIT: Banner applications may be obtained from the City of Charles Town.

The application must contain the following information:

- Date of event.
- Name and purpose of event.
- Date of proposed placement of banner.
- Draft of proposed art work and message to be printed on the banner.
- Date requested for placement of banner. Note: one week duration above.
- Proof of tax exempt status.
- Sponsoring agency.
- Contact person, name and phone number(s) to be used in the event of a problem.
- Current comprehensive liability insurance certificate and hold harmless agreement.

TIME LIMITATION: Applications must be submitted at least 60 days prior to the date(s) being requested; however, they will not be accepted more than one year in advance of the requested placement date. Approved banners shall be delivered to the City of Charles Town two weeks in advance of the event. The time limitations stated may be waived, or altered, by approval of the City Council. Banners will be placed as near or on the date requested above and shall be removed one week after, unless otherwise requested and approved. Organizations may recover their banner at City Hall. In the event an organization fails to pick up their banner 30 days following the conclusion of the event, the City has the right to dispose of said banner(s).

BANNER CONTENT AND LANGUAGE: The Mayor and City Council or their designee, shall have the authority to approve or deny banner applications, including design, content and installation date. Actual banners must contain the same language as stated in the application. The City of Charles Town reserves the right to deny placement of a banner when different from the application.

Any banner, which by glare constitutes a hazard to traffic, shall be prohibited. No sign may use the words "stop," "look," "danger," "drive-in," or any other word, phrase, symbol, or character in such a manner as to interfere with, mislead or confuse traffic.

BANNER SPECIFICATIONS: Banners shall meet the following specifications:

1) Weight 18 oz. nylon for Height of 2'. Weight 15 oz. nylon for Height of 3'.
2) Height 2' (Minimum) and 3' (Maximum)
3) Length 20' (Minimum) and 30' (Maximum)
4) Wind cuts or wind flaps required
5) Top Rope Sewn In 80'
6) Sewn in hem
7) Grommets
8) Pole pockets and stiffeners

Note: Tattered banners will be removed promptly.

BANNER LOCATION: The location for displaying banners in the City of Charles Town is East Washington Street near Samuel Street. No other location within the Corporate boundaries of the City is approved for placement of an across the roadway banner.

BANNER INSTALLATION AND REMOVAL: Banners will be installed and removed by the City staff. The City shall provide all supports, braces, guys, anchors, and ropes required for the installation of banners.

BANNER MAINTENANCE: Any defect in a banner which could cause possible injury, damage to property, or a traffic hazard, will cause the banner to be removed by the City without prior notification to the organization.

Organizations will be responsible for the cost to repair any damage to city owned property that may result from the hanging or suspension of the banner.
HOLD HARMLESS: The Organization shall defend, indemnify and hold the City, its officers, officials, employees and volunteers harmless from any and all claims, injuries, damages, losses or suits including attorney fees, arising out of or in connection with activities or operations performed by the Organization or on the Organization's behalf out of issuance of this permit, except for injuries and damages caused by the sole negligence of the City.

INSURANCE: The Organization shall procure and maintain for the duration of the Permit, insurance against claims for injuries to persons or damage to property that may arise from or in connection with operation or activities performed by or on the Organization's behalf with the issuance of the Permit.

The Organization shall provide the City with a Certificate of Insurance evidencing General Liability Insurance with adequate limits to insure against such claims as described above. The City shall be named as an additional insured on the Organization's policy.

Dated this 21st day of March, 2005.

Approved:

/s/ J. Randolph Hilton
City of Charles Town

Mayor Hilton informed that he was in receipt of a "Notice of Application to Operate a Private Club, Private Wine Restaurant or Tavern" from Terry L. Marcus, President of Jefferson Co. Order of the Orioles and located at 731 E. Washington Street, Charles Town, WV. The applicant Terry L. Marcus, President was present. He informed that he wished to have a lounge area in the basement of his business to replace the lounge destroyed previously by fire. Upon discussion, it was moved by Councilwoman

Willingham, seconded by Councilman John Ward and unanimously voted to approve said application.

REFERRALS TO COMMITTEES:

It was moved by Councilman Robinson, seconded by Councilwoman Lowery and unanimously voted that the requests from the Eastern Panhandle Free Clinic, Focus, Old Charles Town Library, Blue Ridge Mountain Fire Co. and Summit Point Baseball be referred to the Finance Committee.

At 8:06 p.m., it was moved by Councilman John Ward, seconded by Councilman Robinson and unanimously voted to go into executive session to discuss a personnel issue – Police Department (WV Code Section 6-9A-4(2).

At 8:16 p.m., it was moved by Councilman John Ward, seconded by Councilman Robinson and unanimously voted to reconvene back into regular session.

It was moved by Councilman John Ward, seconded by Councilwoman Lowery and unanimously voted to approve all bills as presented.

Mrs. Arnett informed all that there would be an Open House on Thursday, March 24, 2005 from 10:00 a.m. to 2:00 p.m. recognizing the retirement of Chief Aldridge and Captain Nichols.

Mayor Hilton informed that due to the recent vacancy of Municipal Court Judge that he was going to appoint John Dorsey as City of Charles Town Municipal Court Judge.

It was moved by Councilman Robinson, seconded by Councilman John Ward and unanimously voted that the pay rate for Municipal Court Judge and Magistrate be referred to the Finance Committee.

At 8:20 p.m., it was moved by Councilman Robinson, seconded by Councilman Matthew Ward and unanimously voted to adjourn.

MAYOR:_____Date:_____

CLERK:_____Date:_____

April 4, 2005

The Common Council of the City of Charles Town, Jefferson County, West Virginia, met in regular session pursuant to the rules of said Common Council in the councilroom in said city on Monday, April 4th, 2005 at 7:30 p.m. The following members of Council were present: William Jordan, Violet Lowery, Russell Miller, John Ward, Matthew Ward and Geraldine Willingham. Mayor J. Randolph Hilton presided and Brenda S. Hamilton took the minutes of the meeting. Also present were Jane Arnett, City Manager and Chief Douglas Nichols.

It was moved by Councilman John Ward, seconded by Councilwoman Lowery and unanimously voted to dispense with the reading of the minutes dated March 21st, 2005. It was moved by Councilman John Ward, seconded by Councilman Jordan and unanimously voted to approve said minutes as received.

Dr. Masters appeared before Council to thank the City for sending a plant in memory of his wife. He also thanked Mayor Hilton for all that he has accomplished on behalf of the City during his term of office as Mayor.

Mary Ellen Mahoney appeared before Council to question proposed changes as to the number of members on the Building Commission. She informed that she had been a member of the Building Commission for ten years and that the three members had been successful in their tenure on the board.

John McIlroy appeared before Council and echoed Mrs. Mahoney's statement. He informed that the City had the right to increase the membership on the Building Commission, but requested that it be done in a open way and advertised to allow all those interested to participate.

Diana Walch of 634 S. Samuel Street appeared before Council to request that the water shut off valves that were covered during a paving project on the bottom end of South Samuel Street be repaired in a timely fashion to allow access to shut off water. Mrs. Arnett informed that the matter had been referred to the Utility Manager who would be in contact with her.

Mayor Hilton read by title and opened the floor for discussion regarding the third reading and public hearing of "AN ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE PORTION OF THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED THROUGH THE ISUANCE BY THE CITY OF NOT MORE THAN $3,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE) PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SCURITY FOR, THE REGISTERED OWNER OF SUCH BONDS; AUTHORIZING

THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS". Upon discussion, it was moved by Councilman John Ward, seconded by Councilwoman Willingham and unanimously voted to approve the third and final reading of "AN ORDINANCE AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE PORTION OF THE EXISTING COMBINED WATERWORKS AND SEWERAGE SYSTEM OF THE CITY OF CHARLES TOWN AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED THROUGH THE ISUANCE BY THE CITY OF NOT MORE THAN $3,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE) PROVIDING FOR THE RIGHTS AND REMEDIES OF, AND THE SCURITY FOR, THE REGISTERED OWNER OF SUCH BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND OTHER DOCUMENTS RELATING TO THE BONDS; AND ENACTING OTHER PROVISIONS WITH RESPECT TO SUCH BONDS" and adopt said ordinance effective immediately. (Refer to Bond Book B).

Mayor Hilton read by title and opened the floor for discussion regarding the first reading and public hearing of "AN ORDINANCE TO APPROVE THE 2005 REPLACEMENT PAGES TO THE CODIFIED ORDINANCES". Upon discussion, it was moved by Councilman John Ward, seconded by Councilwoman Lowery and unanimously voted to approve the first reading of "AN ORDINANCE TO APPROVE THE 2005 REPLACEMENT PAGES TO THE CODIFIED ORDINANCES".

Mayor Hilton discussed the transition of Mayor and Councilmembers that will occur after the May 26th General Election. He informed that presently there is a lot going on in the city and needs all to be involved. He offered his services on these important issues following the transitions after the election.

Mayor Hilton informed that he recommended a change to allow five members on the Building Commission, instead of the present three. He noted that this recommendation will assist in tying up loose ends before the end of his term as Mayor. John McIlroy informed that all three members worked very well together. He added that the Charles Washington Hall was a big project. He stated that you don't have to fix something that is not broken, but added that expanding the Building Commission number of members may be a good idea. He requested to get the word out for the additional members to the public to give all an equal opportunity. Councilman John Ward informed he was leery to fix something that was not broken. He added that the three members were doing a great job. Councilman Matthew Ward commended the Building Commission and added that there was a reason in expanding the numbers of members due to the numerous future projects and re-development that will occur within the city. He informed that adding additional members would help to succeed and can only be a

win win situation. He stated that nothing was broken and did not need fixing, but the additional members would be a great help on the future projects. He agreed in advertising the vacancies. Upon further discussion, it was moved by Councilwoman Lowery, seconded by Councilman Matthew Ward and unanimously voted to add the two (2) additional members to the City of Charles Town Building Commission.

Mayor Hilton informed that he was in receipt of a Special Activity Permit request from Alfred D. Heck of the Charles Town Lions Club to conduct their annual "White Cane Day" on April 16, 2005 from 9:00 a.m. to 12:00 noon at West Washington Street and Charles Street. Upon discussion, it was moved by Councilwoman Willingham, seconded by Councilman Miller and unanimously voted to approve said event.

COMMITTEE REPORTS:

Councilman Jordan informed that the Street Committee had met and recommends the pruning of the downtown trees using the same company (nurserymen) as last year.

REFERRALS TO COMMITTEES:

It was moved by Councilman Matthew Ward, seconded by Councilman John Ward and unanimously voted to refer the supplemental petition for annexation of the property located at 835 Jefferson Avenue to the Planning Commission. It was moved by Councilwoman Willingham, seconded by Councilwoman Lowery and unanimously voted to refer the supplemental petition for annexation of the property located at 835 Jefferson Avenue to the Finance Committee. It is noted that Mrs. Arnett will provide copies of the original annexation petition to both committees.

It was moved by Councilman John Ward, seconded by Councilman Jordan and unanimously voted to approve all bills as presented.

At 8:05 p.m., it was moved by Councilman John Ward, seconded by Councilman Jordan and unanimously voted to adjourn.

MAYOR:_____Date:_____

CLERK:_____Date:_____

May 27, 2005

The Common Council of the City of Charles Town, Jefferson County, West Virginia, met in special session pursuant to the rules of said Common Council in the councilroom in said city on Friday, May 27th, 2005 at 7:00 p.m. The following members of Council were present: Randy Breeden, Russell Miller, Timothy Robinson and John Ward. Mayor J. Randolph Hilton presided and Brenda S. Hamilton took the minutes of the meeting. Also present were Jane Arnett, City Manager and Joseph Cosentini.

Mayor Hilton opened the floor for discussion regarding the proposed Supplemental Resolution approving the Bond Purchase Agreement for the Combined Waterworks and Sewerage System Revenue Bonds, Series 2005A (Taxable) (the"Bonds") and setting forth certain additional information regarding the bonds. Mrs. Arnett informed that this resolution fixes the interest rate and that it was a variable rate under seven percent (7%). Councilman Breeden questioned if this would raise current rates. Mrs. Arnett informed that no sewer rate increases would incur on the current customers. She further informed that this bond would be paid solely through capital improvement fees (impact fees), that the second source of funding would be from fees collected from new customers at approximately $6.10 per month and the third source being a letter of credit from Huntfield. Upon discussion, it was moved by Councilman John Ward, seconded by Councilman Miller and unanimously voted to approve and adopt said Supplemental Resolution approving the Bond Purchase Agreement for the Combined Waterworks and Sewerage System Revenue Bonds, Series 2005A (Taxable) (the"Bonds").

Upon discussion, it was moved by Councilman Breeden, seconded by Councilman Robinson and unanimously voted to authorize the Mayor to sign and execute the Bond Purchase Agreement.

At 7:07 p.m. the Council proceeded to conduct the canvas of the election results from the General Election held on Thursday, May 26, 2005.

Upon completion of the canvas at 7:31 p.m., it was moved by Councilman Robinson, seconded by Councilman John Ward and unanimously voted to adjourn.

MAYOR:_____Date:_____

CLERK:_____Date:_____

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Writer's Contact Information

June 15, 2005

City of Charles Town (West Virginia)
Combined Waterworks and
Sewerage System Revenue Bonds, Series 2005 A
(Taxable)

City of Charles Town
Charles Town, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by the City of Charles Town (West Virginia) (the "Issuer") of its $2,355,000 aggregate principal amount Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable) (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act") and a Bond Ordinance duly enacted by the Issuer on April 4, 2005, as supplemented by a Supplemental Resolution duly adopted by the Issuer on May 27, 2005 (said Ordinance, as so supplemented, herein called the "Ordinance") and are subject to all the terms and conditions of the Ordinance.

The Bonds are issued in fully registered form, are dated June 1, 2005, upon original issuance, mature on June 1 in years and amounts and bear interest payable each June 1 and December 1, commencing December 1, 2005, and are subject to optional and mandatory sinking fund redemption prior to maturity on the dates, in the amounts and at the redemption prices, all as set forth in the Ordinance.

The Bonds are issued for the purposes of financing the costs of acquisition and construction of additions, betterments and improvements to the sewage systems of the Issuer, funding a reserve account for the Bonds and paying costs of issuance of the Bonds and other costs in connection with such issue.

The Bonds are issued on a parity with the following bonds of the Issuer:

(1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds");

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(2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds");

(3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds");

(4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds");

(5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds");

(6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds");

(7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781 (the "Series 2000 A Bonds");

(8) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000 (the "Series 2002 A Bonds");

(9) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000 (the "Series 2002 B Bonds");

(10) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C (Insured), dated December 1, 2002, issued in the original aggregate principal amount of $4,135,000 (the "Series 2002 C Bonds"); and

(11) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT - Uninsured), dated January 1, 2003, issued in the original aggregate principal amount of $1,000,000 (the "Series 2003 A Bonds")

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds and the Series 2003 A Bonds are herein collectively called the "Outstanding Prior Bonds."

The Bonds have been sold to Crews & Associates, Inc. (the "Purchaser"), pursuant to a Bond Purchase Agreement dated May 27, 2005, and accepted by the Issuer (the "Bond Purchase Agreement").

As to questions of fact material to our opinion, we have relied upon representations and certifications of the Issuer and others, contained in the Ordinance and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants, representations and certifications of the Issuer and others, pertaining to tax matters set forth in the Ordinance and with certain certificates delivered in connection with the issuance of the Bonds, we are of the opinion, under existing law, that:

1. The Issuer is a duly created and validly existing municipal corporation under and pursuant to the laws of the State of West Virginia, with full power and authority to enact the Ordinance, enter into the Bond Purchase Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively enacted the Ordinance, has authorized, executed and delivered the Bond Purchase Agreement and has issued and delivered the Bonds to the Purchaser pursuant to the Bond Purchase Agreement. The Ordinance is in full force and effect as of the date hereof.

3. Assuming due authorization, execution and delivery by the other parties thereto, the Bond Purchase Agreement constitutes a valid, legal, binding and enforceable instrument of the Issuer in accordance with its terms; and the Bonds, subject to the terms thereof, constitute valid and legally enforceable limited obligations of the Issuer, payable from the Gross Revenues and issued on a parity with respect to liens, pledge and sources of and security for payment with the Outstanding Prior Bonds, and enforceable in accordance with their terms and the terms of the Ordinance, and are entitled to the benefits of the Ordinance and the Act.

4. The Bonds have not been issued on the basis that the interest, if any, thereon is or will be excluded from gross income of the owners thereof for federal income tax purposes. We express

no opinion regarding the excludability of such interest from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Bonds.

5. Under the Act, the Bonds and the interest thereon, are exempt from all taxation by the State of West Virginia and any county, municipality, political subdivision or agency thereof.

6. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Bonds, to register any securities under said Securities Acts.

It is to be understood that the rights of the holders of the Bonds and the enforceability of liens, pledges, rights or remedies with respect to the Bonds, the Ordinance and the Bond Purchase Agreement are subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond No. AR-1 of said issue, and in our opinion, said Bond is in proper form and has been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

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Writer's Contact Information

June 15, 2005

City of Charles Town (West Virginia)
Combined Waterworks and
Sewerage System Revenue Bonds, Series 2005 A
(Taxable)

City of Charles Town
Charles Town, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance and sale by the City of Charles Town (the "City") of its $2,355,000 aggregate principal amount of Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable) (the "Bonds"). In our capacity as bond counsel, we are delivering an opinion of even date herewith concerning the legality of the Bonds (the "Bond Opinion"). We have examined the documents and instruments as described in the Bond Opinion, the Official Statement and such other matters as we have deemed necessary or appropriate to render this opinion. Words and terms used in this opinion shall have the meanings assigned to them in the Bond Purchase Agreement (the "Purchase Agreement") dated May 27, 2005, between the City and Crews & Associates, Inc. (the "Underwriter"), and approved by the City.

Based upon the foregoing, we are of opinion that:

(1) The Purchase Agreement, the Continuing Disclosure Certificate, the Preliminary Official Statement and the Official Statement have been executed, acknowledged and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, are legal, valid and binding agreements of the City enforceable in accordance with their respective terms (except as enforcement of remedies may be limited by bankruptcy, insolvency or other laws or equitable principles affecting the rights of creditors).

(2) The City, under the Act, has full power and authority to adopt the Ordinance, enter into the Continuing Disclosure Certificate and the Purchase Agreement and perform its obligations thereunder.

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(3) The City has duly ratified the distribution of the Preliminary Official Statement, the Official Statement has been duly approved, signed and delivered by the City, and the City has authorized the distribution of the Official Statement and the use thereof by the Underwriter in connection with the public offering of the Bonds.

(4) The statements contained in the Official Statement under the captions "Tax Matters," are true and accurate in all material respects and presents a fair and accurate summary and description of the matters summarized and described under such caption.

(5) The statements contained in the Official Statement under the captions "Security for the Bonds," "The Bonds," and "Summary of Certain Provisions of the Ordinance," insofar as such statements contained under such captions purport to summarize certain matters set forth therein and certain provisions of the Ordinance, are complete and accurate and present a fair summary of the matters referred to therein and of the Ordinance.

(5) The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Ordinance is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

Very truly yours,

STEPTOE & JOHNSON PLLC

06/10/05
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June 15, 2005

Crews & Associates, Inc.
Charleston, West Virginia

Re: $2,355,000 City of Charles Town (West Virginia), Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable)

Gentlemen:

We have acted as counsel to you (the "Underwriter") in connection with the issuance and sale by the City of Charles Town, West Virginia (the "City") of its Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable), in the aggregate principal amount of $2,355,000 (the "Series 2005 Bonds"). In connection with rendering this opinion, we have examined the Official Statement dated May 27, 2005, the Bond Purchase Agreement dated May 27, 2005 (the "Purchase Agreement"), and Rule 15c2-12 of the Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended (the "Rule"). Capitalized terms used but not defined herein shall have the meanings set forth in the Purchase Agreement.

Based upon the foregoing review, we are of the opinion that you are not required to comply with the requirements of paragraph (b)(5) of the Rule.

Without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of our conferences with representatives of the City, counsel for the City, Bond Counsel and the Underwriter, and our examination of certain documents referred to in the Official Statement, nothing has come to our attention that would lead us to believe that the Official Statement (excluding therefrom the financial and statistical data included in the Official Statement, including Appendices A and B thereto as to which we express no opinion) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

This opinion is solely for the benefit of, and may be relied upon only by, the Underwriter; and it is not to be used, circulated, quoted or otherwise referred to for any other purpose, except that a copy hereof may be included in the transcript of closing documents pertaining to the delivery of the Series 2005 Bonds.

Respectfully submitted,

Goodwin + Goodwin, LLP

GOODWIN & GOODWIN, LLP

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June 9, 2005

City of Charles Town (West Virginia)
Combined Waterworks and
Sewerage System Revenue Bonds, Series 2005 A
(Taxable)

City of Charles Town
Charles Town, West Virginia
Crews & Associates, Inc.
Charleston, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

I have served as counsel for the City of Charles Town, West Virginia (the "Issuer") and have acted as such in connection with the sale of the above-referenced Bonds (the "Bonds"), which are being delivered and sold pursuant to a Bond Purchase Agreement dated as of May 27, 2005 (the "Purchase Agreement"), by and between Crews & Associates, Inc. (the "Underwriter") and the Issuer. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Purchase Agreement.

In this connection, I have reviewed and examined certain proceedings and documents with respect to the Bonds, any such records, certificates and other documents as I have considered necessary or appropriate for the purposes of this opinion, the Constitution and the laws of the State of West Virginia, specifically Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (collectively, the "Act"), the Ordinance of the Issuer relating to the Bonds enacted on April 4, 2005, as supplemented by a Supplemental Resolution adopted May 27, 2005 (collectively, the "Ordinance"), the Continuing Disclosure Certificate (the "Undertaking"), the Purchase Agreement, the Preliminary Official Statement dated May 24, 2005, and the Official Statement dated May 27, 2005, with respect to the issuance and offering of the Bonds (collectively, the "Official Statement") and a closing certificate of the Issuer. Based on such review and such other considerations of law and fact as I believe to be relevant, I am of the opinion that:

1. The City is a municipal corporation duly organized and existing under the laws and Constitution of the State of West Virginia. The City is authorized by the laws of the State of West Virginia, as provided by the Act, to enter into and perform its obligations under the Ordinance, the Undertaking, and the Purchase Agreement.

2. The City has full power and authority to consummate all transactions contemplated by the Bonds, the Undertaking, the Purchase Agreement and any other agreements relating thereto, to which the City is a party.

2. The City has full power and authority to consummate all transactions contemplated by the Bonds, the Undertaking, the Purchase Agreement and any other agreements relating thereto, to which the City is a party.

3. The City has duly authorized all action necessary to be taken by it or on its behalf for (i) the acquisition and construction of the Project; (ii) the execution and delivery of the Undertaking and the Purchase Agreement; (iii) the approval of the distribution of the Official Statement; (iv) the ratification of the actions of the City and the issuance and delivery of the Bonds upon the terms set forth in the Ordinance; and (v) the carrying out, giving effect to and consummation of the transactions contemplated thereby.

4. The Purchase Agreement and Undertaking have been duly and validly authorized, executed and delivered by the City and the same are in full force and effect as of the date hereof and are valid and legally binding obligations of the City, enforceable against the City in accordance with their respective terms, except to the extent the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting creditors' rights generally.

5. The Ordinance has been duly adopted and enacted at meetings of the governing body (Council) of the City which were called and held pursuant to law and in accordance with all applicable open meeting laws and at which a quorum was present and acting at the time of the enactment of the Ordinance, and remains in full force and effect as of the date hereof.

6. The execution and delivery by the City of the Undertaking and the Purchase Agreement and the performance of its obligations thereunder do not and will not result in a violation of any provision of, or in default under, the West Virginia statutes organizing and governing the City or, to the best of my knowledge after diligent inquiry and review of the City's records, any agreement or other instrument to which the City is a party or by which it or its properties are bound.

7. All actions necessary to be taken by the City have been taken, and no additional approval, authorization, consent or other order of the City or any public board or body is legally required to allow the City to acquire and construct the Project, to enter into and perform its obligations under the Purchase Agreement and the Undertaking or as described in the Official Statement.

8. The City is not in violation of any provision of, or in default under, West Virginia statutes organizing and governing the City.

9. To the best of my knowledge, after due inquiry, there is no litigation pending, or to my knowledge, threatened in any court in any way affecting the existence of the

Issuer or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance or delivery of the Bonds, or the collection of revenues and assets of the Issuer pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Ordinance or the Purchase Agreement, or contesting the powers of the Issuer with respect to the Bonds, the Ordinance or the Purchase Agreement or any transaction described in or contemplated by the Official Statement.

10. All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, legislative body, board, agency or commission having jurisdiction which would constitute conditions precedent to, or the absence of which would materially adversely affect, the due performance by the City of its obligations under the Ordinance, the Bonds or the Contract of Purchase, have been duly obtained and are in full force and effect, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds, as to which no opinion is hereby expressed.

11. The Ordinance creates a legally valid and binding pledge of, and lien and charge upon, the security, for payment of the principal of, premium, if any, and interest on the Bonds as the same become due and for the other purposes provided in the Ordinance, subject only to the provisions of the Ordinance permitting application thereof on the terms and conditions set forth in the Ordinance.

12. Based upon my experience as counsel for the City and on my review of the Official Statement, and after diligent inquiry, the statements and information contained in the Official Statement under the captions or subcaptions "Purpose and Plan of Financing," "The Bonds," "Security for the Bonds," "The System," "No Litigation," "Approval of Legality" and "Continuing Disclosure" do not contain any untrue statement of a material fact or omit to state any material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading in any material respect.

I hereby consent to the references made to me in the Official Statement.

All counsel to this transaction may rely upon the foregoing opinion as if specifically addressed to them.

Very truly yours,

HOY G. SHINGLETON, JR., ESQUIRE

HGS/lpt

CITY OF CHARLES TOWN (WEST VIRGINIA)

Combined Waterworks and Sewerage System Revenue Bonds,
Series 2005 A
(Taxable)

GENERAL CERTIFICATE OF THE CITY OF CHARLES TOWN ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. LAND AND RIGHTS-OF-WAY
5. CONTRACTORS' INSURANCE, ETC.
6. RATES
7. PUBLICATION OF NOTICES
8. AWARD OF BONDS; SIGNATURES
9. DELIVERY AND PAYMENT
10. CERTIFICATION OF DOCUMENTS
11. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
12. MEETINGS, ETC.
13. INCUMBENCY AND OFFICIAL NAME
14. PUBLICATION AND PUBLIC HEARING ON BOND ORDINANCE
15. PUBLIC SERVICE COMMISSION
16. [RESERVED]
17. [RESERVED]
18. [RESERVED]
19. OFFICIAL STATEMENT CERTIFICATION
20. CERTIFICATIONS REGARDING BOND PURCHASE AGREEMENT
21. DESIGNATION OF REGISTRAR, PAYING AGENT AND DEPOSITORY BANK
22. EXECUTION OF COUNTERPARTS

On the 15th day of June, 2005, we, the undersigned MAYOR, CITY MANAGER and CITY CLERK of the City of Charles Town, West Virginia (the "Issuer"), hereby certify in connection with the $2,355,000 aggregate principal amount of the City of Charles Town (West Virginia) Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable) (the "Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meanings as set forth in the Bond Ordinance of the Issuer enacted April 4, 2005, as supplemented by a Supplemental Resolution adopted May 27, 2005 (collectively, the "Ordinance").

2. NO LITIGATION: No controversy or litigation of any nature is now pending or threatened, restraining, enjoining, or affecting in any manner the issuance and delivery of the Bonds or the collection of the Gross Revenues of the System or the pledge thereof to the payment of the principal of and interest on the Bonds, nor in any manner questioning the proceedings and authority by which the Issuer authorized the issuance and sale of the Bonds nor in any manner affecting the validity or enforceability of the Bonds, the Ordinance or the Bond Purchase Agreement or any agreement or instrument relating thereto, used or contemplated by the Bond Purchase Agreement or any provisions made or authorized for the payment of the Bonds; nor in any manner questioning the valid existence of the Issuer or the authority or titles of the City Manager, Mayor, City Clerk and the members of the Council and other officials of the Issuer to their respective offices; nor in any manner questioning any proceeding, procedure, action or thing followed, taken or done in connection with the Bonds which is not set forth in the Official Statement relating to the Bonds.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable approvals and certificates required by law for construction of the Project, operation of the System and issuance of the Bonds have been obtained, or will be obtained prior to construction, and, to the extent such approvals and certificates have been obtained as of the date hereof, remain in full force and effect. Competitive bids for construction of the Project will be solicited in accordance with Chapter 5, Article 22, Section 1 of the Official West Virginia Code of 1931, as amended.

4. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the acquisition and construction of the Project and operation and maintenance of the System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Bonds.

5. CONTRACTORS' INSURANCE, ETC.: All contractors will be required to maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, with commercially reasonable limits. All insurance for the System required by the Ordinance is in full force and effect. The System is not presently covered by policies of flood or business interruption insurance, but will be if such coverages are available at reasonable cost.

6. RATES: The Issuer has duly enacted a water rate ordinance and a sewer rate ordinance setting rates and charges for the services of the System. Such rate ordinance is presently in full force and effect. Such rates meet the coverage requirements set forth in Section 6.04 of the Bond Ordinance.

7. PUBLICATION OF NOTICES: Notice of the public hearing upon the Ordinance was duly published as required by law. There was no protest to the enactment of the Ordinance, and the Ordinance became fully effective April 4, 2005, and remains in full force and effect.

8. AWARD OF BONDS; SIGNATURES: The Bonds were awarded to Crews & Associates, Inc. (the "Underwriters"), upon a negotiated basis at the price $2,240,811.30 (par amount, less Underwriters' discount of $70,650.00, less original issue discount of $43,538.70). As of the date hereof, the Bonds were duly signed by the manual signatures of the Mayor and City Manager, and the official seal of the Issuer, which seal is impressed upon this Certificate, was impressed or imprinted thereon and attested by the manual signature of the City Clerk.

9. DELIVERY AND PAYMENT: The undersigned City Manager did, on the date hereof, deliver to the Underwriters, the entire issue of the Bonds numbered AR-1 through AR-5. At the time of delivery of the Bonds, there was paid to, or on behalf of the Issuer, the agreed price therefor as follows:

Par Amount	$2,355,000.00
Less: Underwriters' Discount	$ 70,650.00
Less: Original Issue Discount	$ 43,538.70
TOTAL	$2,240,811.30

10. CERTIFICATION OF DOCUMENTS: There are delivered herewith true and correct copies of the following documents, all which remain in full force and effect and have not been amended, modified, supplemented or repealed unless changed by the terms of other documents listed below:

Bond Ordinance

Supplemental Resolution

Continuing Disclosure Agreement

City Charter

City Council Rules of Procedure

Oaths of Office of Councilmembers

Board Ordinance

Water Rate Ordinance

Sewer Rate Ordinance

Certified Copies of Minutes on Enactment of Bond Ordinance and Adoption of Supplemental Resolution

Prior Bonds Ordinances and Supplemental Resolution

Preliminary Official Statement

Official Statement

Bond Purchase Agreement

11. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS: There has been no adverse change in the financial condition of the Issuer or the System since May 27, 2005. The Bonds are issued on a parity with respect to liens, pledge and source of and security for payment and in all respects, with the Issuer's (1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds"); (2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds"); (3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds"); (4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds"); (5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds"); (6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds"); (7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781 (the "Series 2000 A Bonds"); (8) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000 (the "Series 2002 A Bonds"); (9) Combined Waterworks and

Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000 (the "Series 2002 B Bonds"); (10) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C (Insured), dated December 1, 2002, issued in the original aggregate principal amount of $4,135,000 (the "Series 2002 C Bonds"); and (11) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT - Uninsured), dated January 1, 2003, issued in the original aggregate principal amount of $1,000,000 (the "Series 2003 A Bonds"). The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds and the Series 2003 A Bonds are hereinafter collectively called the "Prior Bonds." Other than the Prior Bonds, there is not any indebtedness or obligation of the Issuer outstanding and unpaid or for which full and irrevocable provision for payment has not been made which has priority over or ranks on a parity with the Bonds as to the sources of and security for payment.

12. MEETINGS, ETC.: All actions, ordinances, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the issuance of the Bonds were authorized or adopted at meetings of the Council of the Issuer duly and regularly called and held pursuant to the City Charter and City Council Rules of Procedure, and all applicable statutes, including Chapter 6, Article 9A of the Official West Virginia Code of 1931, as amended, and a quorum of duly elected, qualified and acting members of the council was present and acting at all times during all such meetings.

13. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "City of Charles Town." The Issuer is a municipal corporation in Jefferson County and is presently existing under the laws of, and a political subdivision of, the State of West Virginia. The governing body of the Issuer is its Council, consisting of a Mayor and 8 councilmembers, all duly elected or appointed, as applicable, qualified and acting, and whose names and dates of commencement and termination of current terms of office are as follows:

Name			Date of Commencement of Office	Date of Termination of Office
J. Randolph Hilton	-	Mayor	June 2001	June 2005
Violet Lowery	-	Councilmember	June 2001	June 2005
Randy Breeden	-	Councilmember	June 2003	June 2007
John A. Ward	-	Councilmember	June 2003	June 2007
Timothy P. Robinson	-	Councilmember	June 2001	June 2005
Matthew W. Ward	-	Councilmember	June 2003	June 2007
Russell C. Miller, Jr.	-	Councilmember	June 2001	June 2005

William F. Jordan, Jr.	-	Councilmember	June 2003	June 2007
Geraldine Willingham	-	Councilmember	June 2001	June 2005

On May 26, 2005, a new Mayor and three (3) new Council members were elected and are scheduled to take office on June 6, 2005. The new Mayor and Council members, terms and occupations are listed below:

Peggy A. Smith	-	Mayor	June 2005	June 2009
Sandra Slusher McDonald	-	Councilmember	June 2005	June 2009
Amy Schmitt	-	Councilmember	June 2005	June 2009
Donald W. Clendening	-	Councilmember	June 2005	June 2009

The names of the duly appointed, qualified and acting members of the Utility Board of the Issuer are as follows:

Jane E. Arnett	-	Chairman and Member
Locke Wysong, Sr.	-	Member
Charles W. Kline	-	Member
Thomas Stocks	-	Member
Pete Kubic, P.E.	-	Member

The duly appointed and acting Clerk of the Issuer is Brenda S. Hamilton. Jane Arnett, C.P.A., is the duly appointed and acting City Manager for the Issuer. The duly appointed and acting City Attorney to the Issuer is Hoy G. Shingleton, Jr., Esquire.

14. PUBLICATION AND PUBLIC HEARING ON BOND ORDINANCE: Upon adoption of the Bond Ordinance, an abstract thereof, determined by the Council of the Issuer to contain sufficient information as to give notice of the contents thereof, was published once each week for 2 successive weeks, with not less than 6 full days between each publication, the first such publication occurring not less than 10 days before the date stated below for the public hearing, in the Spirit of Jefferson Advocate, a newspaper of general circulation in the City of Charles Town, together with a notice to all persons concerned, stating that the Bond Ordinance had been adopted and that the Issuer contemplated the issuance of the Bonds described in such Ordinance, stating that any person interested may appear before the Council at the public hearing held at a public meeting of Council on the 4th day of April, 2005, at 7:30 p.m., in the Council Chambers of the City Hall of the City of Charles Town and present protests, and stating that a certified copy of the Ordinance was on file at the office of the City Clerk of the Issuer for review by interested parties during the office hours of the City Clerk. At such hearing all objections and suggestions were heard by the Council of the Issuer and the Bond Ordinance became finally adopted, enacted and effective as of the date of such public hearing, and remains in full force and effect.

15. PUBLIC SERVICE COMMISSION: The Issuer has received the Final Order of the Public Service Commission of West Virginia (the "PSC") entered on June 7, 2005, in Case No.04-0095-S-CN, granting to the Issuer a certificate of convenience and necessity approving the acquisition of the Project and the issuance of the Bonds. The time for appeal of such Final Order has expired prior to the date hereof without any appeal.

16. [RESERVED]

17. [RESERVED]

18. [RESERVED]

19. OFFICIAL STATEMENT CERTIFICATION: At and since the date of the Official Statement nothing has come to the attention of any signer hereof which would lead any such signer to believe that the Official Statement contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

20. CERTIFICATIONS REGARDING BOND PURCHASE AGREEMENT: In addition to the foregoing, the undersigned CITY MANAGER and MAYOR hereby certify, as follows: (i) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing; (ii) (a) except as set forth in the Official Statement, no litigation is pending or, to our knowledge, threatened in any court to restrain or enjoin the issuance or delivery of any of the Bonds, or in any way contesting or affecting the validity of the Bonds, the Ordinance, or the Bond Purchase Agreement, or contesting the powers of the Issuer or any authority for the issuance of the Bonds or the Ordinance, and (b) except as set forth in the Official Statement, there is no litigation pending, or, to the knowledge of said Mayor or City Manager, threatened against the Issuer in any way affecting the existence of the Issuer or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance or delivery of the Bonds, or the collection of revenues and assets of the Issuer pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Ordinance or the Bond Purchase Agreement, or contesting the powers of the Issuer with respect to the Bonds, the Ordinance or the Bond Purchase Agreement or any transaction described in or contemplated by the Official Statement, which certificates shall be in form and substance acceptable to us (but in lieu of or in conjunction with this certificate, the Underwriter may, in its sole discretion, accept an opinion of Hoy G. Shingleton, Jr., Esquire, Counsel for the Issuer, that in his opinion the issues raised in any pending or threatened litigation are without substance or that the contentions of all plaintiffs therein are without merit with respect to the Bonds referred to in the Official Statement); and (iii) to the best of our knowledge, no event affecting the Issuer has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any respect.

21. DESIGNATION OF REGISTRAR, PAYING AGENT, AND DEPOSITORY BANK: The Issuer hereby confirms the appointment of (a) United Bank, Inc., Charleston, West Virginia, as Registrar and Depository Bank, and, (b) West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent.

22. EXECUTION OF COUNTERPARTS: This document may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same document.

WITNESS our signatures and the official corporate seal of the CITY OF CHARLES TOWN as of the day and year first stated above.

[SEAL]

Signature	Official Title
	Mayor
	City Manager
	City Clerk

05/19/05
144220.00007

J.C. Kunkle & Associates, A.C.
CERTIFIED PUBLIC ACCOUNTING & CONSULTING

City of Charles Town (West Virginia)
Combined Waterworks and
Sewerage System Revenue Bonds, Series 2005 A
(Taxable)

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Department of Environmental Protection
Charleston, West Virginia

West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the rates and charges as set forth in the water rate ordinance of the City of Charles Town (the "Issuer"), enacted September 3, 2003, and the sewer rate ordinance of the Issuer, enacted May 3, 2005, and projected operation and maintenance expenses and anticipated customer usage as furnished to us by the Issuer, it is our opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the combined waterworks and sewerage system of the Issuer (the "System"), will pay all repair, operation and maintenance expenses of the System and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable) (the "Bonds"), to be issued on the date hereof, and all other obligations secured by or payable from the revenues of the System, specifically including the Prior Bonds, as such term is defined in the Ordinance of the Issuer, enacted April 4, 2005, authorizing the issuance of the Bonds.

It is our further opinion that the Net Revenues actually derived from the System during any 12 consecutive months within the 18 months immediately preceding the date of the actual issuance of the Bonds, plus the estimated average increased annual Net Revenues to be received in each of the three succeeding years after the date of issuance of the Bonds, will not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the Bonds and the Prior Bonds.

J.C. Kunkle & Associates, A.C.

Martinsburg, West Virginia
June 15, 2005

164 Lina Lane ▪ P.O. Box 925 ▪ Martinsburg, WV 25402
304/263-9299 ▪ Fax 304/267-7032 ▪ e-mail: jckunkle@ix.netcom.com
MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

CITY OF CHARLES TOWN (WEST VIRGINIA)

Combined Waterworks and
Sewerage System Revenue Bonds, Series 2005 A
(Taxable)

UNDERWRITER'S CERTIFICATE

The undersigned Gregory B. Isaacs, Vice President of Crews & Associates, Inc. (the "Underwriter"), for and on behalf of the Underwriter, as purchaser of the above-captioned Bonds (the "Bonds"), hereby certifies that:

(a) At least 10% of each maturity of the Bonds have been the subject of an initial offering to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers), made pursuant to the Bond Purchase Agreement dated May 27, 2005, by and between the City of Charles Town, West Virginia (the "Issuer") and the Underwriter, at initial offering prices no higher than, or yields no lower than, those shown on the cover of the Official Statement dated May 27,2005, relating to the Bonds. We have made a bona fide public offering of all Bonds at the public offering price. At the time we agreed to purchase the Bonds, based upon our assessment of the then prevailing market conditions, we had no reason to believe any of the Bonds would be initially sold to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices or yields less than the yields, shown on the cover of the Official Statement.

(b) The level of funding of the Reserve Account established by the Ordinance authorizing issuance of the Bonds is reasonable and necessary because such an amount is required as a condition to marketing the Bonds at the interest rates and with the maturities established for the Bonds. Such amount was determined to be necessary to reduce the probability of a default on the Bonds due to a temporary decrease in revenues or increase in operating expenses.

(c) The weighted average maturity of the Bonds is 20.270 years.

(d) The net interest cost on the Bonds is 7.2438%.

Dated this 15th day of June, 2005.

CREWS & ASSOCIATES, INC.

By: _____
Its: Vice President

06/10/05
144220.00007

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. 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 securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful, prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED MAY 24, 2005

NEW ISSUE—BOOK ENTRY ONLY

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Series 2005 A Bonds is not excluded from the gross income of the holders thereof for federal income tax purposes. Further, in the opinion of Bond Counsel, under existing laws of the State of West Virginia, the Series 2005 A Bonds and the interest thereon are exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia. See "TAX MATTERS" *herein.*

$2,150,000*
CITY OF CHARLES TOWN (WEST VIRGINIA)
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE)

Dated: June 1, 2005 **Due: June 1, as shown below**

The Series 2005 A Bonds are issuable only as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof for any year of maturity. All of the Series 2005 A Bonds initially will be maintained under a book-entry system under which The Depository Trust Company, New York, New York ("DTC"), will act as securities depository. Purchases of the Series 2005 A Bonds will be in book-entry form only. Semiannual interest on the Series 2005 A Bonds is payable December 1, 2005, and each June 1 and December 1 thereafter. So long as the Series 2005 A Bonds are maintained under a book-entry system, payments of the principal of and premium, if any, and interest on the Series 2005 A Bonds will be made when due by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"), to DTC in accordance with the Ordinance and the Supplemental Resolution, and the Paying Agent will have no obligation to make any payments to any beneficial owner of any Series 2005 A Bonds. See "THE SERIES 2005 A BONDS - Book-Entry Only System." The Series 2005 A Bonds are subject to redemption prior to maturity as described herein.

Proceeds of the Series 2005 A Bonds will be used, together with other funds available therefor, to: (i) provide funds in the amount of $_____ , to be deposited in the Series 2005 A Bonds Acquisition and Construction Fund to pay for improvements to the City's combined waterworks and sewerage system; (ii) fund a debt service reserve account for the Series 2005 A Bonds; and (iii) pay certain costs of issuance of the Series 2005 A Bonds and related costs.

The Series 2005 A Bonds are payable from and further secured by the Gross Revenues derived from the existing combined waterworks and sewerage system of the City and any extensions, improvements and betterments thereto on parity with the Prior Bonds, as hereinafter defined, and any additional parity bonds that may hereafter be issued by the City as permitted by the Ordinance, as hereinafter defined, and the Series 2005 A Bonds are also payable from funds on deposit in the Series 2005 A Bonds Sinking Fund and the Reserve Account therein. The Series 2005 A Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations, and the City shall not be obligated to pay the principal or premium, if any, of or the interest on the Series 2005 A Bonds, except from the Gross Revenues and such funds on deposit. Neither the full faith and credit nor the taxing power of the City shall be deemed to be pledged to, nor shall any tax be levied for, the payment or the principal of or the premium, if any, or interest on the Series 2005 A Bonds.

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS*

$___,000 Series 2005 A Serial Bonds

Maturity (June 1)	Principal Amount	Interest Rate	Price or Yield
2007	$___,000.00	%	%
2008	___,000.00		
2009	___,000.00		
2010	___,000.00		
2011	___,000.00		
2012	___,000.00		
2013	___,000.00		
2014	___,000.00		
2015	___,000.00		

$___,000.00 ____% Series 2005 A Term Bonds due June 1, 20__ at ____%
$___,000.00 ____% Series 2005 A Term Bonds due June 1, 20__ at ____%
(Accrued interest to be added)

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 making an informed investment decision. The Series 2005 A Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Hoy G. Shingleton, Jr., Martinsburg, West Virginia, Counsel to the City, will pass upon certain legal matters for the City. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter. It is expected that the Series 2005 A Bonds will be available for delivery in New York, New York on or about June _, 2005.

Dated: June _, 2005

Crews&Associates
First Security Bancorp

*Preliminary, subject to change.

CITY OF CHARLES TOWN, WEST VIRGINIA

J. Randolph Hilton, Mayor

CITY COUNCIL

Randy Breeden
John A. Ward
Matthew W. Ward
William F. Jordan, Jr.
Violet Lowery
Timothy P. Robinson
Russell C. Miller, Jr.
Geraldine Willingham

CITY MANAGER

Jane E. Arnett, CPA

CITY CLERK

Brenda Hamilton

CITY ATTORNEY

Hoy G. Shingleton, Jr.

CHARLES TOWN UTILITY BOARD

Locke Wysong, Sr.
Pete Kubic, PE
Thomas W. Stocks
Charles W. Kline
Jane E. Arnett, City Manager

UTILITY MANAGER

Pete Furr

BOND COUNSEL

Steptoe & Johnson PLLC
Charleston, West Virginia

REGISTRAR

United Bank, Inc.
Charleston, West Virginia

PAYING AGENT

West Virginia Municipal Bond Commission
Charleston, West Virginia

UNDERWRITER

Crews & Associates, Inc.
Little Rock, Arkansas

UNDERWRITER'S COUNSEL

Goodwin & Goodwin, LLP
Charleston, West Virginia

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 Series 2005 A Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by The City of Charles Town, West Virginia, or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from the City of Charles Town and other sources, which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City of Charles Town, West Virginia, as it relates to the System, since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein, and may not be reproduced or used, in whole or in part, for any other purposes.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2005 A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

$2,150,000*
CITY OF CHARLES TOWN (WEST VIRGINIA)
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE)

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning the City of Charles Town, West Virginia (the "City"), the City's combined waterworks and sewerage system hereinafter described and the City's $2,150,000* in aggregate principal amount of Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable) (the "Series 2005 A Bonds"). The Series 2005 A Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 8, Article 20 of the Code of West Virginia of 1931, as amended (the "Act"), and an ordinance enacted by the City Council of the City on April 4, 2005 (the "Original Ordinance"), as supplemented and amended by supplemental resolution adopted by the City Council of the City pursuant to the Original Ordinance (the "Supplemental Resolution" and together with the Original Ordinance, the "Ordinance").

The proceeds of the Series 2005 A Bonds, together with other funds available therefor, will be used as follows: (i) to provide funds in the amount of $_____, to be deposited in the Series 2005 A Bonds Acquisition and Construction Fund, to pay for the acquisition and construction of the Phase One Wastewater Treatment Plant Upgrade Project, (ii) fund a debt service reserve account for the Series 2005 A Bonds, and (iii) to pay certain costs of issuance of the Series 2005 A Bonds and related costs.

The Series 2005 A Bonds are payable from and secured by the Gross Revenues, as defined in the Ordinance, derived from the existing combined waterworks and sewerage system of the City and any extensions, improvements or betterments thereto (the "System") on parity with the Prior Bonds, as hereinafter defined, and any additional parity bonds that may hereafter be issued by the City as permitted by the Ordinance (the Series 2005 A Bonds, the Prior Bonds and any such additional parity bonds are collectively referred to herein as the "Bonds"), and the Series 2005 A Bonds are also payable from funds on deposit in the Series 2005 A Bonds Sinking Fund and the Reserve Account therein. The Series 2005 A Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations, and the City shall not be obligated to pay the Series 2005 A Bonds or premium, if any, or the interest thereon except from such Gross Revenues and such funds on deposit. Pursuant to the Ordinance and the ordinances enacted with respect to other Bonds outstanding payable from the Gross Revenues, the City has covenanted and agreed to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby as will produce for each fiscal year Gross Revenues, as defined in the Ordinance, equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on the Bonds and the Prior Bonds. See "ADDITIONAL SECURITY FOR THE SERIES 2005 A BONDS - Rate Covenant."

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*Preliminary, subject to change.

The Series 2005 A Bonds will be dated, will mature, will bear interest and will be subject to redemption prior to maturity as more fully described on the cover page and under the heading "THE SERIES 2005 A BONDS" herein. The Series 2005 A Bonds initially will be maintained under a book-entry system. So long as the Series 2005 A Bonds are maintained under a book-entry system, the manner of payment, the denominations, the transfer and exchange of ownership and the method of providing notice of redemption to the owners of the Series 2005 A Bonds shall be determined as described under the "BOOK-ENTRY ONLY SYSTEM" herein. If the book-entry system is discontinued, principal of, interest, and premium, if any, on the Series 2005 A Bonds will be payable by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (the "Paying Agent"), to the owners thereof at the addresses appearing in the books kept by United Bank, Inc., Charleston, West Virginia, as registrar (the "Registrar"). For further information describing the method of payment and other matters in the event the book-entry system is discontinued, see "THE SERIES 2005 A BONDS" herein.

The City may issue additional bonds on a parity with the Series 2005 A Bonds for the purpose of financing the cost of the construction or acquisition of additions, improvements and betterments to the System and/or refunding one or more or all series of bonds subject, in each case, to certain tests and conditions provided for by the Ordinance. See "ADDITIONAL SECURITY FOR THE SERIES 2005 A BONDS - Additional Parity Bonds."

The Series 2005 A Bonds are offered when, as and if issued and received on behalf of the underwriter appearing on the cover page hereof (the "Underwriter"), subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of the legality thereof by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Hoy G. Shingleton, Jr., Martinsburg, West Virginia, as counsel for the City, will pass upon certain legal matters for the City. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

Brief descriptions of the Series 2005 A Bonds, the System, the City and certain provisions of the Ordinance and the Act, as defined in the Ordinance and hereinbefore, are set forth in this Official Statement, as well as other information contained in the appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Ordinance, provisions of the Act and other applicable laws of the State are qualified in their entirety by reference to each such document or law. References herein to the Series 2005 A Bonds are qualified in their entirety by reference to the form thereof included in the Ordinance and the information with respect thereto included in the aforesaid documents. Capitalized terms used and not otherwise defined in this Official Statement shall have the respective meanings given them in the Ordinance. Copies of the Ordinance and other applicable documents may be obtained from the City or, during the period of offering the Series 2005 A Bonds, from the Underwriter.

THE PROJECT

The Project, as defined below, will allow the City to increase its treatment capacity by an additional 550,000 gallons per day. The Project will add two blowers to the Sequencing Batch Reactor ("SBR") system, which will provide supplemental oxygen in order to handle additional incoming loads. It will also replace the dissolved oxygen analyzers and controllers. It will add a 600,000 gallon aerobic digester to enhance digestion and reduce the total amount of solids. (The

improvements to be made with the bond proceeds collectively constitute the "Project".) The Project will result in improved discharge water quality.

The Project is needed to support the continued growth of industrial, commercial and residential construction in the service area as well as a new public high school. The three utilities served by the treatment plant have a large number of pending requests for service; these new requests for service exceed existing plant capacity.

The existing wastewater plant is approaching its design capacity of 1.2 million gallons a day. The new facility will help the area meet service demands while improving the discharge effluent quality during the high biochemical oxygen demand ("BOD") inflow events and reduce the sludge disposal costs for the City.

The Huntfield developer, Greenvest LC (the "Developer"), has entered into an agreement (the "Developer Agreement") with the City whereby the Developer has agreed to guarantee up to $700,000 of the principal and interest payments on the Series 2005 A Bonds, which guarantee amount will be reduced as sewer customers are added throughout the System, as well as by the utilities, the waste from which is treated by the City.

THE SERIES 2005 A BONDS ARE SECURED ONLY BY THE GROSS REVENUES OF THE SYSTEM, AS SET FORTH UNDER "SECURITY FOR THE BONDS" HEREIN. THE SERIES 2005 A BONDS ARE NOT SUPPORTED BY A SURETY, A LETTER OF CREDIT OR ANY OTHER FORM OF CREDIT ENHANCEMENT.

FINANCING PLAN

Estimated Sources and Uses of Funds

Sources of Funds:	
Principal Amount of Bonds	$2,150,000
Total Sources	$2,___,___
Uses of Funds:	
Series 2005 A Bonds Acquisition and Construction Fund	$
Series 2005 A Bonds Reserve Account	
Underwriter's Discount	
Costs of Issuance (1)	
Total Uses	$

(1) Includes legal and financing fees, printing costs and other miscellaneous expenses relating to the issuance of the Series 2005 A Bonds.

THE SERIES 2005 A BONDS

General

The Series 2005 A Bonds shall be dated as of the date provided in a Supplemental Resolution and shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest

on such Series 2005 A Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2005 A Bonds shall be in default, Series 2005 A Bonds issued in exchange for Series 2005 A Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2005 A Bonds surrendered. The Series 2005 A Bonds will bear interest from their date, payable semiannually on each June 1 and December 1, commencing December 1, 2005, upon original issuance, at the rates per annum and will mature on the dates and in the amounts set forth on the cover page of this Official Statement.

The Series 2005 A Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof for any year of maturity. The Series 2005 A Bonds initially shall be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Series 2005 A Bonds and payments of principal or redemption price of and interest on the Series 2005 A Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, interest on the Series 2005 A Bonds will be payable by check or draft made payable and mailed to the owners thereof at the addresses appearing in the books kept by the Registrar as of the 15th day of the month preceding such interest payment date (the "Record Date"). If the book-entry system is discontinued, principal of and premium, if any, on the Series 2005 A Bonds will be payable to the owner thereof upon surrender thereof at the office of the Paying Agent.

So long as the Series 2005 A Bonds are maintained under a book-entry system, transfers of ownership interests in the Series 2005 A Bonds will be made as described herein under "BOOK--ENTRY ONLY SYSTEM." If the book-entry system is discontinued, ownership of any Series 2005 Bond may be transferred upon surrender thereof to the Registrar, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his duly authorized attorney or legal representative. Upon any such transfer of a Series 2005 Bond, there will be issued another Series 2005 Bond or Series 2005 A Bonds, at the option of the transferee, of the same aggregate principal amount, series, maturity and interest rate as said Series 2005 Bond. For every exchange or transfer of Series 2005 A Bonds, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The party requesting such transfer shall pay any service charge of the Registrar and any applicable tax or other governmental charge.

Extraordinary Redemption*

If any of the following events shall have occurred, the Series 2005 A Bonds shall also be subject to redemption as follows:

(1) If there should occur any damage to or destruction of the System or any condemnation of title to or the use of the System, the applicable Series 2005 A Bonds shall be subject to redemption at any time at the redemption price of 100% of the principal amount thereof plus accrued interest to the Redemption Date from any condemnation awards or insurance proceeds which are not used to repair, rebuild or rearrange the System.

(2) If the Series 2005 A Bonds can be refunded by the issuance of tax-exempt bonds, in whole or in part at any time as provided below under Notice of Redemption, from amounts deposited with the Bond Commission by the City, at a redemption price equal to the 102% principal amount thereof, plus accrued interest to the date fixed for redemption.

(3) The Series 2005 A Bonds are subject to redemption at the option and direction of the City, prior to maturity, in whole or in part on any principal payment date, in inverse order of maturity of the Series 2005 A Bonds, in principal amounts of not less than $50,000, and multiples of $5,000 in excess of $50,000, from amounts deposited with the Paying Agent by the City from funds of the City available therefor (other than from proceeds of refunding bonds) at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

Optional Redemption*

The Series 2005 A Bonds maturing on and after June 1, 2011, are subject to redemption at the option of the City, prior to maturity, on or after June 1, 2010, in whole or in part at any time from amounts deposited with the Bond Commission by the City or from other funds available therefore at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

If fewer than all of the Series 2005 A Bonds shall be called for optional redemption, the particular maturities of the Series 2005 A Bonds to be redeemed shall be selected by the City in such manner as it shall determine. So long as the Series 2005 A Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2005 A Bonds to be credited with any partial redemption shall be made as described herein under "BOOK-ENTRY ONLY SYSTEM."

Mandatory Redemption*

The Series 2005 A Bonds maturing June 1, 20__, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2005 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on June 1, 20__, and on each June 1 thereafter to and including June 1, 20__, in annual principal amounts as follows:

Year	Amount
20__	$___,000
20__	___,000
20__	___,000
20__	___,000
20__ (Maturity)	___,000

The principal amount of Series 2005 A Bonds maturing June 1, 20__, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2005 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2005 A Bonds maturing June 1, 20__, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2005 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on June 1, 20__, and on each June 1 thereafter to and including June 1, 20__, in annual principal amounts as follows:

Year	Amount
20__	$___,000
20__	___,000
20__	___,000
20__	___,000
20__ (Maturity)	___,000

The principal amount of Series 2005 A Bonds maturing June 1, 20__, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2005 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

*Preliminary, subject to change.

Notice of Redemption

So long as the Series 2005 A Bonds are maintained under a book-entry system, notice of the call for any redemption of the Series 2005 A Bonds shall be given as described below under "BOOK-ENTRY ONLY SYSTEM." At any other time, notice to the registered owner of any redemption shall be given by the Registrar not less than 30 nor more than 60 days prior to the date fixed for redemption by registered or certified mail at the address appearing in the Register. Failure to receive such notice or any defect in the mailing thereof shall not affect the validity of any proceedings for the redemption of the Series 2005 A Bonds; and failure to mail such notice shall not affect the validity of any such proceedings for any Series 2005 Bond with respect to which no such failure has occurred. Notice of redemption having been given in the manner hereinabove and in the Ordinance described and moneys necessary therefor having been deposited with the Paying Agent, the Series 2005 A Bonds specified in such notice shall on the date fixed for redemption be deemed paid, and interest thereon shall cease to accrue.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from sources that the City and the Underwriter believe to be reliable, but neither the City nor the Underwriter takes any responsibility for the accuracy thereof.

The Depository Trust Company

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2005 A Bonds. The Series 2005 A Bonds will be issued as fully registered securities registered in the name of Cede & Co., DTC's partnership nominee. One fully registered certificate of the Series 2005 A Bonds will be issued for each maturity of the Series 2005 A Bonds in principal amount equal to the aggregate principal amount of the Series 2005 A Bonds of such maturity, and will be deposited with DTC.

DTC 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, as amended. DTC holds securities that its participants (the

"Participants") deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies, that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Ownership of Series 2005 A Bonds

Purchases of the Series 2005 A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2005 A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2005 Bond (the "Beneficial Owner") is in turn to be recorded on the Participant's records. 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 Participants through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Series 2005 A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of the Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interests in the Series 2005 A Bonds except in the event that use of the book-entry system for the Series 2005 A Bonds is discontinued under the circumstances described below under "Discontinuance of Book Entry System."

To facilitate subsequent transfers, Series 2005 A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2005 A Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2005 A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2005 A Bonds are credited, which may or may not be the Beneficial Owners. The 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 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. If the consent or vote of DTC or Cede & Co. is requested, under its usual procedures, DTC will mail an Omnibus Proxy to the City as soon as possible after the record date assigning Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2005 A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

So long as a nominee of DTC is the registered owner of the Series 2005 A Bonds, references herein to the Bondholders or the holders or owners of the Series 2005 A Bonds shall mean DTC and shall not mean the Beneficial Owners of the Series 2005 A Bonds. The City, the Registrar and the Paying Agent will recognize DTC or its nominee as the holder of

all of the Series 2005 A Bonds for all purposes, including the payment of the principal or redemption price of and interest on the Series 2005 A Bonds, as well as the giving of notices and any consent or direction required or permitted to be given to or on behalf of the Bondholders under the Ordinance. Neither the City, the Registrar nor the Paying Agent will have any responsibility or obligation to Participants or Beneficial Owners with respect to payments or notices to Participants or Beneficial Owners.

Payments on and Redemption of Series 2005 A Bonds

So long as the Series 2005 A Bonds are held by DTC under a book-entry system, principal or redemption price of and interest payments on the Series 2005 A Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the date on which such principal or interest is payable in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on such date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," subject to any statutory or regulatory requirements as may be in effect from time to time, and will be the responsibility of such Participants and not of DTC, the Paying Agent or the City. Payment of principal and interest to DTC is the responsibility of the City or Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

So long as the Series 2005 A Bonds are held by DTC under a book-entry system, the Registrar will send any notice of redemption with respect to the Series 2005 A Bonds only to Cede & Co. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant or any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the proceedings for the redemption of the Series 2005 A Bonds or of any other action premised on such notice. If fewer than all of the Series 2005 A Bonds of any maturity are selected for redemption, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Any such selection of Direct Participants to which any such partial redemption will be credited will not be governed by the Ordinance and will not be made by the City, the Registrar or the Paying Agent.

The City, the Registrar and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Series 2005 A Bonds paid to DTC or its nominee as the registered owner of the Series 2005 A Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

DTC may charge the Participants a sum sufficient to cover any tax, fee or other governmental charge that may be imposed for every transfer and exchange of a beneficial interest in the Series 2005 A Bonds, and the Participants may seek reimbursement therefor from the Beneficial Owners.

Discontinuance of Book-Entry Only System

DTC may resign or may be discharged by the City as a securities depository for the Series 2005 A Bonds and, in such event, the City may discontinue the maintenance of the Series 2005 A Bonds under a book-entry system or replace DTC with another qualified securities depository. Unless the City appoints a securities depository to replace DTC, the Series 2005 A Bonds held by

DTC will be canceled and the City will execute and the Registrar will authenticate and deliver Series 2005 A Bonds in fully certificated form to the Participants shown on the records of DTC provided to the Registrar or, to the extent requested by any Participant, to the Beneficial Owners of the Series 2005 A Bonds shown on the records of such Participant provided to the Registrar.

ADDITIONAL SECURITY FOR THE SERIES 2005 A BONDS

The Series 2005 A Bonds are special obligations of the City and are payable as to principal, premium, if any, and interest solely from the sources described below. The City is under no obligation to pay the Series 2005 A Bonds except from said sources.

Outstanding Prior Bonds

The City has outstanding the following bonds payable from the Gross Revenues of the System that are on parity with the Series 2005 A Bonds: The City's Combined Waterworks and Sewerage System Revenue Bonds, Series 1987, dated November 18, 1987, issued in the original aggregate principal amount of $413,629, of which approximately $239,469 is currently outstanding, the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B (B1), dated May 4, 1988, issued in the original aggregate principal amount of $295,916, of which approximately $182,096 is currently outstanding, the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B (B2), dated May 20, 1988, issued in the original aggregate principal amount of $558,000, of which approximately $343,380 is currently outstanding, the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480, of which approximately $75,309 is currently outstanding, the City's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000, of which approximately $8,430,000 is currently outstanding, the City's Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601, of which approximately $339,057 is currently outstanding, the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781, of which approximately $2,765,821 is currently outstanding, the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000, of which approximately $1,081,384 is currently outstanding, the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000, of which approximately $3,499,539 is currently outstanding, the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C (Insured), dated December 1, 2002, issued in the original aggregate principal amount of $4,135,000, of which approximately $3,985,000 is currently outstanding, and the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT-Uninsured), dated January 1, 2003, issued in the original aggregate principal amount of $1,000,000, of which approximately $970,000 is currently outstanding (collectively, the "Prior Bonds").

Sources of Payment

The payment of the debt service on the Series 2005 A Bonds shall be secured forthwith equally and ratably by a first lien on and pledge of the Gross Revenues derived from the System, on

parity with the Prior Bonds and any additional parity bonds that may hereafter be issued by the City as permitted by the Ordinance, and the Series 2005 A Bonds are also payable from the funds on deposit in the Series 2005 A Bonds Sinking Fund and the Reserve Account therein. Gross Revenues derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds and to make the payments into the Series 2005 A Bonds Sinking Fund, to pay all operation and maintenance expenses and to pay all other payments provided for in the Ordinance, and the funds in the Series 2005 A Bonds Sinking Fund and the Reserve Account therein, are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Series 2005 A Bonds as the same become due and for the other purposes provided in the Ordinance.

Rate Covenant

Prior to the issuance of the Series 2005 A Bonds, rates or charges for the use of the services and facilities of the System will be fixed and established, all in the manner and form required by law, and a copy of such rates and charges so fixed and established shall at all times be kept on file in the office of the Clerk of the City, which copy will be open to inspection by all interested parties. The schedule or schedules of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds and accounts created hereunder. Such schedule or schedules of rates and charges shall be revised from time to time, whenever necessary, so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in income and revenues, the City has covenanted and agreed that the schedule or schedules of rates or charges from time to time in effect shall be sufficient to produce Gross Revenues (i) to provide for all Operating Expenses of the System and (ii) to have a balance each year equal to not less than 115% of the Maximum Annual Debt Service on the Bonds in any Fiscal Year. All such rates and charges, if not paid when due, shall constitute a lien upon the premises served by the System. For purposes of this test, the terms "Gross Revenues" shall include proceeds from the sale of capital assets but does not include any increase in the value of capital assets (including Qualified Investments). In any event, the City shall not reduce the rates or charges of the System set forth in the rate ordinance enacted by the City on October 19, 2001.

The City further covenanted that it will enact any rate increases, subject, however, to potential review by the Public Service Commission of West Virginia, as shall be required to comply with the aforementioned rate covenant, to the extent and in the manner authorized by law, immediately following a determination by the City or upon an annual audit of the City that the City is not in compliance with such rate covenant.

Series 2005 A Bonds Reserve Account

$_____ of proceeds of the Series 2005 A Bonds will be deposited in the Series 2005 A Bonds Reserve Account.

In the event of a transfer from the Series 2005 A Bonds Reserve Account to the Series 2005 A Bonds Sinking Fund as aforesaid, the City shall restore the balance to the Series 2005 A Bonds Reserve Account in an amount up to the Series 2005 A Bonds Reserve Requirement, and the City shall replenish the Series 2005 A Bonds Reserve Account as provided in the Ordinance.

Application of Revenues

The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the City in the Revenue Fund. The Revenue Fund shall be kept separate and distinct from all other funds of the City and the Depository Bank and used only for the purposes and in the manner herein provided. All Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

(1) The City shall first, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission for deposit in the Sinking Funds of the Prior Bonds, the amounts required by the Prior Ordinances to pay the interest on the Prior Bonds and commencing 7 months prior to the first interest payment date of the Series 2005 A Bonds, for deposit in the Series 2005 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2005 A Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2005 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is more or less than 7 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2005 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2005 A Bonds deposited therein.

(2) The City shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission for deposit in the Sinking Funds of the Prior Bonds, the amounts required by the Prior Ordinances to pay the principal on the Prior Bonds and commencing 13 months prior to the first principal payment date or mandatory Redemption Date of the Series 2005 A Bonds, for deposit in the Series 2005 A Bonds Sinking Fund and in the Series 2005 A Bonds Redemption Account therein in the case of the Term Bonds which are to be redeemed, a sum equal to 1/12th of the amount of principal which will mature or be redeemed and become due on the Series 2005 A Bonds on the next ensuing annual principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2005 A Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is more or less than 13 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date.

Moneys in the Series 2005 A Bonds Sinking Funds shall be used only for the purposes of paying principal of and interest on the Series 2005 A Bonds, whether by maturity or redemption prior to maturity and, with respect to the Series 2005 A Bonds Reserve Accounts therein, any amounts necessary to fund such Reserve Account to maintain the Series 2005 A Bonds Reserve Account Requirement. Pending such use, such moneys shall be invested in accordance with the Ordinance.

The City shall not be required to make any further payments into the Series 2005 A Bonds Sinking Fund when the aggregate amount of funds therein, including the Series 2005 A Bonds Reserve Account therein, is at least equal to the aggregate principal amount of Series 2005 A Bonds then Outstanding, plus the amount of interest due or thereafter to become due on such Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the Series 2005 A Bonds are issued, provision shall be made for additional deposits into the Series 2005 A Bonds Reserve Account sufficient to maintain the Series 2005 A Bonds Reserve Account Requirement in accordance with the provisions of the Ordinance.

The payments into the Series 2005 A Bonds Sinking Funds shall be made on the first day of each month, except that, when the first day of any month shall be a Saturday, Sunday or legal holiday, then such payments shall be made on the next succeeding Business Day, and all such payments shall be remitted to the Bond Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of the Ordinance.

(3) The City shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the Reserve Accounts of the Prior Bonds, the amount required by the Prior Ordinances; and (ii) for deposit in the Series 2005 A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2005 A Bonds Reserve Account below the Series 2005 A Bonds Reserve Requirement or any withdrawal from the Series 2005 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2005 A Bonds Reserve Account results in a determination that the amount of moneys and the value of the Qualified Investments deposited to the credit of the Series 2005 A Bonds Reserve Account is less than the Series 2005 A Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 2005 A Bonds Reserve Account for deposit into the Series 2005 A Bonds Sinking Fund. To the extent Gross Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of moneys on deposit in the Series 2005 A Bonds Reserve Account to an amount equal to the Series 2005 A Bonds Reserve Requirement to the full extent that such Gross Revenues are available; provided however, that if the shortfall in the Series 2005 A Bonds Reserve Account is due to a decrease in value of investments therein, such shortfall shall be replenished by not less than 4 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2005 A Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2005 A Bonds Reserve Account whenever and as long as the amount on deposit therein shall be equal to the Series 2005 A Bonds Reserve Requirement.

Amounts in the Series 2005 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2005 A Bonds when due, when amounts in the Series 2005 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

(4) The City shall next, each month, pay from the Revenue Fund the current Operating Expenses.

(5) The City shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, transfer to the Repair and Replacement Fund a sum equal to not less than 2 1/2% of the Gross Revenues each month (as previously set forth in the Prior Ordinances and not in addition thereto), exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Subject to the restrictions contained in the Prior Ordinances, so long as the Prior Bonds are

outstanding, withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof, shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(6) Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by the Act, such excess shall be considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System. Any Surplus Revenues then remaining in the Revenue Fund may be used for any lawful purpose of the System.

Enforcement of Collections

The City covenants in the Ordinance to diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals and other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia or otherwise by the laws of the State. The City further covenants and agrees in the Ordinance that it will, subject to the laws of the State and regulations of the Public Service Commission of West Virginia, discontinue water services to all delinquent users of services and facilities of the System, until such delinquent amounts, plus reasonable interest and penalty charges thereon, have been fully paid or an appropriate payment plan has been established. (See "THE SYSTEM - Customer Statistics.")

Additional Parity Bonds

So long as the Prior Bonds are Outstanding, the limitations and requirements on the issuance of parity obligations set forth in the Prior Ordinances shall be applicable. No additional Parity Bonds, payable out of the Gross Revenues of the System shall be issued after the issuance of any Bonds pursuant to the Ordinance, except under the conditions and in the manner herein provided.

No such Additional Parity Bonds shall be issued except for the purpose of financing the costs of the design, acquisition or construction of additions, betterments or improvements to the System, refunding all or a portion of one or more series of Bonds issued pursuant hereto or the Prior Bonds, to pay claims which may exist against the revenues or facilities of the System or all of such purposes.

No such Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Clerk a written statement by an Independent Accountant, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during 12 consecutive months in the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the issuance of such Additional Parity Bonds, shall be not less than 115%, of the Maximum Annual Debt Service on the following:

(1) The Series 2005 A Bonds then outstanding;

(2) The Prior Bonds then Outstanding;

(3) Any Additional Parity Bonds then Outstanding; and

(4) The Additional Parity Bonds then proposed to be issued.

The "estimated average increased annual Gross Revenues expected to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Additional Parity Bonds and any increase in rates enacted by the City, the time for appeal of which shall have expired (without successful appeal) prior to the date of delivery of such Additional Parity Bonds, and shall not exceed the amount to be stated in a certificate of Independent Accountant, which shall be filed in the office of the Clerk prior to the issuance of such Additional Parity Bonds.

The Net Revenues actually derived from the System during the 12 consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Consulting Engineers and the Independent Accountant, as stated in a certificate, on account of increased rates, rentals, fees and charges for the System enacted by the City, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such Additional Parity Bonds.

The term "Additional Parity Bonds," as used in this section, shall be deemed to mean additional bonds issued under the provisions and within the limitations of this section and the Prior Ordinance, payable from the Gross Revenues of the System on a parity with the Series 2005 A Bonds and the Prior Bonds, and all the covenants and other provisions of the Ordinance (except as to details of such additional parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2005 A Bonds and the Prior Bonds and the Holders of any Additional Parity Bonds theretofore or subsequently issued from time to time within the limitations of and in compliance with this section. All the Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Gross Revenues of the System, and their source of and security for payment from said Gross Revenues, without preference of any Bond over any other. The City shall comply fully with all the increased payments into the various funds and accounts created in the Ordinance required for and on account of such Additional Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to the Ordinance.

The term "Additional Parity Bonds," as used in this section, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the Revenues of the System is subject to the prior and superior lien of the Bonds on such Revenues. Any such subordinate bonds, notes, certificates or other obligations shall be payable from Net Revenues remaining after all payments required to be made pursuant to Section 4.03 (1), (2) and (3) have first been paid. The City shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to or equally, as to lien on and source of and security for payment from such Revenues, with the Series 2005 A Bonds, except in the manner and under the conditions provided in this section.

No Additional Parity Bonds, as in this section defined, shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in the Ordinance and the Prior Ordinances with respect to the Bonds then Outstanding (excluding the Renewal and Replacement Fund), and any other payments provided for in the Ordinance and the Prior Ordinances, shall have been made in full as required to the date of issuance of the Parity Bonds, and the City then be in full compliance with all the covenants, agreements and terms of the Ordinance and the Prior Ordinances and every ordinance supplemental thereto, or shall have fully corrected any delinquency or deficiency in such payments and compliance.

THE SYSTEM

The City has operated a water treatment and distribution system since 1961 and a sewerage collection and treatment system since 1928. The systems are legally combined.

Water

The City's water treatment plant is a state of the art facility utilizing complete recycling of backwash and system overflows, gravity plate settlers, sludge concentrators and declining rate filter. The water treatment plant is designed to operate at 2.8 million gallons per day (MGD).

Raw water is obtained from the Shenandoah River through a single intake screen and 20-inch intake line that feeds into a 3.0 MGD pump station. The intake is approximately 600 feet upstream of the Route 9 bridge. The Shenandoah River is part of the Chesapeake Bay Watershed and has a drainage area of approximately 3,000 square miles. The plant is designed to produce an adequate supply of water meeting the requirements of the Safe Drinking Water Act.

According to a June 30, 2004 bill analysis, approximately 5,424 monthly billings were made by the water system, of which 4,091 were residential, 1,328 were commercial, and 5 were industrial.

Water Usage – Annual Gallons Sold

Fiscal Year (ending June 30)	Residential	Commercial	Other	Total Customers
2000	157,200,000	87,098,000	6,433,000	3,829
2001	145,318,000	99,556,000	10,611,000	4,158
2002	145,318,000	99,556,000	10,718,000	4,456
2003	184,522,000	91,505,000	5,297,000	4,815
2004	226,927,000	87,895,000	5,279,000	5,424

Sewer

The City owns, operates and maintains a wastewater treatment plant and a collection system, extending throughout the City and into the Town of Ranson and the Jefferson County Public Service District, consisting of approximately 85 miles of sewer main. All operating and maintenance expenses, in addition to capital improvement expenditures, for the 1.2 MGD treatment plant are evenly split between the three entities pursuant to an existing long term sewer

service agreement. Until operational problems at the treatment plant became too prevalent due to overloading, the facility also received septage from several local septage haulers. The plant discharges its treated effluent to Evitts Run, a tributary of the Shenandoah River.

According to a recent survey of sewer customers, as of June 30, 2004, approximately 13,555 residents were served by the wastewater treatment plant. This number was derived from metered water billing accounts and 2000 census information. The breakdown of residential customers in the three service entities is as follows:

Charles Town:	1,569 residences @ 2.26 people/residence	=	3,546
Ranson:	1,453 residences @ 2.44 people/residence	=	3,545
Jefferson Co. PSD:	2,545 residences @ 2.54 people/residence	=	6,464
			13,555

Sewer Service Area

The Charles Town Wastewater Treatment Plant serves the following areas of Jefferson County:

North to the Bardane and Burr Industrial Parks including Jefferson High School and the Job Corps Center. This northern area is further described to include the subdivisions of Walnut Grove, Security Hills, Breckenridge, Briar Run, Flowing Springs, Patrick Henry as well as the Charles Town Plaza that includes Wal-Mart, Jefferson Crossing Shopping Center and the Charles Town Race Track.

The eastern boundary is described as approximately the Halltown area south of the railroad track, then in a southerly direction further bounded approximately by Marlowe Road.

West along the Frontage Road off U. S. Route 340 on the South to the Route 9 Bypass, encompassing all of Charles Town and Ranson. South and west approximately bounded by Huyett Road and Summit Point Road. Due west outside the corporate limits of Ranson to include Orchard Hills subdivision north to Leetown Pike.

Mayor/Council

The City is governed by an elected Mayor and Council. The Mayor and Council members, terms and occupations are listed below:

Mayor/Council	Term	Occupation
J. Randolph Hilton	6/01 to 6/05	Retired
Randy Breeden	6/03 to 6/07	Information Technology Specialist
Violet Lowery	6/01 to 6/05	Retired
John A. Ward	6/03 to 6/07	Retired
Timothy P. Robinson	6/01 to 6/05	Auto Technician/Reverend
Matthew W. Ward	6/03 to 6/07	Attorney
Russell C. Miller, Jr.	6/01 to 6/05	Retired
William F. Jordan	6/03 to 6/07	School Bus Operator
Geraldine Willingham	6/01 to 6/05	Retired

Jane E. Arnett, a certified public accountant, has been the City Manager for the past 11 years. Ms. Arnett joined the City's staff in 1994. In addition to the City Manager, the City has 44 full-time employees.

Utility Board

Pursuant to the Act and the Board Ordinance, the System is operated by a Utility Board appointed by the Council. Utility Board members include Locke Wysong, Peter Kubic, Registered Professional Engineer, Thomas W. Stocks, Charles W. Kline and the City Manager. The Board employs a Utility Manager, 15 full-time and 1 part-time employees, including a Class III, Wastewater Plant Operator/Superintendent and a Class III, Water Treatment Plant Operator/Superintendent.

Summary Of Past Projects

The City is committed to continue improvements in the operation of the water and wastewater portions of the System. A brief history of the past projects and significant improvements under the current management include:

- Completed a water loss audit by an independent engineering firm (ACER Engineers & Consultants, Inc.).

- Implemented the recommendations of the audit through adoption of a water loss mitigation plan, a 100% water meter replacement program and hardware and software upgrades, to provide increased cash flow.

- Under West Virginia Senate Bill 568, requested and had completed a Public Service Commission audit.

- Adopted Finance Policy F1-1, *Collection Procedures,* to comply with PSC Rule 4.8, *Utility Discontinuance of Service,* to improve water and sewer collections.

- With regard to wastewater treatment and following a Pre-Application and Feasibility Study, an Inflow and Infiltration Study, an Influent BOD Source Study, Volumetric Metering of Effluent Flow, and Facilities Plan, the City completed a $4.3 million upgrade to a sequential batch reactor system at the Wastewater Treatment Plant.

- Preliminary Infrastructure Council Application and Division of Environmental Protection Application filed for relocating the wastewater effluent discharge from Evitts Run, a secondary trout stream, to the Shenandoah River.

- Completed approximately $350,000 in renovation work to the present City Hall building for improved handicap accessibility, and mechanical and electrical systems upgrades that included new computer cabling to improve network and on-line capabilities. This building houses certain water and wastewater administrative functions.

- Facilities Plan for Water System completed March 2001.

- Purchased a private utility with 175 customers, that includes a Super Wal-Mart. Purchased the assets of the Charles Town Races and Gaming private water system and connected the property to the City of Charles Town Water System.

- Acquired of the assets of the existing Tuscawilla Utilities water and sewer systems, the engineered a water connecting line, constructed one Tuscawilla water tank and one Huntfield development water tank. Tuscawilla serves approximately 825 residential customers.

- Acquired an approximately one mile water main to connect the System to the Huntfield development water system. This new development of approximately 1,000 acres has the capacity to accommodate over 3,000 homes.

- Completed in 2003, the Downtown Revitalization Project and Phase I Water Improvement Project totaled $6.7 million. The $2 million Downtown Revitalization Project was funded primarily by State and Federal grant funding ($1.4 million) to install new sidewalks, street areas, lighting and furniture that enhanced a state transportation corridor in the historic downtown area by promoting walkability and supporting tourism and economic development. Concurrently, a water line replacement project was completed through the downtown ensuring adequate fire flows in the National Register of Historic Places district. Finally, new water storage and three additional miles of water mains were installed.

Customer Statistics

The average number of System customers for the past ten Fiscal Years are as follows:

Fiscal Year (ending June 30)	Number of Water Customers	Number of Sewer Customers (Charles Town Only)
1995	3,440	1,407
1996	3,466	1,412
1997	3,486	1,423
1998	3,634	1,422
1999	3,674	1,429
2000	3,829	1,420
2001	4,158	1,416
2002	4,456	1,513
2003	4,815	____
2004	5,424	____

In addition to its residential and commercial customers, the City treats the wastewater from the City of Ranson and Jefferson County Public Service District.

Source: City of Charles Town

The following table sets forth the **ten largest customers of the water portion** of the System and related annual revenues for the fiscal year ended June 30, 2004.

Customer	Annual Revenue
1. PNGI	$48,059
2. Peter Chakmakian	$34,604
3. Apple Tree Garden Apts.	$30,348
4. Habitat America, LLC	$25,293
5. Jefferson Memorial Hospital	$22,878
6. Ruby Tuesday Inc.	$17,481
7. Gantt Miller/Chew House	$16,623
8. C.T. Associates/Charles Towers	$16,213
9. H.Q.M. of CT, LLC	$15,975

10. Kidde Fire Fighting $13,417

Source: City Billing Records.

The following table sets forth the **ten largest customers of the sewer portion** of the System and related annual revenues for the fiscal year ended June 30, 2004.

Customer	Annual Revenue
1. Gantt Miller/Chew House	$13,429
2. H.Q.M. of CT, LLC	$13,160
3. C.T. Associates/Charles Towers	$11,790
4. Northgate Inn	$11,700
5. Patrick Henry Apts.	$ 8,828
6. Spring Run Apts.	$ 6,320
7. TLC Laundromat	$ 5,278
8. WalMart	$ 4,610
9. KFC	$ 3,310
10. Sun Chen Restaurant	$ 2,464

Source: City Billing Records.

Rates

Pursuant to the Act, the governing body of a municipality, or independent board charged with such responsibility, must fix minimum rates and charges for the use of its municipal water and sewerage systems and may increase such rates whenever deemed necessary. Such rates and charges are required by the Act to be sufficient at all times to provide for the payment of interest on all bonds issued pursuant to the Act and to create a sinking fund to pay the principal of such bonds as and when the same becomes due, and reasonable reserves therefore, to provide for the repair, maintenance and operation of the water and sewerage systems, to provide an adequate depreciation fund and to make any other payments required or provided for in the applicable bond ordinance.

Chapter 8, Article 20 of the Code of West Virginia, 1933, as amended, provides that rates and charges established by municipally operated utilities shall be just, reasonable, applied without unjust discrimination or preference and based primarily on the costs of providing service. Such rates and charges must be filed with the Public Service Commission of West Virginia (the "PSC") but generally are not subject to regulatory approval. However, any customer of a municipally operated utility aggrieved by a rate change may present to the PSC within 30 days of the enactment of the ordinance providing for the change a petition signed by not less than 25 percent of the customers served by the utility. Within 100 days from the filing of any such petition, a hearing examiner must issue an order approving, disapproving or modifying the rate increase. Such order has the full force and effect of an order issued by the PSC. Also, if a municipally operated utility serves customers outside the boundaries of the municipality, the PSC is empowered to review, approve or modify such rates if, within 30 days of the adoption of the ordinance providing for such rates, a customer (including a wholesale user) alleges that such rates constitute discrimination between customers within and without the municipal boundaries. The PSC may determine the method by which such rates are reviewed and may grant and conduct a new hearing on the matter if the customer or the municipality requests such a hearing.

Current Water Rates

The Town Council enacted a water rate increase on October 19, 2001. The current rates are as follows:

Water Rates (Based upon the metered amount of water supplied)

First	10,000 gallons used per month	$6.67 per 1,000 gallons
Next	30,000 gallons used per month	$5.67 per 1,000 gallons
All over	40,000 gallons used per month	$4.48 per 1,000 gallons

No billing will be rendered for less than the following amounts, according to the size of the meter installed:

5/8" of 5/8" x ¾	Meter	$16.68 per month
¾"	Meter	$25.02 per month
1"	Meter	$41.70 per month
1-1/2"	Meter	$83.40 per month
2"	Meter	$133.40 per month
3"	Meter	$250.20 per month
4"	Meter	$417.00 per month
6"	Meter	$834.00 per month

Flat Rate

For Domestic, Commercial or Industrial Customer --$30.02 per month for 4,500 gallons.

Delayed Bill

The above schedule is net. On all accounts not paid in full within twenty (20) days after the day of the bill, five percent (5%) will be added to the net amount shown. The delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

Domestic service shall be billed Bi-Monthly. Commercial and Industrial service shall be billed Monthly. All bills shall be payable when rendered. When any bill has remained unpaid for thirty days (30) after rendition, it shall be deemed delinquent and the water service to the premises involved in such delinquent charges shall be discontinued until such time as all delinquent charges plus a reconnection charge of $10.00 are paid in full.

Tapping Fee

A fee of $350.00 will be charged for connecting to the system.

Rates for Fire Protection - Public

Fire Hydrants, each	$72.00 per annum

Rates for Fire Protection - Private

Fire Hydrants, each	$72.00 per annum
Sprinkler Heads, each	$00.20 per annum

Capacity Improvements Capital Cost Fee

In addition to all the fees provided above, there shall be paid to the City at the time the application is made for connection of an unserved facility to the water system a capacity improvement capital cost fee of $750 for each residential connection. Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule set forth hereinafter. The funds collected from the capacity improvement capital cost fee shall be maintained in a separate fund by the Water System and shall be used only for the purpose of improving the water system treatment, storage and transmission facilities. These charges shall also be paid by customers of the water system who resell water supplied by the City to its customers in the same amount as if those connected to the resale equivalent for other that single family residential units for the capacity improvements capital cost free are as follows:

RESIDENTIAL USAGE EQUIVALENTS FOR CAPACITY IMPROVEMENTS CAPITAL COST FEE

UNIT	GALLONS PER DAY	RESIDENTIAL USAGE EQUIVALENT
Apartments	150/unit	1.0/unit
Bowling Alleys	200/alley	1.33/alley
Churches With Kitchen	8/member	0.05/member
Churches w/o kitchen	2/member	0.013/member
Food Service	32/seat	0.213/seat
Fast Food Restaurant	35/seat	0.23/seat
Bar & Cocktail Lounge (add.)		2/patron0.013/patron
Tavern-Little or No food	20/seat	0.132/person per shift
Hotel	120/room	0.8/person per shift
Industry, Sanitary	15/person/shift	0.1 person per shift
INSTITUTIONS		
Hospital	250/bed	1.67/bed
Nursing Home	150/bed	1.0/bed
Others	75/bed	0.5/bed
Office Buildings	15/person	0.1/person
Laundry Self Service	250/washer	1.67/washer
Mobile Home Park	150/unit space	1.0 unit space
Motels	120/room	0.8/room
Retail Stores	400/toilet room	2.67/toilet room
Residence	150/residence	1.0 residence
SCHOOL		
Day, no cafeteria/Showers	15/pupil	0.1/pupil
Day with cafeteria	18/pupil	0.12/pupil
Day with cafeteria/Showers	20/pupil	0.133/pupil
Boarding	75/pupil	0.5/pupil

Service Station	500/set of pumps	3.33/set of pumps
Shopping Centers	16/100 ft. of sales area	0.12/100ft. of sales area
Swimming Pools	10/swimmer design capacity	0.067/swimmer design capacity
THEATERS		
Drive In	4/car space	0.027/car space
Others	3/seat	0.02/seat
Warehouse	15/employee	0.1/employee

If a unit does not appear on this schedule the water department shall determine its Residential Usage Equivalent in consultation with its consulting engineer.

Current Sewer Rates - entire territory served except for the area formerly served by Sanitary Associates and Tuscawilla Utilities

The Town Council enacted a sewer rate increase on April 17, 2003. The current rates are as follows:

Availability

Available for general domestic, commercial and industrial services in entire territory served.

Rate

First	2,500 gallons used per month	$4.85 per 1,000 gallons
All Over	2,500 gallons used per month	$3.90 per 1,000 gallons

Flat Rate

Domestic, commercial and industrial based on 4,500 gallons usage per month	$19.93 per month

Minimum Bill

No bill shall be rendered for less than $12.13 per month.

Delayed Payment Penalty

The above schedule is net. On all accounts not paid in full within twenty (20) days after the day of the bill, five percent (5%) will be added to the net amount shown. The delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

Deferred Payment Agreement

A sewer customer who has been notified that water service is to be terminated for non-payment of sewer bills shall be given the opportunity to enter into a deferred payment agreement: Provided, That such customer has demonstrated an ability to pay but only in installments. The customer shall be informed at the time a disconnect notice is issued of the

option for a reasonable payment plan. The terms of such deferred payment agreement are available upon request.

Connection Fee

For all those applications for sewer service permits filed with Council a connection fee in an amount of four hundred dollars ($400) shall be due and payable on the day the application is made. A connection fee shall be paid by the owner of each parcel of improved property that is to be connected to the sewer system and no such connection shall be made until the fee has been deposited with the City. A connection fee shall be due from each improved property regardless of whether or not connection to the sewer system is made by the owner on a voluntary or compulsory basis at the time.

Inspection Fee

A fee of twenty dollars ($20.00) shall be charged for inspection of hook-up to the System.

Reconnect Fee

A fee of ten dollars ($10.00).

Current Sewer Rates - in the territory formerly served by Sanitary Associates

The Town Council enacted a sewer rate increase on April 17, 2003. The current rates are as follows:

Availability

Available for general domestic, commercial and industrial service.

Rate

First	30,000 gallons used per month	$4.62 per 1,000 gallons
All Over	30,000 gallons used per month	$4.21 per 1,000 gallons

Minimum Charge

No bill shall be rendered for less than $13.86 per month (based on 3,000 gallons).

Delayed Payment Penalty

The above tariff is net. On all accounts not paid in full within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

Leak Adjustment Increment

$0.53 per 1,000 gallons. To be used when the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate is used to calculate consumption above the customer's historical average usage.

Capacity Improvement Capital Cost Fee

In addition to all the fees provided above, there shall be paid to the city at the time the application is made for connection of an unserved facility to the sewer system a capacity improvement capital cost fee of $1,127.00 for each residential connection. Connections for non-residential use hall be paid in accordance with a residential usage equivalent schedule set forth

herein. The funds collected from the capacity improvement capital cost fee shall be maintained in a separate fund by the Sewer System and shall be used only for the purpose of improving the sewer system treatment facilities. The usage equivalent for other than single family residential units for the capacity improvement capital cost fee shall be based upon the following:

Unit	Water Gallons/Day	Residential Usage Equivalent
Apartments	150/unit	1.0/unit
Bowling Alleys	200/alley	1.33/alley
Churches w/ Kitchen	8/member	0.05/member
Churches w/o Kitchen	2/member	0.013/member
Food Service	32/seat	0.213/seat
Fast Food Restaurant	35/seat	0.23/seat
Bar & Cocktail Lounge (Additive)	2/patron	0.013/patron
Tavern-Little or no Food	20/seat	0.132/per seat
Hotel	120/room	0.8/room
Industry, sanitary	15/person/shift	0.1/person per shift
Institutions		
Hospital	250/bed	1.67/bed
Nursing Home	150/bed	1.0/bed
Others	75/person	0.5/person
Office Buildings	15/person	0.1/person
Laundry Self Service	250/washer	1.67/washer
Motels	120/rooms	0.8/room
Retail Stores	400/toilet room	2.67/toilet room
Residence	150/residence	1.0/residence

	Water Gallons/Day	Residential Usage Equivalent
School		
Day, no cafeteria/showers	15/pupil	0.1/pupil
Day with cafeteria	18/pupil	0.12/pupil
Day with cafeteria/showers	20/pupil	0.133/pupil
Boarding	75/pupil	0.5/pupil
Service Station	500/set of pumps	3.33/set of pumps
Shopping Centers	16/100ft. of sales area	0.12/100ft. of sales area
Swimming Pools	10/swimmers design capacity	0.067/swimmer capacity
Capacity Theaters	3/seat	0.02/sea
Warehouse	15/employee	0.1/employee

If a unit does not appear on this schedule the sewer department shall determine its Residential Usage equivalent in consultation with its consulting engineer.

Current Sewer Rates - for the entire subdivision of Tuscawilla Hills

The Town Council enacted a sewer rate increase on April 17, 2003. The current rates are as follows:

Availability of Service

Available for general domestic service.

Rates

First	4,000 gallons used per month	$3.75 per 1,000 gallons
Next	6,000 gallons used per month	$3.25 per 1,000 gallons
All Over	10,000 gallons used per month	$2.75 per 1,000 gallons

Minimum Charge

$15.00 per month.

Delayed Payment Penalty

The above tariff is net. On all current usage billings not paid in full within twenty (20) days, ten percent (10%) will be added to the net amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

Reconnection Fee

$10.00 service charge to have service reconnected.

Leak Adjustment

$0.50 per 1,000 gallons. To be used where the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate is used to calculate consumption above the customer's historical average usage.

Summary Of Doubtful Accounts

Year Ended June 30	Operating Revenues	Provision for Doubtful Accounts	Accounts Receivable Written Off
1999	$2,244,640	-0-	$20,605
2000	$2,068,243	-0-	$ 5,076
2001	$1,972,845	-0-	$67,629
2002	$2,530,096	-0-	$42,791
2003	$2,911,334	-0-	$39,633
2004	$3,310,929	-0-	$47,610

Source: City Billing Records, Public Service Commission Annual Report

The City has covenanted to diligently enforce and collect all fees and charges as described in "SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE –General Covenants—Enforcement of Collections" herein.

System Budget and Expenditures

An operating budget is prepared annually by the Utility Board and is approved by the Council.

Method of Accounting

The accounts of the Water and Sewer Funds are organized on the basis of fund accounting as enterprise funds. With respect to operating revenues and expenses, the City accounts are maintained in accordance with generally accepted accounting principles. J. C. Kunkle & Associates, A.C. audited the records of the City for the fiscal year ended June 30, 2004. (See Appendix B – "Financial Statements of the City of Charles Town".)

Retirement System Contributions

	Fiscal Years Ended June 30,		
	2002	2003	2004
City Contribution Amount	$106,022	$130,471	$163,553

Source: City of Charles Town Audits

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each year the amounts payable from Revenues as principal of and interest on the Series 2005 A Bonds and the Prior Bonds.

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

The following is a summary of certain provisions of the Ordinance. The summary does not purport to be a comprehensive statement of the terms and provisions thereof, for which reference is made to the complete text of the Ordinance, copies of which may be obtained from the City or, during the period of the offering of the Bonds, from the Underwriter.

Certain Definitions

All capitalized terms used in the Ordinance and not otherwise defined in the recitals hereto shall have the meanings specified below, unless the context expressly requires otherwise:

"Act" means Chapter 8, Article 20 of the West Virginia Code of 1931, as amended and in effect on the Closing Date for the Series 2005 A Bonds.

"Authorized Newspaper" means a financial journal or newspaper of general circulation in the City of New York, New York, printed in the English language and customarily published on each business day of the Registrar, whether or not published on Saturdays, Sundays or legal holidays, and so long as so published, shall include The Bond Buyer.

"Authorized Officer" means the Mayor or City Manager of the City or any other officer of the City specifically designated by resolution of the Council of the City.

"Board" shall mean the City of Charles Town Utility Board, created by an ordinance of the City, or any successor thereto.

"Bond Commission" means the West Virginia Municipal Bond Commission or any other agency of the State of West Virginia which succeeds to the functions of the Bond Commission.

"Bond Counsel" means any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by the City or the Board, and shall initially mean Steptoe & Johnson PLLC, Charleston, West Virginia.

"Bondholder," "Holder," "Holder of the Bonds," "Owner of the Bonds," "Registered Owner," or any similar term means any person who shall be the registered owner of any outstanding Bond.

"Bond Register" means the books of the City maintained by the Registrar for the registration and transfer of Series 2005 A Bonds.

"Bond Year" means with respect to each series of Series 2005 A Bonds, the 12 month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, except that the first Bond Year shall begin on the Closing Date.

"Bonds" means, collectively, the Series 2005 A Bonds, the Prior Bonds and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained in the Ordinance.

"Business Day" means any day other than a Saturday, Sunday or a day on which national banking associations, West Virginia banking corporations or the New York Stock Exchange are authorized by law to remain closed.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2005 A Bonds, in substantially the form set forth in EXHIBIT A – SERIES 2005 BOND FORM to the ordinance.

"City" or "Issuer" means the City of Charles Town, a municipal corporation of the State of West Virginia, in Jefferson County thereof, and, where appropriate, the Council, the Board and any successor thereto.

"City Manager" means the City Manager of the City.

"Closing Date" means the dates upon which there is an exchange of the Bonds for the proceeds representing the original purchase price thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder.

"Connection Fees" means the fees, if any, paid by customers of the System in order to connect thereto.

"Consulting Engineers" means any independent qualified engineer or engineers or firm or firms of engineers that shall at any time now or hereafter be retained by the City as Consulting Engineers for the System, or portion thereof.

"Costs" or similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation, interest accruing or to accrue thereon, premiums for municipal bond insurance and reserve account insurance, letter of credit fees, expenses for fiscal or other agents, legal expenses and any other costs or expenses necessary, incidental, desirable or appurtenant to the issuance of the Series 2005 A Bonds.

"Council" means the City Council of the City or any other governing body of the City that succeeds to the functions of the Council as presently constituted.

"Debt Service" with reference to a specified period, means the amount of principal, including any sinking fund payments, and interest payable with respect to the Bonds during such period.

"Depository Bank" means the bank or banks to be designated as such in the Supplemental Resolution, and any other bank or national banking association located in the State of West Virginia, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC that may hereafter be appointed by the City as Depository Bank.

"DTC" means The Depository Trust Company, New York, New York, or its successor thereof.

"DTC-eligible" means, with respect to the Series 2005 A Bonds, bonds meeting the qualifications prescribed by DTC.

"Event of Default" means any occurrence or event specified in Section 7.01.

"FDIC" means the Federal Deposit Insurance Corporation or any successor to the functions of the FDIC.

"Fiscal Year" means each 12-month period beginning on July 1 and ending on the succeeding June 30.

"Government Obligations" shall have the meaning set forth in the Supplemental Resolution.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts, and includes any proceeds from the sale or other disposition of capital assets, but does not include any increase in the value of capital assets (including Qualified Investments).

"Independent Accountant" means the West Virginia State Tax Department or any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the City to prepare an independent annual or special audit of the accounts of the System or for any purpose except keeping the accounts of said System in the normal operations of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or residential rental property for family units which is not located within the jurisdiction of the City and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Maximum Annual Debt Service" means, at the time of computation, the greatest amount of Debt Service required to be paid on the Bonds for the then current or any succeeding Fiscal Year.

"Mayor" means the Mayor of the City.

"Net Proceeds" means the face amount of the Series 2005 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2005 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2005 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds of the Series 2005 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 2005 A Bonds.

"Operating Expenses," unless qualified, means the current expenses, paid or accrued, of repair, operation and maintenance of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses (other than those capitalized as part of the costs of any project relating to the acquisition or construction of additions, betterments or improvements for the System), supplies, labor, wages, the cost of materials and supplies used for current operations, fees and expenses of fiscal agents and of the Depository Bank, Registrar and Paying Agent or Paying Agents, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles.

"Ordinance" or "Bond Ordinance" regardless of whether preceded by the article "the" or "this," means the Ordinance, as it may hereafter from time to time be amended or supplemented, by ordinance or by resolution.

"Original Purchaser" means the investment banking firm or firms, bank or banks or such other entity or entities as shall purchase the Series 2005 A Bonds directly from the City, as determined by a resolution supplemental to the Ordinance.

"Outstanding," when used with reference to the Series 2005 A Bonds or the Prior Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond or Prior Bond canceled by the registrar for such Bond or Prior Bonds at or prior to said date; (b) any Bond or Prior Bonds for the payment of which monies, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Ordinance and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01 of the Ordinance; and (d) with respect to determining the number or percentage of Bondholders or Bonds or Prior Bonds for the purpose of consents, notices and the like, any Bond registered to the City. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond or Prior Bond, such Bond or Prior Bond shall be deemed to be Outstanding until such time as such Bond Insurer has been reimbursed in full.

"Paying Agent" means, initially, the West Virginia Municipal Bond Commission, and any other paying agent for the Series 2005 A Bonds that may be appointed by a resolution supplemental to the Ordinance, all in accordance with Section 8.12 of the Ordinance.

"Prior Bonds" means, collectively, the Series 1987 B Bonds, Series 1988 B (B1) Bonds, Series 1988 B (B2) Bonds, Series 1989 B Bonds, Series 1998 Refunding Bonds, Series 1998 Design Bonds, Series 2000 A Bonds, Series 2002 A Bonds, Series 2002 B Bonds, Series 2002 C Bonds and the Series 2003 A Bonds, as more fully defined in Section 1.03B of the Ordinance.

"Prior Ordinances" means the ordinances of the City enacted November 16, 1987, April 18, 1988, May 16, 1988, April 3, 1989, March 16, 1998, June 19, 2000, and December 16, 2002, authorizing the issuance of the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

"Project" means the acquisition and construction of certain additions, betterments and improvements to the sewerage portion of the System, including the Phase One Wastewater Treatment Plant Upgrade Project and all necessary appurtenances.

"Purchase Price," for the purpose of computation of the Yield of the Series 2005 A Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 2005 A Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds of each maturity is sold or, if the Series 2005 A Bonds are privately placed, the price paid by the first buyer of the Series 2005 A Bonds or the acquisition cost of the first buyer.

"Qualified Investments" means and includes the investments set forth in the Supplemental Resolution and designated as such.

"Record Date" means the date or dates which shall be so stated in the Series 2005 A Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Recording Officer," "Recorder" or "Clerk" means the City Clerk of the City.

"Redemption Date" means the date fixed for redemption of Bonds subject to redemption in any notice of redemption published or mailed in accordance herewith.

"Redemption Price" means the price at which any of the Bonds may be called for redemption and includes the principal amount of the Bonds to be redeemed, plus the interest and the premium, if any, required to be paid to effect such redemption.

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 2005 A Bonds, and any successor thereto appointed in accordance with Section 8.08 of the Ordinance.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954.

"Revenue Fund" means the Revenue Fund created by the Prior Ordinances and continued hereby.

"Series 2005 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable), of the City, originally authorized to be issued pursuant to the Ordinance and the Supplemental Resolution.

"Series 2005 A Bonds Acquisition and Construction Fund" means the Series 2005 A Bonds Acquisition and Construction Fund created by Section 4.01 of the Ordinance.

"Series 2005 A Bonds Costs of Issuance Fund" means the Costs of Issuance Fund created by Section 4.01 of the Ordinance.

"Series 2005 A Bonds Redemption Account" means the Redemption Account created in the Series 2005 A Bonds Sinking Fund by Section 4.02 of the Ordinance.

"Series 2005 A Bonds Reserve Account" means the Series 2005 A Bonds Reserve Account created in the Series 2005 A Bonds Sinking Fund by Section 4.02 of the Ordinance.

"Series 2005 A Bonds Reserve Account Requirement" means an amount equal to the lesser of (i) 10% of the original principal amount of the Series 2005 A Bonds, (ii) Maximum Annual Debt Service at the time of original issuance of the Series 2005 A Bonds, or (iii) 125% of average annual Debt Service at the time of original issuance of the Series 2005 A Bonds.

"Series 2005 A Bonds Sinking Fund" means the Series 2005 A Bonds Sinking Fund created by Section 4.02 of the Ordinance.

"State" means the State of West Virginia.

"Supplemental Resolution" means any ordinance or resolution amendatory or supplemental to an Ordinance of the City and, when preceded by the article "the," refers specifically to the Supplemental Resolution or Resolutions to be adopted by the City following enactment of the Ordinance, setting forth the final amounts, maturities, interest rates, redemption provisions, Bond Insurer provisions (if any) and other terms of the Series 2005 A Bonds and authorizing the sale of the Series 2005 A Bonds to the Original Purchaser; provided, that any provision intended to be included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

"System" means the complete existing municipal waterworks and sewerage systems of the City, consisting of a water treatment and distribution system, including a water filtration and treatment plant, reservoirs, water tanks, distribution lines and booster stations, and a sewage treatment and collection system, including a sewage treatment plant, collection and transportation lines and lift stations, now owned by the City or any integral part thereof, and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to the waterworks and sewage systems, and shall include any additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks or sewage systems from any sources whatsoever, both within and without the City.

"Term Bonds" means Bonds subject to mandatory sinking fund redemption, as described by Section 3.06 of the Ordinance.

Application of Bond Proceeds

Upon the issuance and delivery of the Series 2005 A Bonds, the City shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued on the Series 2005 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2005 A Bonds Sinking Fund and applied to payment of interest on the Series 2005 A Bonds at the first interest payment date.

2. An amount of the proceeds of the Series 2005 A Bonds equal to the amount, if any, set forth in the Supplemental Resolution shall be remitted to the Bond Commission for deposit in the Series 2005 A Bonds Reserve Account, provided that, to the extent the Series 2005 A Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2005 A Bonds shall be deposited in the Series 2005 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2005 A Bonds Reserve Requirement.

3. The amount of Series 2005 Bond proceeds which, together with other monies or securities deposited therein shall be equal to the Costs of Issuance of the Series 2005 A Bonds shall be deposited with the Depository Bank in the Series 2005 A Bonds Costs of Issuance Fund and shall be drawn out, used and applied by the City solely to pay costs of issuance of the Series 2005 A Bonds at the written direction of the City. Monies not to be applied immediately to pay such costs of issuance may be invested in accordance with this Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 120 days following the Closing Date for the Series 2005 A Bonds, such unapplied proceeds shall be transferred by the City to the Series 2005 A Bonds Sinking Fund established in Section 4.01 of the Ordinance and applied to the next ensuing payment of interest on the Series 2005 A Bonds. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such monies until so applied in favor of the Holders of the Series 2005 A Bonds from which such proceeds are derived.

4. The balance of Series 2005 A Bonds proceeds, if any, shall be deposited in the Series 2005 A Bonds Acquisition and Construction Fund and disbursed as provided in Section 3.16(A) of the Ordinance.

Investment of Funds

The City shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any moneys held as a part of the funds and accounts created by the Ordinance in Qualified Investments to the fullest extent possible under applicable laws, the Ordinance, the need for such moneys for the purpose set forth herein and the specific restrictions and provisions set forth in this section.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The City shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The City may make any and all investments permitted by this section through the trust department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The following specific provisions shall apply with respect to any investments made under this section:

(A) Qualified Investments acquired for the Series 2005 A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The City shall, or shall cause the Bond Commission to, annually transfer from the Series 2005 A Bonds Reserve Account to the Sinking Fund any earnings on the moneys

deposited therein and any other funds in excess of the Series 2005 A Bonds Reserve Account Requirement; provided, however, that there shall at all times remain on deposit in the Series 2005 A Bonds Reserve Account an amount at least equal to the Series 2005 A Bonds Reserve Account Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2005 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2005 A Bonds Reserve Account shall, at any time, be less than the Series 2005 A Bonds Reserve Requirement, the Bond Insurer shall be notified immediately of such deficiency and such deficiency shall be made up from the first available Gross Revenues after required deposits to the Sinking Fund and otherwise in accordance with the Ordinance.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2005 A Bonds and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the Series 2005 A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the Code of West Virginia, 1931, as amended.

General Covenants

Enforcement of Collections. The City or the Board will diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges that become delinquent to the full extent permitted or authorized by the Act and the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Rate Covenants. The City has covenanted to fix, establish and collect rates and charges for the use of the services and facilities of the System that shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the Funds and Accounts created under the Ordinance. Such schedule of rates and charges shall be changed and adjusted, whenever necessary, so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in income and revenues, the City covenants and agrees in the Ordinance that the schedule of rates or charges from time to time in effect shall be sufficient together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2005 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2005 A Bonds, including the Prior Bonds.

Operation and Maintenance. The City or the Board, as applicable, will maintain the System in good condition and will operate the same as a revenue producing enterprise in an efficient and economical manner, making such expenditures for equipment. and for renewal,

repair and replacement as may be proper for the economical operation and maintenance thereof from the Gross Revenues of the System in the manner provided in the Ordinance.

Sale of the System. So long as the Prior Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, except as provided by the Prior Ordinances. Additionally, so long as the Series 2005 A Bonds are Outstanding, the System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by this Ordinance as provided by Section 9.01. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2005 A Bonds Sinking Fund, and otherwise as prescribed by the Ordinance. Any balance remaining after such defeasance shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the Revenues of the System.

The foregoing provision notwithstanding, the Board shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of $50,000, the Board shall, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Board may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $50,000 but not in excess of $200,000, the Board shall first, in writing, determine with the written approval of the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Board may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property, in excess of $50,000 and not in excess of $200,000, shall be deposited by the Issuer into the Renewal and Replacement Fund. Such payments of such proceeds into the Renewal and Replacement Fund shall reduce the amounts required to be paid into said funds by other provisions of this Ordinance.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom shall be in excess of $200,000 and insufficient to defease the pledge created by this Ordinance, as provided by the Ordinance, without the prior approval and consent in writing of any applicable Bond Insurer and the Holders, or their duly authorized representatives, of 60% in amount of Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the Bond Insurer and the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Issuance of Other Obligations Payable Out of Gross Revenues and General Covenant Against Encumbrances. The City shall not issue any other obligations payable from the Gross Revenues of the System that rank prior to, or equally, as to lien on and source of and security for payment from the Gross Revenues, with the Bonds; provided that additional bonds on parity with the Bonds may be issued as described herein under the heading "SECURITY FOR THE BONDS -- Additional Revenue Bonds."

The City shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to additional parity bonds, being on parity with the lien of the Bonds and the interest thereon, upon any of the Gross Revenues of the System pledged for payment of the Bonds and the interest thereon in the Ordinance, or upon the System or any part thereof.

Insurance. The City will, so long as the Bonds remain Outstanding, carry, with a reputable insurance carrier or carriers, fire, lightning, vandalism, malicious mischief, extended coverage, public liability and workers' compensation insurance, and require or maintain performance, completion and fidelity bonds, as provided in the Ordinance.

Services Rendered to the City. The City will not render or cause to be rendered any free services of any nature by the System. The rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the City and any department, agency, instrumentality, officer or employee thereof using the facilities or services of the System. Such charges shall be paid as they accrue, and the City shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be Gross Revenues and shall be deposited and accounted for in the same manner as other Gross Revenues.

No Competing Franchise. To the extent legally allowable, neither the City nor the Board will grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever, for the providing of any services that would compete with services provided by the System.

Books and Records. The Board will keep books and records of the System, separate and apart from all other books, records and accounts of the Board or the City, in which complete and correct entries shall be made of all transactions relating to the System, and any registered owner of the Bonds shall have the right at all reasonable times to inspect the System and all parts thereof, and all records, accounts and data of the Board relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles to the extent allowable under and in accordance with the rules and regulations of the Public Service Commission of West Virginia and the Act.

The City or the Board shall file with the Original Purchaser and any Bond Insurer, and shall mail in each year to any registered owner of the Bonds requesting the same, an annual report within 30 days following the date of receipt of the final audit containing a balance sheet, statement of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The City or the Board shall also file with the Original Purchaser and any Bond Insurer, and mail to any bondholder requesting the same, a monthly unaudited report within 30 days following the end of each month containing the following:

(A) A statement of Gross Revenues, Operating Expenses, and Net Revenues derived from the System; and

(B) A statement of account balances in the Sinking Fund accounts provided for in the Ordinance and status of said funds.

The City or the Board also shall cause the books, records and accounts of the System to be completely audited by Independent Accountants at least once a year, and shall mail upon request, and make available generally, the report of said Independent Accountants, or a summary thereof, to any registered owner of the Bonds, and file said report with the Original Purchaser.

Restrictions as to Arbitrage Bonds. The City covenants in the Ordinance that (i) it will restrict the use of the proceeds of the Bonds of each series in such manner and to such extent as may be necessary, so that such Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to such Bonds) so that the interest on such Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any action which would adversely affect such exclusion.

Operating Budget. The Board shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date required by the Charter of the City, prepare and adopt by resolution a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year. No increased expenditures in excess of ten percent of the amount of such budget shall be made except upon certification by a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Board shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and shall make available such budgets and resolutions to the Original Purchaser and to any registered owner of the Bonds or anyone acting for and on behalf of a registered owner who requests the same.

Amendment. Prior to issuance of the Series 2005 A Bonds, this Ordinance may be amended, modified or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of this Ordinance, shall be controlling. Following issuance of the Series 2005 A Bonds, this Ordinance and any Supplemental Resolution may, without the consent of any Bondholder or other person, be amended, modified or supplemented in any manner which, in the opinion of Bond Counsel, does not materially adversely affect the interests of the Bondholders or any Bond Insurer, provided that, in the event any of the bonds are insured, no such amendment or modification which affects the rights of the Bond Insurer for such Bonds may be made without the written consent of such Bond Insurer. Otherwise, no materially adverse amendment or modification to the Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2005 A Bonds then Outstanding and affected thereby and the Bond Insurer, which must be filed with the Clerk of the City before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of Series 2005 A Bonds required for consent to any such modification or amendment.

Defeasance. If the City shall pay or cause to be paid, or there shall otherwise be paid, to the registered owners of all Series 2005 A Bonds the principal of and premium and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Ordinance, and all other monies due under the Ordinance have been paid, then the Ordinance and the pledges of the Gross Revenues and other moneys and securities pledged under the Ordinance, and all covenants, agreements and other obligations of the City on behalf of the registered owners of the Series 2005 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount that shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys that, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time,

shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Series 2005 A Bonds shall, prior to the maturity thereof, be deemed to have been paid if there shall have been deposited with the Bond Commission or an escrow trustee either moneys in an amount that shall be sufficient, or securities the principal of and the interest on which when due, will provide moneys that, together with any moneys deposited with the Bond Commission or Escrow Trustee at the same or earlier time, shall be sufficient, to pay when due the principal of and interest due and to become due on said Bonds on and prior to the maturity dates thereof. Neither securities nor moneys so deposited with the Bond Commission or an Escrow Trustee nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Bonds; provided, that any cash received from such principal, redemption premium, if any, or interest payments on such securities, if not then needed for such purpose, to the extent practicable shall be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of, redemption premium, if any, and interest to become due on said Bonds on and prior to the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the City as received by the Bond Commission or said Escrow Trustee, free and clear of any trust, lien or pledge.

Default and Remedies

Events of Default. Each of the following events shall constitute an Event of Default with respect to the Series 2005 A Bonds:

A. If default occurs in the due and punctual payment of the principal of or interest on any Bond;

B. If default occurs in the City's observance of any of the covenants, agreements or conditions on its part in the Ordinance or any Supplemental Resolution or in the Series 2005 A Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the City by any Bondholder or any Insurer; C. If the City files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America; or

C. If default occurs with respect to the Prior Bonds or the Prior Ordinances.

Enforcement. Upon the happening and continuance of any Event of Default, any Bond Holder (with the prior written consent of the Bond Insurer) or any Bond Insurer may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular (i) bring suit for any unpaid principal or interest then due; (ii) by mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to require the City to perform its duties under the Act and the Ordinance; (iii) bring suit upon the Series 2005 A Bonds; (iv) by action at law or bill in equity require the City to account as if it were the trustee of an express trust for the Bondholders; and (v) by action or bill in equity enjoin any acts in violation of the Ordinance or of the rights of the Bondholders.

Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder or any Bond Insurer shall, in addition to all other remedies or rights, have the right by appropriate legal proceeding to obtain the appointment of a receiver to administer the System on behalf of the City, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Series 2005 A Bonds and the Prior Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or

other Revenues in conformity with the provisions of the Ordinance and the Act.

The receiver so appointed shall forthwith, directly or by his agents and attorneys, enter into and upon and take possession of all facilities of said System and shall hold, operate, maintain, manage and control such facilities, and each and every part thereof, and in the name of the City exercise all the rights and powers of the City with respect to said facilities as the City itself might do.

Whenever all that is due upon the Series 2005 A Bonds issued pursuant to the Ordinance and interest thereon and under any covenants of the Ordinance for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenue of the System shall have been paid and made good, and all defaults under the provisions of the Ordinance shall have been cured and made good, and all monies due hereunder or under any Supplemental Resolution have been paid in full, possession of the System shall be surrendered to the City upon the entry of an order of the court to that effect. Upon any subsequent default, and Bondholder shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the City and for the joint protection and benefit of the City and the Holders of the Series 2005 A Bonds issued pursuant to the Ordinance. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the City and the Bondholders, and the curing and making good of any default under the provisions of the Ordinance, and the title to and ownership of said System shall remain in the City, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

Notwithstanding any other provision of the Ordinance, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of the Ordinance, any trustee or Bondholder's committee shall consider the effect on the Bondholders as if no Municipal Bond Insurance Policy were then in effect.

TAX MATTERS

General

The following is a brief discussion of certain income tax matters with respect to the Series 2005 A Bonds under existing statutes. It does not purport to deal with all aspects of taxation that may be relevant to the owner of a Series 2005 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the tax consequences of owning and disposing of the Series 2005 A Bonds.

Federal Income Taxes

Interest on the Series 2005 A Bonds is not excluded from the gross income of the recipients thereof for federal income tax purposes.

West Virginia Taxes

In the opinion of Steptoe & Johnson PLLC, Bond Counsel, under the Act, as presently written and applied, the Series 2005 A Bonds, together with interest thereon and income therefrom, are exempt from all taxation by the State of West Virginia and any county, municipality, political subdivision or agency thereof.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, sale and issuance of the Series 2005 A Bonds are subject to the unqualified approving opinion of Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Hoy G. Shingleton, Jr., Martinsburg, West Virginia, as counsel for the City, will pass upon certain legal matters for the City. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

ABSENCE OF MATERIAL LITIGATION

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, now pending or, to the best knowledge of the City, threatened or affecting the City (or, to the City's knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would have a material adverse effect on the City's financial position or on the validity of the Series 2005 A Bonds, the Ordinance or any agreement to which the City is a party and which is a part of the issuance of the Series 2005 A Bonds.

NEGOTIABLE INSTRUMENTS

Pursuant to State law, the Series 2005 A Bonds are and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia. See "THE SERIES 2005 A BONDS - General."

UNDERWRITING

The Series 2005 A Bonds are being purchased by the Underwriter named on the cover of this Official Statement. The Purchase Contract provides that the Underwriter will purchase all the Series 2005 A Bonds, if any are purchased, at a purchase price equal to the initial public offering prices set forth on the cover page hereof less an Underwriter's discount of $_____ plus accrued interest. The obligation to make such purchase is subject to the terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel. The Underwriter may change the initial public offering prices from time to time. The Underwriter may offer and sell Series 2005 A Bonds to certain dealers (including dealers depositing Series 2005 A Bonds into investment trusts) and certain dealer banks acting as agents at prices lower than the public offering prices stated on the cover page hereof.

FINANCIAL STATEMENTS

Included herein as Appendix B are the audited financial statements of The Sanitary Board of Charles Town as of and for the twelve-month period ended June 30, 2004, and the report with respect to the audited financial statements as of and for the twelve-month period ended June 30, 2004, dated March 24, 2005, of J. C. Kunkle & Associates, A.C., certified public accountants.

CONTINUING DISCLOSURE

The City has agreed to an undertaking for the benefit of the Registered Owners of the Series 2005 A Bonds to provide certain financial and operating information (the "Annual Information") not later than one hundred eighty (180) days following the end of its fiscal year, commencing in 2005, and to provide the Annual Information to each National Recognized Municipal Securities Information Repository ("National Repository"), either directly, or if permitted, to the Central Post Office, and any State Information Depository ("State Depository") and to provide notice of the occurrence of the enumerated events to each National Repository or the Municipal Securities Rulemaking Board ("MSRB") and to any State Depository. This obligation shall be evidenced by the Continuing Disclosure Certificate executed by the City, the form of which is attached hereto as Appendix D.

The Annual Information will consist generally of information of the type contained in Appendix B of the Official Statement. Any of the foregoing information may be supplied by including by specific reference information previously supplied to each National Repository or to the Central Post Office and any State Depository or the Securities and Exchange Commission ("SEC"). Information will not be included by reference from any final official statement unless such final official statement is available from the MSRB.

This continuing disclosure obligation is being undertaken by the City to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The City has agreed to give notice in a timely manner to each National Repository or the Central Post Office, or the MSRB, and to each State Depository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Series 2005 A Bonds. Registered Owners may contact the Charles Town City Manager at P.O. Box 14, 101 East Washington Street, Charles Town, West Virginia 25414, (304) 725-2311, for more information.

MISCELLANEOUS

The foregoing summaries, explanations and quotations do not purport to be complete and are expressly made subject to the exact provisions of the complete documents. Purchasers are referred to the Act and the Ordinance for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2005 A Bonds. The City has authorized the execution and distribution of this Official Statement.

CITY OF CHARLES TOWN, WEST VIRGINIA

By: J Randolph Hilton
Mayor

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GENERAL INFORMATION REGARDING JEFFERSON COUNTY*

Jefferson County, located in the extreme eastern part of the eastern panhandle of West Virginia, was named for Thomas Jefferson, third president of The United States, and formed in 1801 from Berkeley County. Charles Town is the county seat.

Jefferson County has a total land area of 212.41 square miles and varies in elevation from a low of 275 feet above sea level at Harpers Ferry to a high of 1000 feet. It is bordered on the west by Berkeley County, West Virginia, on the north by the State of Maryland and on the east and south by the Commonwealth of Virginia. Because of its proximity to the Baltimore-Washington, DC area, the County has experienced the type of growth representative of those metropolitan areas. The most recent census for the County was 42,190 from the 2000 U.S. Census. Located just 58 miles from the Washington, DC Beltway, Jefferson County is the Eastern Gateway to West Virginia. The County is within 60 miles of Gettysburg, Pennsylvania, Hagerstown, Maryland and Winchester, Virginia.

For most of its history, Jefferson County's economy has been primarily agricultural, with the area producing grain and other crops for export in the 18th and 19th centuries and orchards playing an important role in the late 19th and 20th centuries. Due to the limestone deposits that underlie much of the county, limestone quarrying has also served as an important source of revenue.

Two of the most important events that shaped the future of Jefferson County were George Washington's establishment of the Federal Armory at Harpers Ferry in 1799 and the arrival of the Baltimore & Ohio Railroad in 1834. Partly because of the military and economic importance of the Armory, the B&O Railroad was routed through Harpers Ferry, a factor that influenced the decision in 1863 to include Jefferson County in the new state of West Virginia rather than in the secessionist state of Virginia.

Top Ten Employers – 2004 (Chamber of Commerce)

1. PNGI Charles Town Gaming
2. Jefferson County Board of Education
3. Shepherd College
4. AB&C Group, Inc.
5. Jefferson Memorial Hospital
6. Wal-Mart Stores, Inc
7. National Park Service
8. Royal Vendors, Inc.
9. Augmentation, Inc.
10. Genesis Eldercare Network Services

Source: Bureau of Employment Programs

* Unless indicated otherwise, data source is the WV Department of Employment Security

Population History

	Jefferson County	West Virginia
1970	21,280	1,744,237
1980	30,311	1,928,524
1990	35,936	1,193,477
1995	39,300	1,826,409
2000	42,190	1,808,344
2003	46,270	1,810,354

Source: US Census Bureau

Population Growth

	Jefferson County		West Virginia		United States	
Year	Population	Percent Change (1)	Population	Percent Change (1)	Population	Percent Change (1)
1960	18,665	--	1,860,421	-7.8%	179,323,000	+14.5%
1970	21,280	+12.0%	1,744,237	-6.7%	203,212,000	+13.3%
1980	30,311	+29.0%	1,949,644	+11.7%	226,545,805	+11.5%
1990	35,926	+15.0%	1,793,477	+8.0%	248,709,873	+9.8%
2000	42,190	+17.4%	1,800,344	+0.8%	281,421,906	+13.2%

(1) The percentage increase or decrease over the proceeding period.

Source: United States Department of Commerce, Bureau of the Census

Employment and Wages Covered by Unemployment Compensation Programs

Total Wages, Annual, 2000	$282,206,275
Annual Wage, Annual Average, 2000	$22,062
Weekly Wage, Annual Average, 2000	$424.29

Source: Bureau of Employment Programs

Unemployment Rate

The following table presents statistics regarding the average annual labor force and historical employment levels in Jefferson County.

JEFFERSON COUNTY EMPLOYMENT RATES

Year	Labor Force	Number Employed	Number Unemployed	Unemployment Rate (%)
1990	18,770	17,720	1,050	5.6%
1991	19,500	17,580	1,920	9.8%
1992	19,270	17,400	1,870	9.7%
1993	19,200	18,010	1,190	6.2%
1994	19,390	18,440	940	4.9%
1995	19,720	18,860	860	4.3%
1996	20,090	19,270	820	4.1%
1997	20,440	19,720	730	3.5%
1998	21,040	20,380	660	3.1%
1999	21,770	21,150	630	2.9%
2000	22,460	21,920	540	2.4%
2001	23,110	22,520	590	3.5%
2002	20,690	20,920	770	3.5%
2003	21,900	21,180	720	3.3%

Source: "WV Labor Force Statistics by County," LMT LER 132, WV Department of Employment Security, Labor and Economic Research Unit, Labor Market Information Division and WV County Profiles, March 8, 2005.

Communications

Newspaper: Spirit of Jefferson/Farmer's Advocate & Shepherdstown Chronicle; published weekly. The Journal, Martinsburg, WV and The Morning Herald, Hagerstown, MD; published daily.

Radio Stations: WXVA, AM and FM

Cable Television: Adelphia offers more than 60 stations, including Washington, DC and Baltimore, MD. Local TV coverage by Hagerstown Channel 25. School news Channel 19.

Banks

Jefferson County has five (5) banks with full consumer, commercial and trusts services available:

Bank of Charles Town
BB&T
City National Bank
Jefferson Security Bank
United Bank

Education

Public Schools

Elementary with Kindergarten	8
Elementary without Kindergarten	1
Junior High School	3
High School	1
Daycare Centers	10
Private Schools	1

Colleges

Shepherd College is a West Virginia state college with 4,391 students, offering numerous four-year degree programs. The West Virginia University Graduate Center is located in Shepherdstown and offers a variety of programs.

Vocational School

James Rumsey Center, Martinsburg, is a Regional Vocational Technical School with over 900 students. Offering 12 post-secondary programs and 40 post-secondary programs in adult and community education. Affiliated with Shepherd College's Community College.

Libraries

There are 4 libraries within the County with over 1.5 million volumes.

Transportation

Jefferson County is served by Interstates 81 and 70, U.S. Route 340 and State Routes 9, 51, 230 and 480. Interstate 81 is a major northeast – southwest highway located 10 miles west of the County in Berkeley County, West Virginia, and Interstate 70 is a major east-west highway located 20 miles north of the County in Maryland and is linked by Interstate 81. Routes 51, 230 and 480 provide major access to all parts of the County.

Norfolk and Southern Railway and CSX Transportation provide commuter and commercial transportation through Jefferson County. Eastern Panhandle Regional Airport in Martinsburg supplies air transportation to and from the area. Dulles International Airport is less than one hour driving time. Other national airports within driving distance are Baltimore-Washington International Airport, Ronald Reagan National Airport, Hagerstown, Maryland and Winchester, VA Regional Airport.

A container cargo facility at Front Royal, Virginia and multiple motor freight carriers supply road transportation to and from Jefferson County.

Bus Service is provided by Eastern Panhandle Transit Authority (Pan Tran). Located in Harpers Ferry, the MARC commuter train offers daily service to downtown Washington and Maryland.

Utilities and Services

Electrical service to the County is provided by Allegheny Energy Power Company. There is no natural gas service in the County. Local heating oil companies are Community Oil Company, Kable Oil Company and Smith Oil Company.

Telephone services are provided by Frontier Telecommunication, including fiber optic service as well as long distance. Personal communication systems are available through Sprint Spectrum and US Cellular.

Water and sewer services are provided by the City, the City of Ranson, Jefferson County Public Service District and various other local communities.

Recreation

Federal Parks:

Harpers Ferry National Park
C&O Canal National Park

City Parks:

Jefferson County Memorial Park

County Parks:

Leetown Park
Summit Point Park
Sam Michaels Park

Golf Courses:

Cress Creek Golf & Country Club, Shepherdstown

Sleepy Hollow Golf Course, Charles Town

Locust Hill Golf & Country Club, Charles Town

Miscellaneous:

Appalachian Trail
Blue Ridge Mountains
Charles Town Race Track – Horse Track & Video Slot Machines
KOA Campgrounds, Bolivar
Morgan's Grove Park, Shepherdstown
Summit Point Raceway-Motor Sports & Road Racing

The Arts:

The Old Opera House
Millbrook Orchestra
Mountain Heritage Arts & Crafts Festival Contemporary American Theater Festival
Shepherd College Athletic & Cultural Activities

Housing

A wide range of housing is available in Jefferson County. Generally, housing costs are at least 1/3 less than in the suburban metropolitan area.

Jefferson County offers a blend of rural lifestyles with a close proximity to the attractions of Washington, DC and Baltimore, Maryland.

Housing

Total Housing Units	17,623
Occupied Housing Units	16,165
Owner Occupied Units	12,253
Renter Occupied Units	3,912

Households

Total Households	16,165
Family Households	11,319
Non-Family Households	4,846
Persons 65 and Over, Living Alone	1,366
Average Household Size	2.54

Cost of Living

Cost of Living Index

Jefferson/Berkeley County, WV	92.4
Washington, DC	114.7

Source: ACCRA Cost of Living Index, Fourth Quarter 1999

Source: ACCRA Cost of Living Index, Third Quarter 2000 Source: U.S. Census Bureau

Jefferson County Statistics:

Per capita income (August 2002) Income	$27,957
Median Household Income (2002)	$46,849

Source: WV BEP

Source: US Census Bureau Estimate

Incorporated Towns

	Population (2003)
Charles Town	3,180
Shepherdstown	1,140
Harpers Ferry	302
Bolivar	1,074
Ranson	3,282

Source: US Census Bureau

Area Civilian Labor Force

	December 2004
Jefferson County	22,880
Berkeley County	39,410
Morgan County	6,790

Source: WV BEP

Industrial Sites in Jefferson County

The Jefferson County Development Authority has completed the Burr Industrial Park, a 200-acre business complex near Charles Town. Located along Route 9, the park offers excellent industrial, commercial and office sites served by all utilities and paved roads. The park offers easy access to the Charles Town Bypass and the interstate highway system. Many fine privately owned sites offering major highway and/or rail access are also available.

Source: Jefferson County Development Authority

Land Use Ordinance

Jefferson County Planning Commission administers a zoning ordinance, a subdivision ordinance, a building permit ordinance and flood plan and salvage yard ordinance.

Source: Jefferson County Development Authority

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FINANCIAL STATEMENTS OF THE CITY OF CHARLES TOWN

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MUNICIPALITY OF CHARLES TOWN
Charles Town, West Virginia

FINANCIAL STATEMENTS
(with Supplemental Information)

For the year ended June 30, 2004

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Municipality of Charles Town, West Virginia
SCHEDULE OF FUNDS INCLUDED IN REPORT
June 30, 2004

GOVERNMENTAL FUND TYPES

Major Funds

General
Capital Reserve Fund

Nonmajor Funds

Coal Severance Fund

Community Development Fund

Residual Fund

BUSINESS-TYPE FUNDS

Major Funds

Water Fund
Sewer Fund

FIDUCIARY FUND TYPES

Policemen's Pension and Relief

Municipality of Charles Town, West Virginia
CITY OFFICIALS
June 30, 2004

Elected Officials:

Mayor	J. Randolph Hilton	06/01/01-06/01/05
City Council	Randy Breeden	06/01/03-06/01/07
	William F. Jordan, Jr.	06/01/03-06/01/07
	Violet Lowery	06/01/01-06/01/05
	Russell C. Miller, Jr.	06/01/01-06/01/05
	Timothy Robinson	06/01/01-06/01/05
	John A. Ward	06/01/03-06/01/07
	Matthew W. Ward	06/01/03-06/01/07
	Geraldine Willingham	06/01/01-06/01/05

Appointed Officials:

City Manager	Jane Arnett	Reappointed annually
City Clerk	Brenda S. Hamilton	Reappointed annually
City Attorney	James B. Crawford	Reappointed annually
	Braun A. Hamstead	Reappointed annually
	Hoy Shingleton, Jr.	Reappointed annually

J.C. Kunkle & Associates, A.C.
CERTIFIED PUBLIC ACCOUNTING & CONSULTING

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Honorable Mayor and Council
Municipality of Charles Town
Charles Town, West Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Charles Town, West Virginia (Municipality), as of and for the year ended June 30, 2004, which collectively comprise the Municipality's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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, each major fund, and the aggregate remaining fund information of the Municipality of Charles Town, West Virginia, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the Notes to the Financial Statements, the Municipality has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2005 on our consideration of the Municipality's internal control over financial reporting and tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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, employees' retirement system and budgetary comparison information on pages 8-14 and 46-48 are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality of Charles Town, West Virginia's basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Municipality. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

J.C. Kunkle & Associates, A.C.

Martinsburg, West Virginia
March 24, 2005

The discussion and analysis of the City of Charles Town's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the City's financial statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

The City's net assets increased by $1.6 million as a result of this year's operations. While net assets of the business-type activities increased by $0.2 million, or nearly 5.2 percent, net assets of the governmental activities increased by $1.4 million, or nearly 45.29 percent.

During the year, the City had expenses for governmental programs that were $1.5 million more than the $0.8 million generated by governmental program revenues, which includes fees for services and intergovernmental aid. The remaining cost of governmental activities was financed with general revenues, which totaled $2.1 million this year.

In the City's business-type activities, revenues increased to $3.6 million while expenses increased to $3.4 million.

The general fund ended the year with a fund balance of $0.3 million.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 15 through 17) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 18. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The analysis of the City as a whole begins on page 9. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets-the difference between assets and liabilities-as one way to measure the City's financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

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, streets, and general administration. Property taxes, business and occupation taxes, and state and federal grants finance most of these activities.

Business-type activities-The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported here.

USING THIS ANNUAL REPORT (CONTINUED)

Reporting the City's Most Significant Funds

The analysis of the City's major funds begins on page 12. The fund financial statements begin on page 18 and provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds-governmental and proprietary-use different accounting approaches.

Governmental funds-Most 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 called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in the reconciliation at the bottom of the fund financial statements.

Proprietary funds--When the City charges customers for the services it provides-whether to outside customers or to other units of the City-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 funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City as Trustee

The City is the trustee for the policeman's pension fund. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 26 and 27. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

The City's combined net assets increased $1.9 million from a year ago-increasing from $7.3 million to $9.2 million. Reviewing the net assets and net expenses of governmental and business-type activities separately provides more detail about these changes. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

THE CITY AS A WHOLE (CONTINUED)

Table 1
Net Assets
(in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	$ 1.9	$ 1.9	$ 3.1	$ 4.6	$ 5.0	$ 6.5
Capital assets	2.7	1.3	23.6	22.0	26.3	23.3
Total assets	$ 4.6	$ 3.2	$26.7	$26.6	$31.3	$29.8
Long-term debt outstanding	0.1	0.1	20.7	21.1	20.8	21.2
Other liabilities	0.1	0.3	1.2	1.0	1.3	1.3
Total liabilities	0.2	0.4	21.9	22.1	22.1	22.5
Net assets:						
Invested in capital assets, net of debt	1.3	1.2	(0.3)	(0.4)	1.0	0.8
Restricted for debt and construction	-	-	2.8	3.0	2.8	3.0
Restricted for long-term loan receivable	0.1	-	-	-	0.1	-
Reserved for capital improvements	0.2	0.2	-	-	0.2	0.2
Unrestricted	2.8	1.4	2.3	1.9	5.1	3.3
Total net assets	4.4	2.8	4.8	4.5	9.2	7.3
Total liabilities and net assets	$ 4.6	$ 3.2	$26.7	$26.6	$31.3	$29.8

Net assets of the City's governmental activities increased by 57.1 percent ($1.6 million). Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements-increased from $1.4 million at June 30, 2003, to $2.8 million at the end of this year.

The net assets of business-type activities increased by 6.7 percent ($4.8 million compared to $4.5 million). The City generally can use these net assets to finance the continuing operations of the water and sewer.

THE CITY AS A WHOLE (CONTINUED)

Table 2
Changes in Net Assets
(in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues:						
Charges for services	$ 0.8	$ 0.6	$ 3.4	$ 3.0	$ 4.2	$ 3.6
Capital grants and contributions	0.8	0.5	0.2	0.1	1.0	0.6
General revenues:						
Property taxes	0.4	0.4	-	-	0.4	0.4
Business and occupation tax	0.4	0.3	-	-	0.4	0.3
Utility services tax	0.1	0.1	-	-	0.1	0.1
Video lottery	0.9	0.7	-	-	0.9	0.7
Other general revenues	0.3	0.1	-	-	0.3	0.1
Total revenues	3.7	2.7	3.6	3.1	7.3	5.8
Expenses						
Program expenses:						
General government	0.6	0.6	-	-	0.6	0.6
Public safety	1.3	1.1	-	-	1.3	1.1
Highways and streets	0.3	0.4	-	-	0.3	0.4
Culture and recreation	0.1	-	-	-	0.1	-
Water and sewer	-	-	3.4	2.8	3.4	2.8
Total expenses	2.3	2.1	3.4	2.8	5.7	4.9
Increase in net assets	$ 1.4	$ 0.6	$ 0.2	$ 0.3	$ 1.6	$ 0.9

The City's total revenues increased by 25.9 percent ($1.5 million). The total cost of all programs and services increased by 16.3 percent ($0.8 million) with no new programs added this year. The analysis below separately considers the operations of governmental and business-type activities.

THE CITY AS A WHOLE (CONTINUED)

Governmental Activities

Revenues for the City's governmental activities increased by 37 percent ($1.0 million), while total expenses increased by 9.5 percent ($0.2 million). The factors driving these results include the following:

a) The City received $0.8 million in Highway Planning and Construction capital grants for its downtown revitalization project.

b) The City's video lottery revenue increased by approximately $0.2 million.

c) The City's building permits/license fees increased approximately $0.2 million.

The cost of all governmental activities this year was $2.3 million compared to $2.1 million last year. However, as shown in the Statement of Activities on page 17, the amount that taxpayers ultimately financed for these activities through City taxes was only $0.7 million because some of the cost was paid by those who directly benefitted from the programs ($0.8 million) or by other governments and organizations that subsidized certain programs with grants and contributions ($0.8 million). Overall, the City's governmental program revenues, including intergovernmental aid and fees for services, increased in 2004 from $1.1 million to $1.6 million. The City paid for the remaining "public benefit" portion of governmental activities with $2.1 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and miscellaneous revenue.

Business-Type Activities

Revenues of the City's business-type activities (see Table 2) increase by 16.1 percent ($0.5 million in 2004) and expenses increased by 21.4 percent ($0.6 million in 2004). The factors driving these results include:

a) Increased customer growth on the water system has provided increased revenues to the system.

b) Costs have been increasing due to the demands to meet environmental regulations and perform required maintenance of the water and sewer system.

THE CITY'S FUNDS

As the City completed the year, the governmental funds (as presented in the balance sheet on page 18) reported a combined fund balance of $1.7 million, which exceeds last year's total of $1.6 million. The primary reasons for the increase in combined fund balance mirror the governmental activities analysis highlighted above under "City as a Whole."

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget on two occasions. These budget amendments were made to reflect anticipated funding changes in the City's operations.

Even with the above mentioned amendments, the City's actual revenues exceeded budgeted revenues by $200K and expenditures were less than budgeted by $200K. Actual ending fund balance exceeded budgeted ending fund balance by $257K.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the City had $25.2 million invested in a broad range of capital assets, including land, buildings, and water and sewer lines. (See Table 3 below). This amount represents a net increase (including additions and deductions of just over $2.5 million, or 11 percent, above last year.

Table 3
Capital Assets at Year-End
(Net of Depreciation, in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	$ 0.2	$ 0.2	$ -	$ -	$ 0.2	$ 0.2
Land improvements	2.0	1.0	-	-	2.0	1.0
Buildings and improvements	1.0	1.0	-	-	1.0	1.0
Equipment and vehicles	0.2	-	-	-	0.2	-
Utility plant	-	-	30.6	28.5	30.6	28.5
Totals	3.4	2.2	30.6	28.5	34.0	30.7
Accumulated depreciation	(0.7)	(0.6)	(8.1)	(7.4)	(8.8)	(8.0)
Capital assets net of depreciation	$ 2.7	$ 1.6	$22.5	$21.1	$25.20	$22.70

This year's major additions included (in millions):

Infrastructure improvements for downtown Charles Town streets and sidewalks	$1.0

As permitted by GASB No. 34, the City has elected to account for the capitalization of infrastructure assets on a prospective basis.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt

At year-end, the City had $22.5 million in bonds and notes outstanding versus $22.6 million last year-a increase of 0.8 percent-as shown in Table 4.

Table 4
Outstanding Debt at Year-End (in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenue bonds and notes (backed by specific fee revenues)	$ -	$ -	$22.8	$22.6	$22.8	$22.6

The debt resulted mainly from issuing revenue bonds for the construction of water and sewer utility plant improvements. These bonds are secured by revenues derived from the combined water and sewer system.

Other obligations include accrued vacation pay obligations under capital leases. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS

The City's elected and appointed officials considered many factors when setting the fiscal-year 2005 budget, tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy. The County's increasing population has a direct impact on the City's economic growth.

The City of Charles Town is very optimistic about its potential for economic growth in the future. The increasing population, infrastructure improvements, annexation, TIF, and procurement of grants and other funding sources are all positive indicators for continued economic growth in the City of Charles Town.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money its receives. If you have questions about this report or need additional financial information, contact the City Manager at City Hall 101 E. Washington Street, Charles Town, West Virginia.

Municipality of Charles Town, West Virginia
STATEMENT OF NET ASSETS
June 30, 2004

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	BUILDING COMMISSION
ASSETS				
Current:				
Cash	$ 662,641	$ 387,221	$ 1,049,862	$ 51,809
Investments	429,080	-	429,080	-
Receivables, net of allowances:	-	141,110	141,110	-
Taxes	271,413	-	271,413	-
Accounts (loans)	74,544	-	74,544	-
Other	12,895	27,686	40,581	-
Due from(to):				
Building Commission	(188,564)	-	(188,564)	188,564
Associated companies	-	33,011	33,011	-
Inventory, at cost	-	24,228	24,228	-
Accrued utility revenue	-	198,109	198,109	-
Internal balances	641,808	(641,808)	-	-
Total current assets	1,903,817	169,557	2,073,374	240,373
Restricted:				
Reserved for bond retirement	-	2,032,931	2,032,931	94,210
Reserved for construction	-	136,860	136,860	-
Reserved for capacity improvements	-	626,240	626,240	-
Reserved for repair and replacement	-	113,001	113,001	-
Total restricted assets	-	2,909,032	2,909,032	94,210
Capital assets:				
Land	240,796	-	240,796	-
Land improvements	1,972,023	-	1,972,023	-
Buildings	963,184	-	963,184	209,654
Building improvements	38,700	-	38,700	483,303
Roads	-	-	-	979,118
Equipment	193,378	-	193,378	-
Vehicles	24,193	-	24,193	-
Utility plant in service	-	30,571,792	30,571,792	-
Less: accumulated depreciation	(708,778)	(8,155,302)	(8,864,080)	(307,605)
Net capital assets in services	2,723,496	22,416,490	25,139,986	1,364,470
Construction in progress	-	257,812	257,812	-
Total capital assets	2,723,496	22,674,302	25,397,798	1,364,470
Other:				
Unamortized bond issue costs	-	878,663	878,663	68,956
Due from current assets to capacity improvements	-	43,744	43,744	-
Total other	-	922,407	922,407	68,956
Total assets	$ 4,627,313	$ 26,675,298	$ 31,302,611	$ 1,768,009

The accompanying notes are an integral part of this statement.

Municipality of Charles Town
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2004

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	BUILDING COMMISSION
LIABILITIES AND NET ASSETS				
Liabilities:				
Current liabilities (payable from current assets):				
Accounts payable	$ 44,872	$ 199,349	$ 244,221	$ -
Accrued expenses	-	36,854	36,854	-
Customer deposits	-	92,569	92,569	400
License fees and deposits	16,065	-	16,065	-
Other accrued expenses	70,954	-	70,954	-
Due to other utilities	-	29,699	29,699	-
Capital lease payable (current portion)	28,616	20,000	48,616	-
Notes payable (current portion)	-	17,500	17,500	548,664
Total current liabilities (payable from current assets)	160,507	395,971	556,478	549,064
Current liabilities (payable from restricted assets):				
Revenue bonds payable	-	668,553	668,553	62,956
Accrued revenue bond interest payable	-	149,508	149,508	23,065
Total current liabilities (payable) from restricted assets)	-	818,061	818,061	86,021
Long-term liabilities (net of current portion)				
Revenue bonds payable	-	21,827,449	21,827,449	859,633
Capital lease payable	46,385	119,600	165,985	-
Notes payable	-	292,415	292,415	-
Compensated absences	38,630	23,791	62,421	-
Due to capacity improvements	-	43,744	43,744	-
Deferred loss on bond refinancing	-	(1,604,435)	(1,604,435)	-
Total long-term liabilities	85,015	20,702,564	20,787,579	859,633
Total liabilities	245,522	21,916,596	22,162,118	1,494,718
Net Assets:				
Invested in capital assets, net of related debt	1,371,897	(271,215)	1,100,682	(102,183)
Restricted for debt and construction	-	2,759,524	2,759,524	71,145
Reserved for long-term loans receivable	50,000	-	50,000	-
Reserved for capital improvements	197,357	-	197,357	-
Unrestricted	2,762,537	2,270,393	5,032,930	304,329
Total net assets	4,381,791	4,758,702	9,140,493	273,291
Total liabilities and net assets	$ 4,627,313	$ 26,675,298	$ 31,302,611	$ 1,768,009

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia
STATEMENT OF ACTIVITIES
For the year ended June 30, 2004

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS: PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT: TOTAL	COMPONENT UNIT: BUILDING COMMISSION
PRIMARY GOVERNMENT								
Governmental activities:								
General government	$ 610,966	$ 294,711	$ 1,034	$ 20,200	$ (295,021)	$ -	$ (295,021)	$ -
Public safety	1,274,094	376,385	10,829	-	(886,880)	-	(886,880)	-
Health and sanitation	5,500	-	-	-	(5,500)	-	(5,500)	-
Highways and streets	321,750	81,463	-	816,024	575,737	-	575,737	-
Culture and recreation	89,203	-	-	-	(89,203)	-	(89,203)	-
Housing rehabilitation	270	-	-	-	(270)	-	(270)	-
Total governmental activities	2,301,783	752,559	11,863	836,224	(701,137)	-	(701,137)	-
Business-type activities:								
Water	2,192,971	2,253,582	-	224,750	-	285,361	285,361	-
Sewer	1,223,957	1,166,991	-	5,768	-	(51,198)	(51,198)	-
Total business-type activities	3,416,928	3,420,573	-	230,518	-	234,163	234,163	-
Total primary government	$5,718,711	$ 4,173,132	$ 11,863	$ 1,066,742	$ (701,137)	$ 234,163	$ (466,974)	$ -
COMPONENT UNIT								
Building Commission	$ 200,107	$ -	$ -	$ -	-	-	-	(200,107)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					394,916	-	394,916	-
Business and occupation tax					417,195	-	417,195	-
Alcoholic beverage tax					50,751	-	50,751	-
Utility services tax					136,299	-	136,299	-
Hotel/motel tax					63,083	-	63,083	-
Other taxes					831	-	831	-
Miscellaneous					125,660	-	125,660	-
Rental income					-	-	-	69,976
Lease income					-	-	-	93,380
Interest income					17,945	-	17,945	640
Video lottery					896,458	-	896,458	-
Transfers					(33,927)	-	(33,927)	33,927
Total general revenues					2,069,211	-	2,069,211	197,923
Change in net assets					1,368,074	234,163	1,602,237	(2,184)
Total net assets at beginning of year					3,013,717	4,524,539	7,538,256	275,475
Total net assets at end of year					$ 4,381,791	$ 4,758,702	$ 9,140,493	$ 273,291

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2004

	GENERAL FUND	CAPITAL RESERVE FUND	OTHER GOVERNMENTAL FUNDS	TOTALS
ASSETS				
Cash	$ 360,374	$ 156,049	$ 146,218	$ 662,641
Investments	-	-	429,080	429,080
Receivables, net of allowances:				
Taxes	241,118	-	-	241,118
Accounts (loans)	13,456	-	61,088	74,544
Other	12,895	-	-	12,895
Due from:				
Other funds	1,013	229,872	650,795	881,680
Total assets	$ 628,856	$ 385,921	$ 1,287,181	$ 2,301,958
LIABILITIES AND FUND BALANCES				
Current liabilities (payable from current assets):				
Accounts payable	$ 44,872	$ -	$ -	$ 44,872
License fees and deposits	16,065	-	-	16,065
Other accrued expenses	70,954	-	-	70,954
Due to other funds	239,872	188,564	-	428,436
Total current liabilities (payable from current assets)	371,763	188,564	-	560,327
Fund balances:				
Reserved for long-term loans receivable	-	-	50,000	50,000
Reserved for capital improvements	-	197,357	-	197,357
Unreserved	257,093	-	1,237,181	1,494,274
Total fund balances	257,093	197,357	1,287,181	1,741,631
Total liabilities and fund balances	$ 628,856	$ 385,921	$ 1,287,181	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,723,496
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	30,295
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(113,631)
Net assets of governmental activities.	$ 4,381,791

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the year ended June 30, 2004

	GENERAL FUND	CAPITAL RESERVE FUND	OTHER GOVERNMENTAL FUNDS	TOTALS
REVENUES				
Taxes (including interest and penalties)	$ 1,075,706	$ -	$ -	$ 1,075,706
Licenses and permits	230,542	-	-	230,542
Intergovernmental:				
Federal	1,034	823,024	-	824,058
State	4,954	13,200	5,875	24,029
Charges for services	21,122	-	-	21,122
Fines and forfeits	376,385	-	-	376,385
Street paving fees	81,463	-	-	81,463
Franchise fees	43,047	-	-	43,047
Interest	220	1,668	16,057	17,945
Video lottery	896,458	-	-	896,458
Miscellaneous	16,139	109,482	39	125,660
Total revenues	2,747,070	947,374	21,971	3,716,415
EXPENDITURES				
General government	579,684	2,625	-	582,309
Public safety	1,224,981	26,000	-	1,250,981
Health and sanitation	500	5,000	-	5,500
Highways and streets	312,385	-	-	312,385
Culture and recreation	67,434	21,769	-	89,203
Capital expenditures	-	1,308,581	23,608	1,332,189
Housing rehabilitation	-	-	270	270
Total expenditures	2,184,984	1,363,975	23,878	3,572,837
Excess (deficiency) of revenues over expenditures:	562,086	(416,601)	(1,907)	143,578
Other financing sources (uses):				
Transfers from other funds	15,900	484,872	10,000	510,772
Transfers to other funds	(494,872)	(33,927)	(15,900)	(544,699)
Total other financing sources (uses)	(478,972)	450,945	(5,900)	(33,927)
Net change in fund balance	83,114	34,344	(7,807)	109,651
Fund balance at beginning of year	173,979	163,013	1,294,988	1,631,980
Fund balance at end of year	$ 257,093	$ 197,357	$ 1,287,181	$ 1,741,631

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2004

Net change in fund balance - total governmental funds		$ 109,651
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	1,332,189	
Depreciation expense	(69,339)	
Amount capital outlays exceed depreciation expense in the current period.		1,262,850
Governmental funds report capital lease payments as expenditures. However, in the statement of activities these payments are not reported because they are a reduction in outstanding debt.		13,748
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Deferred revenues decreased by this amount in the current period.		(12,631)
Expenses in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds. Long-term compensated absences increased by this amount in the current period.		(5,544)
Change in net assets of governmental activities.		$ 1,368,074

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2004

	Water Fund	Sewer Fund	Totals
ASSETS			
Current:			
Cash	$ 349,430	$ 37,791	$ 387,221
Receivables, net of allowances	104,759	36,351	141,110
Other accounts receivable	27,686	-	27,686
Due from other funds	155,457	29,554	185,011
Due from associated companies	-	33,011	33,011
Inventory, at cost	23,351	877	24,228
Accrued utility revenue	165,441	32,668	198,109
Total current assets	826,124	170,252	996,376
Restricted:			
Reserved for bond retirement	1,463,528	569,403	2,032,931
Reserved for construction	136,860	-	136,860
Reserved for capacity improvements	626,240	-	626,240
Reserved for repair and replacement	104,656	8,345	113,001
Total restricted assets	2,331,284	577,748	2,909,032
Capital Assets:			
Utility plant in service	18,677,503	11,894,289	30,571,792
Less: accumulated depreciation and amortization	4,756,251	3,399,051	8,155,302
			-
Net utility plant in service	13,921,252	8,495,238	22,416,490
Construction in progress	173,168	84,644	257,812
Total capital assets	14,094,420	8,579,882	22,674,302
Other:			
Unamortized bond issue cost	696,128	182,526	878,654
Due from current assets to capacity improvements	43,744	-	43,744
Total other	739,872	182,526	922,398
Total assets	$ 17,991,700	$ 9,510,408	$ 27,502,108

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS (CONTINUED)
June 30, 2004

	Water Fund	Sewer Fund	Totals
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)			
Accounts payable	$ 162,206	$ 37,143	$ 199,349
Accrued expenses	24,544	12,310	36,854
Customer deposits	81,247	11,322	92,569
Due to other utilities	29,699	-	29,699
Due to other funds	30,558	-	30,558
Capital lease payable (current portion)	15,000	5,000	20,000
Notes payable (current portion)	7,500	10,000	17,500
Total current liabilities (payable from current assets)	350,754	75,775	426,529
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)			
Revenue bonds payable	423,579	244,974	668,553
Accrued revenue bond interest payable	124,443	25,065	149,508
Total current liabilities (payable from restricted assets)	548,022	270,039	818,061
LONG-TERM LIABILITIES (NET OF CURRENT PORTION)			
Revenue bonds payable	15,639,134	6,188,315	21,827,449
Capital lease payable	109,000	10,600	119,600
Notes payable	116,367	176,048	292,415
Compensated absences	16,773	7,018	23,791
Due to capacity improvements	43,744	-	43,744
Due to other funds	509,000	287,252	796,252
Deferred loss on bond refinancing	(1,252,710)	(351,725)	(1,604,435)
Total long-term liabilities	15,181,308	6,317,508	21,498,816
Total liabilities	16,080,084	6,663,322	22,743,406
NET ASSETS			
Invested in capital assets, net of related debt	(2,216,160)	1,944,945	(271,215)
Restricted for debt and construction	2,206,841	552,683	2,759,524
Unrestricted	1,920,935	349,458	2,270,393
Total net assets	1,911,616	2,847,086	4,758,702
Total liabilities and net assets	$ 17,991,700	$ 9,510,408	$ 27,502,108

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS

For the year ended June 30, 2004

	Water Fund	Sewer Fund	Totals
OPERATING REVENUES			
Sales and services to customers	$ 2,149,755	$ 1,161,111	$ 3,310,866
Total operating revenues	2,149,755	1,161,111	3,310,866
OPERATING EXPENSES			
Personal services	488,892	329,923	818,815
Contractual services	33,909	93,748	127,657
Administrative and general	93,265	66,239	159,504
Materials and supplies	82,479	75,485	157,964
Utilities	63,197	90,202	153,399
Maintenance	261,583	72,430	334,013
Depreciation and amortization	487,668	236,395	724,063
Total operating expenses	1,510,993	964,422	2,475,415
Operating income	638,762	196,689	835,451
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	16,461	5,817	22,278
Interest and fiscal charges	(627,908)	(223,992)	(851,900)
Amortization of bond issue cost	(27,243)	(28,107)	(55,350)
Miscellaneous revenues	87,366	63	87,429
Bad debts	(25,528)	(7,436)	(32,964)
Other interest expense	(1,299)	-	(1,299)
Total nonoperating revenues (expenses)	(578,151)	(253,655)	(831,806)
Income (loss) before contributed capital	60,611	(56,966)	3,645
CONTRIBUTED CAPITAL	224,750	5,768	230,518
Change in net assets	285,361	(51,198)	234,163
Total net assets at beginning of year	1,626,255	2,898,284	4,524,539
Total net assets at end of year	$ 1,911,616	$ 2,847,086	$ 4,758,702

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended June 30, 2004

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 2,172,364	$ 1,157,531	$ 3,329,895
Cash payments for goods and services	(411,112)	(373,687)	(784,799)
Cash payments for employee services	(466,666)	(315,637)	(782,303)
Net cash provided by operations	1,294,586	468,207	1,762,793
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(2,287,807)	(82,308)	(2,370,115)
Proceeds from long-term debt	1,026,393	15,600	1,041,993
Principal paid on revenue bonds and long-term debt	(434,833)	(327,038)	(761,871)
Interest paid on bonds, notes and leases payable	(576,257)	(209,055)	(785,312)
Debt refinancing costs paid	(4,751)	-	(4,751)
Contributed capital	224,750	-	224,750
Miscellaneous revenues (expenses) - net	87,365	62	87,427
Increase in bond retirement reserves	(35,257)	(7,217)	(42,474)
Net cash used in capital and related financing activities	(2,000,397)	(609,956)	(2,610,353)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on cash and investments	16,461	11,585	28,046
Advances to sewer fund	(84,092)	-	(84,092)
Advances from water fund	-	84,092	84,092
Advances to associated company	-	(36,729)	(36,729)
Increase in customer deposits held	12,929	1,003	13,932
Net cash provided by (used in) investing activities	(54,702)	59,951	5,249
Net increase in cash and cash equivalents	(760,513)	(81,798)	(842,311)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,977,699	127,934	2,105,633
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,217,186	$ 46,136	$ 1,263,322

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
For the year ended June 30, 2004

	Water Fund	Sewer Fund	Totals
Operating income	$ 638,762	$ 196,689	$ 835,451
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	487,668	236,395	724,063
Decrease (increase) in receivables	767	(11,755)	(10,988)
Decrease (increase) in accrued revenues	(3,687)	738	(2,949)
Decrease in inventory	876	-	876
Decrease in prepayments	1,324	-	1,324
Increase in accounts payable	148,940	31,854	180,794
Increase in accrued expenses	19,936	14,286	34,222
Net cash provided by operating activities	$ 1,294,586	$ 468,207	$ 1,762,793

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Noncash investing, capital, and financing transactions:
None

RECONCILIATION OF CASH

Cash	$ 349,430	$ 37,791	$ 387,221
Reserved for construction	136,860	-	136,860
Reserved for capacity improvements	626,240	-	626,240
Reserved for repair and replacements	104,656	8,345	113,001
Total	$ 1,217,186	$ 46,136	$ 1,263,322

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2004

	Policemen's Pension and Relief
ASSETS	
Cash	$ 82,639
Investments	300,000
State allocation receivable	20,613
Total assets	$ 403,252
LIABILITIES AND NET ASSETS	
Liabilities:	$ -
Net assets:	
Net assets held in trust for pension benefits	403,252
Total liabilities and net assets	$ 403,252

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the year ended June 30, 2004

	Policemen's Pension and Relief
ADDITIONS	
Contributions:	
Employer	$ 85,679
Plan members	3,907
Insurance premium tax allocation	20,613
Total contributions	110,199
Investment income:	
Interest	16,939
Total investment income	
Other income:	
Donations	1,530
Total other income	1,530
Total additions	128,668
DEDUCTIONS	
Benefits	91,994
Administrative expense	3,022
Total deductions	95,016
Change in net assets	33,652
Net assets held in trust for pension benefits:	
Beginning of year	369,600
End of year	$ 403,252

The accompanying notes an integral part of this statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Municipality of Charles Town, West Virginia ("Municipality") is a municipal corporation in which citizens elect the mayor at large and eight council members. The Municipality engages in a comprehensive range of services, including general government administration, public safety and administration of justice, water and sewer services, transportation, planning, community development and recreation, cultural and historic activities.

The accounting policies and the presentation of the financial report of the Municipality has been designed to conform to generally accepted accounting principles as applicable to government units, in accordance with the Governmental Accounting Standards Board (GASB). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so.

The Municipality follows the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* for financial reporting. Certain significant components of the Statement include the following:

- A management Discussion and Analysis (MD&A section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City's activities.
- Fund financial statements that focus on major funds.

The City elected to implement the general provisions of the Statement beginning July 1, 2003. The City is a Phase 3 government under GASB No. 34 implementation guidelines and has elected to account for infrastructure prospectively.

These financial statements present all fund types of the Municipality and its discretely presented component unit.

Individual Component Unit Disclosure

The criteria for including component units consists of identification of legally separate organizations for which the elected officials of the City are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

The City had no blended component units as of and for the year ended June 30, 2004.

The City of Charles Town Building Commission is governed by a board appointed by the Municipality's Council. While legally separate from the City, it is reported as part of the reporting entity under the discretely presented method because the City's elected officials are financially accountable for the City of Charles Town Building Commission. The City Council has the power to approve, disapprove, or modify the budget and financial operations of the Building Commission. Separate financial information can be obtained from the City of Charles Town Building Commission.

Related Organizations

The City's officials are also responsible for appointing the members of the board of various organizations, but the City's accountability for these organizations does not significantly extend beyond making the appointments. The City is not financially accountable for the organizations to which these appointments are made.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Municipality as a whole) and fund financial statements. Under this reporting model, the focus is on both the Municipality as a whole and the fund financial statements, including the major funds of the governmental and business-type categories, as well as the fiduciary funds, (by fund type) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business- type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected in a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government, public safety, highways and streets, culture and recreation, etc.) that are otherwise being supported by general government revenues (property, business and occupation taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions. The program revenues must be directly associated with the function (general government, public safety, highways and streets, culture and recreation, etc.) or a business-type activity. Program revenues include 1) charges to customers for applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues. The Municipality does not allocate indirect expenses. The operating grants include operating - specific and discretionary (either operating or capital) grants while the capital grants column reflects capital - specific grants and contributions.

In the fund financial statements, financial transactions and accounts of the Municipality are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resources and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The Municipality's fiduciary funds are presented in the fund financial statements by type (pension). Since, by definition, these assets are being held for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government - wide statements.

The following is a brief description of the specific funds used by the Municipality:

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within a current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Municipality considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements (continued)

General Fund

The general fund is the primary operating fund of the Municipality. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service and interest income.

Special Revenue Funds

Special revenue funds account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities. The special revenue funds, except for the capital reserve fund, are considered non-major funds for reporting purposes. The capital reserve fund is used to administer the capital grant and bond and loan monies received for capital improvements.

Proprietary Funds

Proprietary funds are used to account for operations that are financed in a manner similar to private business enterprises where the intent is that the cost of providing goods and services to the general public, on a continuing basis, be financed or recovered primarily through user charges. The Municipality's proprietary funds account for the operations of water and sewer activities.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Municipality in a trustee capacity or as an agent for individuals, private organizations and other governments. The fiduciary fund of the Municipality is a pension trust fund. For accounting measurement purposes, the pension trust fund account for the assets of the Municipality's police pension plan. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. Fiduciary funds are not included in the government-wide financial statements.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e. revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statements of net assets and statements of activities, all proprietary funds, and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of decreases (e.g., expenses) in net total assets.

The statements of net assets, statements of activities, and financial statements of the proprietary funds and fiduciary funds (except for agency funds) are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned, and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

All municipalities within West Virginia are required by statute to prepare annual budgets (levy estimates) on prescribed forms and submit these for approval to the State Tax Commissioner. Theses budgets are prepared in accordance with the following procedures:

1. The governing body of the Municipality is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain the financial condition of the Municipality and to prepare the levy estimate (budget) for the fiscal year commencing July 1.

2. The budget is then forthwith submitted to the State Tax Commissioner for approval.

3. The governing body then reconvenes on the third Tuesday in April to hear objections from the public and to formally lay the levy.

The annual budget for the General Fund is prepared on a basis generally consistent with U.S. generally accepted accounting principles.

Revisions are authorized only with the prior written approval of the State Tax Commissioner. The budgeted amounts reflected in the accompanying financial statements represent those adopted by the Municipality's Council and approved by the State Tax Commissioner.

Encumbrances

Encumbrance accounting, under which purchase orders are issued but are not considered expenditures until liabilities for payments are incurred, is not employed as an extension of the formal budgetary process.

Customer Receivables

The Municipality uses the reserve method of providing for possible losses in the collection of its customers' accounts receivable. Management believes all accounts are materially collectible and no allowance is necessary for the year ended June 30, 2004.

Inventories

The Municipality considers inventories of materials and supplies utilized in governmental fund type operations as expended at the time of purchase. Therefore, they do not appear in the Municipality's financial statements. Inventories of materials and supplies utilized in proprietary fund type operations, however, are considered expended at the time of consumption. Therefore, balances on hand at year-end, valued at cost (first-in, first-out) are presented in the Municipality's financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital outlays are recorded as expenditures of the general and special revenue funds and as assets in the government-wide financial statements to the extent the Municipality's capitalization threshold of $5,000 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings	25-50 years
Improvements	10-20 years
Equipment	3-10 years

To the extent that the Municipality's capitalization threshold of $5,000 is met, capital outlays of the proprietary funds are recorded as fixed assets and depreciated over their estimated useful lives on both the funds basis and the government-wide basis using the straight-line method and the following estimated useful lives:

Buildings	25-50 years
Improvements	10-20 years
Utility Plant	10-20 years
Equipment	3-10 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Bond Issue Cost

Bond issue costs are amortized over the life of the related bonds using the straight-line method.

Deferred Loss

Deferred loss resulting from an advance refunding of debt related to the proprietary funds is being amortized by the straight-line method over the remaining term of the old debt.

Capitalized Interest

The Municipality capitalizes net interest costs and interest earned as part of constructing various water and sewer projects when material. There was no capitalized interest for the year ended June 30, 2004.

Compensated Absences

The Municipality's policy is to permit employees to accumulate earned but unused vacation benefits. The Municipality fully recognizes the liability related to compensated absences in the governmental and proprietary funds in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 43 without modification.

Interfund Charges

The Municipality allocates to several funds a percentage of the salaries and wages and related cost of personnel who perform services for such funds but are paid out of the general fund. These services are billed on a periodic basis to the appropriate funds at the time the services are performed.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the proprietary and fiduciary fund types and the discretely presented component unit consider all highly liquid investments (including restricted assets) with a maturity of 3 months or less when purchased are considered to be cash equivalents.

PROPERTY TAXES

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July. There is no lien denominated as such on personal property. However, statutes provide that the sheriff of a county may distrain for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments: the first installment is payable on September first of the year for which the assessment is made and becomes delinquent on October first: the second installment is payable on the first day of the following March and becomes delinquent on April first. Taxes paid on or before the date when they are due, including both first and second installments, are subject to a discount of two and one-half percent. If taxes are not paid on or before the date on which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until paid.

All municipalities within the state are authorized to levy taxes not in excess of the maximum levies per $100 of assessed valuation. In addition, municipalities may provide for an election to lay an excess levy, the rates not to exceed fifty percent of such authorized maximum levies, provided that at least sixty percent of the voters cast ballots in favor of the excess levy.

The rates levied by the Municipality per $100 of assessed valuation for each class of property for the year ended June 30, 2004, were as follows:

Class of Property	Assessed Valuations For Tax Purposes	Current Expense
Class I	$ 3,500	11.97¢
Class II	$ 51,220,500	23.94¢
Class IV	$ 60,449,751	47.88¢

CASH AND TEMPORARY INVESTMENTS

Cash and temporary investments represent amounts being held at banks and the West Virginia Municipal Bond Commission and consist of the following accounts and amounts at June 30, 2004:

	Primary Government Market Value	Component Unit Market Value
Unrestricted accounts		
Petty cash	$ 475	$ -
Bank accounts	956,439	51,809
Temporary investments	429,080	-
Security deposits	92,948	-
Bank accounts - fiduciary funds	82,638	-
Temporary investments - fiduciary funds	300,000	-
Total unrestricted	1,861,580	51,809
Restricted accounts		
Renewal and replacement	113,001	-
Reserve for bond retirement	2,032,931	94,210
Reserve for capacity improvements	626,240	-
Reserve for construction	136,860	-
Total restricted	2,909,032	94,210
Total	$ 4,770,612	$ 146,019

Temporary investments consist entirely of purchased certificates of deposit. The renewal and replacement funds are under the control and custody of the trustee in accordance with provisions of the revenue bond indentures and represent funds on deposit for the purpose of making repairs and replacements. The reserve for capacity improvement fund represents amounts to be used to pay for the cost of increased capacity.

CASH AND TEMPORARY INVESTMENTS (CONTINUED)

Municipalities are authorized by statute to provide excess funds to the Municipal Bond Commission for investment purposes, or to invest such funds in the following classes of securities: obligations of the United States or any agency thereof, certificates of deposit and repurchase agreements.

The market value of the above investments approximates cost at June 30, 2004.

COLLATERALIZATION OF DEPOSITS

The Municipality maintains its cash accounts at various banks. Municipality deposits held by financial institutions are insured up to $100,000 at each financial institution by the Federal Deposit Insurance Corporation (FDIC). The Municipality's deposits held at 3 financial institutions exceed the $100,000 FDIC limit. The Municipality's deposits are categorized to give an indication of the level of risk assumed by the Municipality at fiscal year end.

Category 1 – Insured or collateralized with securities held by the Municipality or by its agent in the Municipality's name.

Category 2 – Collateralized with securities held by the pledging financial institution or agent in the Municipality's name.

Category 3 – Uncollateralized (which includes securities held by the pledging financial institution or agent not in the Municipality's name).

Deposits, not including funds held by the West Virginia Municipal Bond Commission, categorized by the level of risk are:

	Bank Balance	Category 1	Category 2	Category 3	Carrying Amount
Deposits	$2,825,783	$300,000	$1,503,283	$1,022,500	$2,883,701

INTERGOVERNMENTAL BALANCES AND TRANSACTIONS AND INTERFUND TRANSFERS

The composition of interfund balances as of June 30, 2004 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Water	$ 1,013
Capital Reserve	General	229,872
Non-Major Gov't Funds	General	10,000
Building Commission (component unit)	Capital Reserve	188,564
Water	Sewer	155,457
Sewer	Water	29,554
Non-Major Gov't Funds	Water	509,000
Non-Major Gov't Funds	Sewer	131,795
		$1,255,255

These balances represent timing differences due to routine advances between the Municipality's Funds for both Governmental Funds and Business-Type Funds. Interfund receivables and payables are expected to be paid by year end except for the Water and Sewer to Non-Major Governmental Fund, which represents financing of water and sewer assets.

INTERGOVERNMENTAL BALANCES AND TRANSACTIONS AND INTERFUND TRANSFERS (Continued)

Interfund transfers and transactions for the year ended June 30, 2004 consisted of the following:

Transfer to (Fund)	Transfer from (Fund)	Amount
General	Non-Major Gov't Funds	$ 5,900
General	Non-Major Gov't Funds	10,000
Capital Reserve	General	484,872
Non-Major Gov't Funds	General	10,000
Building Commission (component unit)	Capital Reserve	33,927
		$ 544,699

CHANGES IN FIXED ASSETS

The following is a summary of the changes in governmental and business-type funds property, plant, and equipment:

	Balance at June 30, 2003	Additions	Deletions	Balance at June 30, 2004
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 240,796	$ -	$ -	$ 240,796
Other capital assets:				
Buildings and improvements	963,184	38,700	-	1,001,884
Land improvements	729,009	1,243,014	-	1,972,023
Equipment	167,096	26,282	-	193,378
Vehicles	-	24,193	-	24,193
Total	1,859,289	$1,332,189	$ -	3,191,478
Less accumulated deprecation	(639,439)			(708,778)
Total other capital assets	1,219,850			2,482,700
Governmental activities capital assets, net	$1,460,646			$2,723,496

Depreciation was charged to functions as follows:

Governmental activities:	
General government	$ 23,113
Public safety	23,113
Highways and streets	23,113
Total government activities deprecation expense	$ 69,339

CHANGES IN FIXED ASSETS (Continued)

	Balance at June 30, 2003	Additions	Deletions	Balance at June 30, 2004
Business-Type Activities				
Capital assets not being depreciated:				
Construction in progress	$ 3,163,762	$ -	$(3,163,762)	$ -
Capital assets being depreciated:				
Utility plant in service	$25,295,725	$ 5,276,067	$ -	$30,571,792
Less accumulated deprecation:	(7,411,458)	-	-	(8,155,302)
Business-type activities capital assets, net	$21,048,029			$22,416,490

Depreciation was charged to functions as follows:

Business-type activities:	
Water	$ 487,668
Sewer	256,176
Total business-type activities deprecation expense	$ 743,844

LONG-TERM DEBT

The following is a summary of bonds and notes payable at June 30, 2004:

Revenue Bonds Payable – Water Fund

Issue	Maturity Date	Interest Rates	Amount Issued	Amount Retired	Amount Outstanding
1987B	2026	-%	$ 413,629	$ 163,276	$ 250,353
1988B	2028	-%	558,000	200,312	357,688
1989B	2029	-%	117,480	39,160	78,320
1998	2028	variable	8,387,550	1,296,000	7,091,550
2002A	2039	5.8%	1,100,000	9,046	1,090,954
2002B	2042	-%	3,600,000	53,709	3,546,291
2002C	2032	variable	2,700,000	37,443	2,662,557
2003A	2032	variable	1,000,000	15,000	985,000
Total revenue bonds payable at June 30, 2004:					16,062,713
Less: Current portion due in upcoming year					(423,579)
Long-term revenue bonds payable at June 30, 2004 (net of current portion)					$15,639,134

Maturities of water revenue bonds payable for each of the five years succeeding June 30, 2004, are as follows:

2005	$ 423,579
2006	460,917
2007	416,954
2008	429,106
2009	442,863
Thereafter	13,889,294
Total	$ 16,062,713

Revenue Bonds Payable – Sewer Fund

Issue	Maturity Date	Interest Rates	Amount Issued	Amount Retired	Amount Outstanding
1988B	2028	-%	$ 295,916	$ 106,231	$ 189,685
1998	2028	variable	1,967,450	304,000	1,663,450
1998 Design	2019	2%	437,601	88,708	348,893
2000A	2021	2%	3,163,781	329,968	2,833,813
2002C	2032	variable	1,435,000	35,552	1,397,448
Total revenue bonds payable at June 30, 2004:					6,433,289
Less: Current portion due in upcoming year					(244,974)
Long-term revenue bonds payable at June 30, 2004 (net of current portion)					$ 6,188,315

Maturities of sewer revenue bonds payable for each of the five years succeeding June 30, 2004, are as follows:

2005	$ 244,974
2006	250,267
2007	256,292
2008	249,755
2009	255,952
Thereafter	5,176,049
Total	$ 6,433,289

LONG-TERM DEBT (continued)

The bond issues are secured by a lien on the revenues derived from the system and a statutory mortgage lien on the system.

The Series 1987B, 1988B, 1989B, 1998, 2002A, 2002B, 2002C, and 2003A bonds for the Water fund and the Series 1988B, 1998, and 1998 Design and 2000A and 2002C bonds for the Sewer Fund are all on parity.

The covenants contained in the bond issues include a required debt service coverage ratio of 115%. As of June 30, 2004, the Municipality's Water and Sewer Funds' debt service coverage ratio was 125%.

Each of the bond issues also requires monthly deposits to the renewal and replacement fund equal to 2 ½% of monthly gross revenues less reserve funding requirements. The Municipality's deposits, including necessary expenditures for renewals and replacements, exceeded this requirement for the year ended June 30, 2004.

Notes Payable Bank - Water Fund

Loan from a bank in the original amount of $299,000; monthly installments of principal and interest of $3,056 including interest at 9% until December 2015; secured by deed of trust. This note was divided equally between Water and Sewer Funds.	$ 123,867

Scheduled maturities of the note for each of the five years succeeding June 30, 2004 are as follows:

2005	$ 7,500
2006	8,195
2007	8,964
2008	9,804
2009	10,724
Thereafter	78,680
Total	$ 123,867

Notes Payable Bank - Sewer Fund

Loan from a bank in the original amount of $71,000; monthly installments of principal and interest of $515 including interest at 6.15% until November 2019; secured by deed of trust.	$ 61,737
Loan from a bank in the original amount of $299,000; monthly installments of principal and interest of $3,056 including interest at 9% until December 2015; secured by deed of trust. This note was divided equally between Water and Sewer Funds.	124,311
Total	$ 186,048

LONG-TERM DEBT (continued)

Notes Payable Bank - Sewer Fund (continued)

Scheduled maturities of the notes for each of the five years succeeding June 30, 2004 are as follows:

2005	$ 10,000
2006	10,756
2007	11,685
2008	12,697
2009	13,797
Thereafter	127,113
Total	$ 186,048

Lease Revenue Bond Payable Charles Town Building Commission (Component Unit)

Series 1999 Lease Revenue Bond in the original amount of $1,070,000 with an outstanding balance of $943,989 at June 30, 2004. The bond bears interest at 5 to 6.5% and matures June 2019.

Schedule maturities of the bond for each of the five years succeeding June 30, 2004 are as follows:

2005	$ 62,956
2006	43,308
2007	45,722
2008	48,272
2009	50,963
Thereafter	671,368
Total	$ 922,589

Bond debt service is payable solely from lease rental payments pursuant to an agreement and lease between the Building Commission and The City. Lease rentals are subject to annual appropriation by the City. The bonds are secured by a lease assignment made to the bondholder by the Building Commission.

Notes Payable Charles Town Building Commission (Component Unit)

The Building Commission has three (3) bank notes outstanding. Two bank notes in the original amount of $400,000 have an outstanding balance of $360,100 at June 30, 2004. The notes bear 6% interest and require monthly interest payments. The note proceeds were used to refurbish municipal property and are secured by deeds of trust. Both notes matured in November 2002, and are payable on demand. Subsequent to June 30, 2004, the notes were refinanced through the issuance of revenue bonds.

The Building Commission executed a $415,000 demand note on June 29, 2003, with a financial institution to provide capital funds for the City 's downtown improvement project. The note has an outstanding balance of $188,564 at June 30, 2004. Interest is payable quarterly at 6% and the note matures August 29, 2007. The City has pledged residual fund investments as collateral for this note.

LEASE AGREEMENTS

Operating Leases

Initial lease - Municipality of Charles Town (Lessor) and Charles Town Building Commission (Lessee)

The Municipality and the Building Commission entered into a 20 year lease agreement dated July 27, 1999, whereby the Municipality leased certain of its roads and streets including improvements thereon to the Building Commission. No rentals are payable under the agreement and the Municipality retains responsibility for all taxes and insurance regarding the leased property.

LEASE AGREEMENTS (continued)

Agreement and Lease - Charles Town Building Commission (Lessor) and Municipality of Charles Town (Lessee)

The Municipality and the Building Commission entered into an Agreement and Lease dated July 27, 1999, whereby the Municipality leases from the Building Commission certain improved roads and streets in consideration for the issuance by the Building Commission of Lease Revenue Bonds, Series 1999.

The lease term is for a 20 year period ending July 30, 2019. The Municipality has pledged to pay lease rentals to the Building Commission consisting of amounts received by the Municipality as municipal service fees for street improvements as established by City ordinance. The Municipality is required to pay sufficient lease rentals to accumulated sums necessary to promptly pay principal and interest due on the Building Commission's Lease Revenue Bonds, Series 1999. The Municipality is responsible for all operation and maintenance costs associated with the leased property.

General Fund Leases

The City has entered into a certain vehicle leases (primarily for law enforcement vehicles) which are subject to annual appropriations. The City records these vehicle leases as operating leases as a result of short useful lives of assets.

The Municipality is the lessor of various equipment under capital leases expiring at various times and accounted for in the Municipality's general fund. The assets and liabilities are recorded at the present value of the minimum lease payments.

The lease obligations are secured by the leased equipment. Depreciation of assets under capital leases is included in depreciation expense in the government-wide financial statements.

Leased Equipment	Expiration	Remaining Minimum (net of interest) Lease Payment
Dump truck	2006	$ 28,770
Street sweeper	2007	46,231
Total capital leases payable at June 30, 2004		75,001
Less: Current portion due in upcoming year		(28,770)
Long-term capital lease payable at June 30, 2004 (net of current portion)		$ 46,231

Minimum lease payments under capital leases at June 30, 2004:

2005	$ 28,770
2006	30,096
2007	16,135
Total	$ 75,001

LEASE AGREEMENTS (continued)

Capital Leases - Water and Sewer Funds

The Municipality is the lessor of various equipment under capital leases expiring at various times and accounted for in the Municipality's Water and Sewer Funds. The assets and liabilities under the capital lease are recorded at their present value of the minimum lease payments.

The lease obligations are secured by the leased equipment. Depreciation of assets under capital lease is included in depreciation expense for the year ended June 30, 2004.

Leased Equipment	Expiration	Remaining Minimum (net of interest) Lease Payment
Backhoe	2010	$ 45,430
Backhoe	2006	3,975
Mower	2007	7,450
Mower trailers	2006	1,675
Ford F250	2008	23,680
Ford Ranger	2008	21,413
Excavator	2008	20,377
Sewer pumps	2006	15,600
Total capital leases payable at June 30, 2004		139,600
Less: Current portion due in upcoming year		(20,000)
Long-term capital lease payable at June 30, 2004 (net of current portion)		$ 119,600

Minimum future lease payments under the capital leases as of June 30, 2004 are:

2005	$ 20,000
2006	25,000
2007	25,000
2008	25,000
2009	25,000
2010	24,600
Total	$ 139,600

EMPLOYEES' RETIREMENT SYSTEM

The Municipality has established and maintains the following employees' retirement and benefit funds, as authorized by West Virginia Code 8-22-1, et seq., for all eligible employees.

Employees' Retirement and Benefit Fund

All full-time employees of the Municipality, except those employees of the police department covered by the Municipality's Policemen's Pension and Relief Fund, are covered by the West Virginia Public Employees Retirement System which is a cost-sharing multi-employer PERS.

All full-time employees are eligible and must participate in the State PERS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after reaching the age of 60 and accumulating 5 years of credited service in force. Benefits generally vest in varying degrees once a member attains 5 or more year of credited service in force. Employees who retire at age 60 with 5 or more years of credited service in force are entitled to pension payments for the rest of their lives equal to 2% of their final, three-year average salary times the number of years for which they were employed as a participant in the State PERS.

Pension provisions include deferred allowances whereby an employee may terminate his or her employment with the Municipality after accumulating 5 or more years of credited service in force, but before reaching the age of 60. If the employee does not withdraw his or her accumulated contributions, the employee is entitled to certain pension benefits in accordance with the West Virginia Public Employees Retirement Act.

Pension provisions include annuity options to provide benefits to a member's nominated beneficiary if so elected. In addition, disability retirement is provided for members who meet certain requirements as specified in the Act. The covered payroll amounted to approximately $1,557,646 for the year ended June 30, 2004.

Employees of the Municipality are required to pay 4.5% of their gross earnings to the pension plan. The Municipality makes annual contributions to the plan equal to 10.5% of its covered payroll. Total contributions made during the fiscal year ended June 30, 2004 amounted to $163,553.

Information regarding the plan is available from the state of West Virginia.

Policemen's Pension and Relief Fund

The Policemen's Pension and Relief Fund of the Municipality covers one active and seven separated employees of the police department. Eligibility for participation is available only to department employees hired prior to 1981. The Municipality's contribution for the year ended June 30, 2004 was $85,679 and $20,613 was provided by the insurance premium tax allocation and employee contributions were $3,907 for a total contribution of $110,199.

For plan year end June 30, 2004, the membership in the pan was comprised of the following:

Number of participants	
Active	1
Normal retirees	3
Beneficiaries	3
Disability retirees	1
Total	8

EMPLOYEES' RETIREMENT SYSTEM (continued)

Policemen's Pension and Relief Fund (continued)

According to the latest actuarial study of the Municipality's Policemen's Pension and Relief Fund, conducted by Hallet Associates, Inc., the unfunded actuarial liability as of July 1, 2003 was:

Active Employees	$ 483,647
Retirees	1,176,034
Total actuarial liability	1,659,681
Assets at market value	369,599
Unfunded actuarial liability	$ 1,290,082

To amortize this unfunded actuarial liability by June 30, 2031, plus provide for normal costs each year, Hallet Associates, Inc. recommended that the municipality contribute $85,679 annually to the Policemen's Pension and Relief Fund as the employer's share of the contribution. This amount is net of the estimated premium tax allocation of $20,613.

The recommended minimum annual funding is as follows:

Normal cost and amortization payment	$ 106,292
Less state allocation	(20,613)
Amount to meet minimum funding requirement	$ 85,679

The covered payroll amounted to approximately $49,000 for the year ended June 30, 2004. Employee contributions are 7% of payroll and are accounted for in determining normal cost.

In presenting these recommended funding levels, Hallet Associates, Inc. assumed that the premium tax allocation will continue to be paid to the Municipality and that it will remain at about the same level.

The Board of Trustees is required to have an actuarial study of the fund performed at least once every 3 years. The study must be performed by a qualified actuary. The last actuarial valuation was performed as of July 1, 2003. The study includes the salient features of the plan, a 15 year solvency schedule, and the actuarial cost method, factors and assumptions used in determining cost estimates. For information regarding the above, please refer to the above study.

RISK MANAGEMENT

The Municipality 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. The Municipality participates in one risk management program administered by the State of West Virginia.

Workers' Compensation Fund (WCF)

West Virginia is one of six states that operates an exclusive state-managed Workers' Compensation Insurance Fund (WCF), which means that private insurance companies cannot offer coverage to employers. Nearly every employer in the State, including all Municipalities, who have a payroll must have coverage. The cost of all coverage as determined by the WCF Compensation Programs Performance Council is paid by the employers. The WCF risk pool retains all risk related to the compensation of injured employees under the program.

Property and Liability Insurance

Significant losses are covered by commercial insurance for all major programs except for workers' compensation coverage for which the Workers' Compensation Fund retains risk of loss. For insured programs, there have been no significant reductions in insurance coverage. Settlement charges have not exceeded insurance coverage for the current year or prior years in which commercial coverage has been in force.

CONTINGENCIES

Litigation

The Municipality is routinely a party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Municipality, when considered in relation to insurance coverage in force.

West Virginia Department of Environmental Protection - Civil Enforcement Action

The West Virginia Department of Environmental Protection brought a civil enforcement action in Jefferson County Circuit Court in March of 2004 with regards to historic violations of Charles Town's NPDES permit related to operation of the City's sewerage treatment plant. The lawsuit sought civil penalties in excess of $1 million. In March of 2005, the WVDEP and the City reached a tentative agreement to settle the lawsuit. The settlement requires Charles Town to pay a cash penalty and perform a supplemental environmental project with a total combined value of $251,000. The city anticipates the settlement to be approved by the Court during the second quarter of 2005.

The City has not accrued any loss in connection with this civil action as of June 30, 2004.

Federal Grants

In the normal course of operations, the Municipality receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

SEWER SERVICE AGREEMENT

The Municipality of Charles Town has entered into an agreement with Jefferson County Public Service District and the Municipality of Ranson for treatment and discharge of waste water. The agreement sets forth certain terms and conditions and stipulates a specific formula for payment for sewer services. During the year ended June 30, 2004, treatment revenue totaled $508,273.

REQUIRED SUPPLEMENTAL INFORMATION

POLICEMEN'S PENSION AND RELIEF FUND

Pension Plan Funding Progress/Schedules of Funding Progress

Policemen's Pension and Relief Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) --Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ration (a)/(b)	Covered Payroll	UAAL as Percentage of Covered Payroll
07/01/00	$305,428	$ 1,553,844	$ 1,248,416	19.66%	$ 39,216	3183%
07/01/03	$369,599	$ 1,659,681	$ 1,290,082	22.27%	$ 48,623	2653%

Schedule of Employer Contributions

Fiscal Year	Annual Statutory Cost	Percentage Contributed
2003	$ 86,367	100%
2004	$ 85,679	100%

Notes to Required Supplemental Information

Valuation date	07/01/03
Actuarial cost method	Entry age normal
Amortization method	Level with a 28 year closed period ending June 30, 2031
Actuarial asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.0%, net of expenses
Projected salary increases	4% per year
Post retirement benefit increases	COLA after 2 years
Inflation	3.00%
Cost of living adjustments	CPI with 4.0% cap

See independent auditor's report.

Municipality of Charles Town, West Virginia
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the year ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES				
Taxes (including interest and penalties):				
General property tax	$ 402,700	$ 405,658	$ 407,547	$ 1,889
Business and occupation tax	260,000	260,000	417,195	157,195
Alcoholic beverages tax	40,000	50,751	50,751	-
Utility services tax	125,000	127,500	136,299	8,799
Hotel/motel tax	50,000	62,637	63,083	446
Other taxes	1,855	1,755	831	(924)
Total taxes	879,555	908,301	1,075,706	167,405
Licenses and permits	90,000	217,250	230,542	13,292
Intergovernmental:				
Federal	15,000	1,034	1,034	-
State	-	4,954	4,954	-
Charges for services	40,900	20,525	21,122	597
Fines and forfeits	497,700	398,918	376,385	(22,533)
Street paving fees	80,000	80,000	81,463	1,463
Franchise fees	30,000	43,047	43,047	-
Interest	-	-	220	220
Video lottery	550,000	862,000	896,458	34,458
Miscellaneous	7,000	15,000	16,139	1,139
Total revenues	2,190,155	2,551,029	2,747,070	196,041
EXPENDITURES				
General government	606,375	664,318	579,684	84,634
Public safety	1,235,212	1,215,400	1,224,981	(9,581)
Health and sanitation	554	554	500	54
Highways and streets	297,714	447,327	312,385	134,942
Culture and recreation	51,300	62,891	67,434	(4,543)
Total expenditures	2,191,155	2,390,490	2,184,984	205,506
Excess (deficiency) of revenues over expenditures	(1,000)	160,539	562,086	401,547
Other financing sources (uses):				
Transfers from other funds	5,000	5,000	15,900	10,900
Transfers to other funds	(104,000)	(250,370)	(494,872)	(244,502)
Total other financing sources (uses)	(99,000)	(245,370)	(478,972)	(233,602)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(100,000)	(84,831)	83,114	167,945
Fund balance at beginning of year, as restated	100,000	84,831	173,979	89,148
Fund balance at end of year	$ -	$ -	257,093	$ 257,093

See independent auditor's report.

Municipality of Charles Town, West Virginia
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - COAL SEVERANCE TAX FUND
For the year ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
State	$ 7,100	$ 7,100	$ 5,875	(1,225)
Interest	-	-	9	9
Total revenues	7,100	7,100	5,884	(1,216)
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	7,100	7,100	5,884	(1,216)
Other financing sources (uses):				
Operating transfers out	7,744	7,744	5,900	1,844
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(644)	(644)	(16)	628
Fund balance at beginning of year	644	644	30	(614)
Fund balance at end of year	$ -	$ -	$ 14	$ 14

See independent auditor's report.

OTHER SUPPLEMENTAL INFORMATION

Municipality of Charles Town, West Virginia

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

	Coal Severance Fund	Community Development Fund	Residual Fund	Totals
ASSETS				
Cash	$ 14	$ 67,807	$ 78,397	$ 146,218
Investments	-	-	429,080	429,080
Receivables, net of allowances:				
Accounts (loans)		61,088		61,088
Due from:				
Other funds			650,795	650,795
Total assets	$ 14	$ 128,895	$ 1,158,272	$ 1,287,181
LIABILITIES AND FUND BALANCES				
Liabilities:				
Total liabilities	$ -	$ -	$ -	$ -
Fund balances:				
Reserved for long-term loans receivable	-	50,000	-	50,000
Unreserved	14	78,895	1,158,272	1,237,181
Total fund balances	14	128,895	1,158,272	1,287,181
Total liabilities and fund balances	$ 14	$ 128,895	$ 1,158,272	$ 1,287,181

See independent auditor's report.

Municipality of Charles Town, West Virginia

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2004

	Coal Severance Fund	Community Development Fund	Residual Fund	Totals
REVENUES				
Intergovernmental:				
State	$ 5,875	$ -	$ -	$ 5,875
Interest	9	872	15,176	16,057
Miscellaneous	-	39	-	39
Total revenues	5,884	911	15,176	21,971
EXPENDITURES				
Capital expenditures	-	23,608	-	23,608
Housing rehabilitation	-	270	-	270
Total expenditures	-	23,878	-	23,878
Excess (deficiency) of revenues over expenditures	5,884	(22,967)	15,176	(1,907)
Other financing sources (uses):				
Transfers from other funds			10,000	10,000
Transfer to other funds	(5,900)	(10,000)	-	(15,900)
Total other financing sources (uses)	(5,900)	(10,000)	10,000	(5,900)
Net change in fund balance	(16)	(32,967)	25,176	(7,807)
Fund balance at beginning of year	30	161,862	1,133,096	1,294,988
Fund balance at end of year	$ 14	$ 128,895	$ 1,158,272	$ 1,287,181

See independent auditor's report.

J.C. Kunkle & Associates, A.C.
CERTIFIED PUBLIC ACCOUNTING & CONSULTING

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Council
Municipality of Charles Town
Charles Town, West Virginia

We have audited the financial statements of the Municipality of Charles Town, West Virginia, as of and for the year ended June 30, 2004, and have issued our report thereon dated March 24, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether the Municipality of Charles Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Municipality of Charles Town in a separate letter dated March 24, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Municipality of Charles Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Municipality of Charles Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-01 and 04-02.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Municipality of Charles Town, in a separate letter dated March 24, 2005.

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

J.C. Kunkle & Associates, A.C.

Martinsburg, West Virginia
March 24, 2005

J.C. Kunkle & Associates, A.C.
CERTIFIED PUBLIC ACCOUNTING & CONSULTING

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

Honorable Mayor and Council
Municipality of Charles Town
Charles Town, West Virginia

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. An audit includes examining, on a test basis, evidence about the Municipality of Charles Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Municipality of Charles Town's compliance with those requirements.

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

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

J.C. Kunkle & Associates, A.C.

Martinsburg, West Virginia
March 24, 2005

Municipality of Charles Town, West Virginia
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Public Safety Partnership and Community Policing Grants	16.710	None	$ 1,034
Department of Housing and Urban Development:			
Small Cities Block Grant	14.219	99SCBG0095X	7,000
Department of Transportation/ West Virginia Department of Transportation:			
Highway Planning and Construction	20.205	5319-51-7.49	1,173 582
Federal Emergency Management Agency:			
Public Assistance Grant	83.544	1455-DR-WV	16,890
Total Expenditures of Federal Awards			$ 1,198,506

NOTES TO SCHEDULE OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The above Schedule of Expenditures of Federal Awards includes the federal award activity of the Municipality of Charles Town, West Virginia, and is presented on the cash basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Municipality of Charles Town
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2004

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? ___ Yes _X_ No

Reportable condition(s) identified that are not considered to be material weaknesses? _X_ Yes ___ None reported

Noncompliance material to financial statements noted? ___ Yes _X_ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ Yes _X_ No

Reportable condition(s) identified that are not considered to be material weaknesses? ___ Yes _X_ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ___ Yes _X_ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Amount Expended
20.205	Highway Planning and Construction	$ 1,173,582

Dollar threshold to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? ___ Yes _X_ No

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

FINDING #04-1

Condition

The Municipality does not maintain subsidiary ledgers for its capital assets and long-term debt in connection with its governmental funds.

Criteria

U.S. Generally Accepted Accounting Principles require governmental entities to maintain this information in order to prepare the government-wide financial statements.

Cause

Historically, the Municipality has accounted for fixed assets and debt on a cash basis.

Effect

The Municipality risks exposure to not capturing all information necessary to prepare complete and accurate government-wide financial statements.

Recommendation

The Municipality should develop a program to establish fixed asset and subsidiary ledgers and records.

Management's Response

Management concurs and is in the process of developing a program in which to establish these ledgers and records.

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS (continued)

FINDING #04-2

Condition

Certain general fund capital leases may not be recorded in accordance with U.S. Generally Accepted Accounting Principles.

Criteria

U.S. Generally Accepted Accounting Principles require that capital leases be recorded as both an asset and obligation of the City in its government-wide financial statements.

Cause

Historically, the Municipality has accounted for general fund capital leases on a cash basis.

Effect

Although the City's governmental funds are not materially misstated, appropriate accounting for capital lease transactions would enhance the usefulness of the City's financial statements.

Recommendation

The Municipality should consider accounting for capital leases in accordance with U.S. Generally Accepted Accounting Principles.

Management's Response

Management concurs and will develop a plan to address this issue on a prospective basis.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Municipality of Charles Town
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2004

There were no audit findings relative to federal award programs reported in the June 30, 2004 independent auditor's report.

APPENDIX C

[STEPTOE & JOHNSON PLLC LETTERHEAD]

(Form of Opinion of Bond Counsel)

June 9, 2005

City of Charles Town (West Virginia)
Combined Waterworks and
Sewerage System Revenue Bonds, Series 2005 A
(Taxable)

City of Charles Town
Charles Town, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by the City of Charles Town (West Virginia) (the "Issuer") of its $_____ aggregate principal amount Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable) (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act") and a Bond Ordinance duly enacted by the Issuer on April 4, 2005, as supplemented by a Supplemental Resolution duly adopted by the Issuer on May 27, 2005 (said Ordinance, as so supplemented, herein called the "Ordinance") and are subject to all the terms and conditions of the Ordinance.

The Bonds are issued in fully registered form, are dated June 1, 2005, upon original issuance, mature on December 1 in years and amounts and bear interest payable each June 1 and December 1, commencing December 1, 2005, and are subject to optional and mandatory sinking fund redemption prior to maturity on the dates, in the amounts and at the redemption prices, all as set forth in the Ordinance.

The Ordinance provides that the issue is for the purposes of providing funds to acquire, construct and equip certain waterworks and sewerage facilities, to fund a reserve account for the Bonds and to pay costs of issuance of the Bonds and other costs in connection with such issue.

The Bonds are issued on a parity with the following bonds of the Issuer:

(1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds");

(2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds");

(3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds");

(4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds");

(5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds");

(6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds");

(7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781 (the "Series 2000 A Bonds");

(8) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000 (the "Series 2002 A Bonds");

(9) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000 (the "Series 2002 B Bonds");

(10) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C (Insured), dated December 1, 2002, issued in the original aggregate principal amount of $4,135,000 (the "Series 2002 C Bonds"); and

(11) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT - Uninsured), dated January 1, 2003, issued in the original aggregate principal amount of $1,000,000 (the "Series 2003 A Bonds")

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds and the Series 2003 A Bonds are herein collectively called the "Outstanding Prior Bonds."

The Bonds have been sold to Crews & Associates, Inc. (the "Purchaser"), pursuant to a Bond Purchase Agreement dated May 27, 2005, and accepted by the Issuer (the "Bond Purchase Agreement").

As to questions of fact material to our opinion, we have relied upon representations and certifications of the Issuer and others, contained in the Ordinance and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants, representations and certifications of the Issuer and others, pertaining to tax matters set forth in the Ordinance and with certain certificates delivered in connection with the issuance of the Bonds, we are of the opinion, under existing law, that:

1. The Issuer is a duly created and validly existing municipal corporation under and pursuant to the laws of the State of West Virginia, with full power and authority to enact the Ordinance, enter into the Bond Purchase Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively enacted the Ordinance, has authorized, executed and delivered the Bond Purchase Agreement and has issued and delivered the Bonds to the Purchaser pursuant to the Bond Purchase Agreement. The Ordinance is in full force and effect as of the date hereof.

3. Assuming due authorization, execution and delivery by the other parties thereto, the Bond Purchase Agreement constitutes a valid, legal, binding and enforceable instrument of the Issuer in accordance with its terms; and the Bonds, subject to the terms thereof, constitute valid and legally enforceable limited obligations of the Issuer, payable from the Gross Revenues and issued on a parity with respect to liens, pledge and

sources of and security for payment with the Outstanding Prior Bonds, and enforceable in accordance with their terms and the terms of the Ordinance, and are entitled to the benefits of the Ordinance and the Act.

4. The Bonds have not been issued on the basis that the interest, if any, thereon is or will be excluded from gross income of the owners thereof for federal income tax purposes. We express no opinion regarding the excludability of such interest from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Bonds.

5. Under the Act, the Bonds and the interest thereon, are exempt from all taxation by the State of West Virginia and any county, municipality, political subdivision or agency thereof.

6. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Bonds, to register any securities under said Securities Acts.

It is to be understood that the rights of the holders of the Bonds and the enforceability of liens, pledges, rights or remedies with respect to the Bonds, the Ordinance and the Bond Purchase Agreement are subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond No. AR-1 of said issue, and in our opinion, said Bond is in proper form and has been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate") is made and entered into by the City of Charles Town, a political subdivision of the State of West Virginia (the "Issuer"), in connection with the issuance of $2,150,000 City of Charles Town, Combined Waterworks and Sewerage System Bonds, Series 2005 A (Taxable) (the "Bonds"). The Bonds are being issued pursuant to the Issuer's Ordinance enacted on April 4, 2005, and its Supplemental Resolution adopted on _____ __, 2005 (collectively, the "Ordinance"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5).

Any filing under this Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

SECTION 2. Definitions. In addition to the definitions set forth in the Ordinance and the Bond Purchase Agreement dated _____ __, 2005, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in Sections 3 and 4 of this Certificate.

"Beneficial Owner" shall mean any person that has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Central Post Office" shall mean the MAC, which shall receive Annual Reports and Listed Events and then electronically transmit them to the National Repositories and the State Repository.

"Dissemination Agent" shall initially mean the Issuer and any later appointed Dissemination Agent or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean the Central Post Office for delivery to each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of West Virginia.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. [As of the date of this Certificate, there is no State Repository.]

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 12 months after the end of the Issuer's fiscal year (presently June 30), commencing with the report for the 2005 Fiscal Year, provide to the Central Post Office for delivery to each Repository an Annual Report, which is consistent with the requirements of Section 4 of this Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Certificate; provided, that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and not later than 15 days after receipt by the Issuer. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Central Post Office for delivery to each National Repository and the State Repository, if any; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) Within one hundred twenty (120) days after the end of its 2005 fiscal year and each subsequent fiscal year, to the Central Post Office for delivery to each National Repository and any State Depository, unaudited general purpose financial statements of the Issuer, and

(b) Within fifteen (15) days after receipt by the Issuer of its 2005 fiscal year-end, and

each subsequent fiscal year, to the Central Post Office for delivery to each National Repository and any State Repository, core financial information and operating data of the Issuer for the prior fiscal year, including (i) the audited financial statements, prepared in accordance with generally accepted auditing principles in effect from time to time, and (ii) material historical quantitative data of the type found in the Official Statement under the caption "Financial Statements of the Issuer":

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. unscheduled draws on debt service reserves reflecting financial difficulties;

4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions or events affecting the tax-exempt status of the security;

7. modifications to rights of security holders;

8. bond calls;

9. defeasances;

10. release, substitution, or sale of property securing repayment of the securities; and

11. rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of any of the Listed Events, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of any of the Listed Events would be material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board, the Central Post Office for delivery to the National Repository and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Ordinance.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Certificate.

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

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

In the event of any amendment or waiver of a provision of this Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for any of the Listed Events under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in

quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of any of the Listed Events, in addition to that which is required by this Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of any of the Listed Events in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it is any future Annual Report or notice of occurrence of any of the Listed Events.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Certificate (and, at the request of the Original Purchaser), any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Ordinance, and the sole remedy under this Certificate in the event of any failure of the Issuer to comply with this Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Issuer, the Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____ __, 2005

CITY OF CHARLES TOWN

By: _____
Mayor

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Charles Town

Name of Issue: $2,150,000 City of Charles Town, Combined Waterworks and Sewerage System Bonds, Series 2005 A (Taxable)

Date of Issuance: _____, 2005

Notice is hereby given that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by its covenant made in connection with the above-referenced bond issue. The Issuer anticipates that the Annual Report will be filed by _____.

Dated this _____.

CITY OF CHARLES TOWN

By: _____
Mayor

EXHIBIT B

Nationally Recognized Municipal
Securities Information Repositories
Approved by the Securities and Exchange
Commission as of June 1, 2005

Central Post Office
Website: http://www.disclosureusa.org

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
FAX: (609) 279-5962
E-mail: munis@Bloomberg.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, NY 10038
Phone: (212) 771-6999
FAX: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
E-mail: NRMSIR@FTID.com

Standard & Poor's J.J. Kenny Repository
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
FAX: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
FAX: (201) 947-0107
E-mail: nrmsir@dpcdata.com

NEW ISSUE—BOOK ENTRY ONLY

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Series 2005 A Bonds is not excluded from the gross income of the holders thereof for federal income tax purposes. Further, in the opinion of Bond Counsel, under existing laws of the State of West Virginia, the Series 2005 A Bonds and the interest thereon are exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia. See "TAX MATTERS" herein.

$2,355,000
CITY OF CHARLES TOWN (WEST VIRGINIA)
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE)

Dated: June 1, 2005 **Due: June 1, as shown below**

The Series 2005 A Bonds are issuable only as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof for any year of maturity. All of the Series 2005 A Bonds initially will be maintained under a book-entry system under which The Depository Trust Company ("DTC"), New York, New York, will act as securities depository. Purchases of the Series 2005 A Bonds will be in book-entry form only. Semiannual interest on the Series 2005 A Bonds is payable December 1, 2005, and each June 1 and December 1 thereafter. So long as the Series 2005 A Bonds are maintained under a book-entry system, payments of the principal of and premium, if any, and interest on the Series 2005 A Bonds will be made when due by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as Paying Agent (the "Paying Agent"), to DTC in accordance with the Ordinance and the Supplemental Resolution, and the Paying Agent will have no obligation to make any payments to any beneficial owner of any Series 2005 A Bonds. See "THE SERIES 2005 A BONDS - Book-Entry Only System." The Series 2005 A Bonds are subject to redemption prior to maturity as described herein.

Proceeds of the Series 2005 A Bonds will be used, together with other funds available therefor, to: (i) provide funds to be deposited in the Series 2005 A Bonds Acquisition and Construction Fund to pay for improvements to the City's combined waterworks and sewerage system; (ii) fund a debt service reserve account for the Series 2005 A Bonds; (iii) pay capitalized interest on the Bonds until June 1, 2006; and (iv) pay certain costs of issuance of the Series 2005 A Bonds and related costs.

The Series 2005 A Bonds are payable from and further secured by the Gross Revenues derived from the existing combined waterworks and sewerage system of the City and any extensions, improvements and betterments thereto on parity with the Prior Bonds, as hereinafter defined, and any additional parity bonds that may hereafter be issued by the City as permitted by the Ordinance, as hereinafter defined, and the Series 2005 A Bonds are also payable from funds on deposit in the Series 2005 A Bonds Sinking Fund and the Reserve Account therein. The Series 2005 A Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations, and the City shall not be obligated to pay the principal or premium, if any, of or the interest on the Series 2005 A Bonds, except from the Gross Revenues and such funds on deposit. Neither the full faith and credit nor the taxing power of the City shall be deemed to be pledged to, nor shall any tax be levied for, the payment or the principal of or the premium, if any, or interest on the Series 2005 A Bonds.

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

$130,000	5.25%	Series 2005 A Term Bonds due June 1, 2010 at 99.695%
$205,000	6.00%	Series 2005 A Term Bonds due June 1, 2015 at 99.258%
$685,000	6.75%	Series 2005 A Term Bonds due June 1, 2025 at 98.065%
$555,000	7.00%	Series 2005 A Term Bonds due June 1, 2030 at 97.919%
$780,000	7.25%	Series 2005 A Term Bonds due June 1, 2035 at 97.844%

(Accrued interest to be added)

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 making an informed investment decision. The Series 2005 A Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of legality by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Hoy G. Shingleton, Jr., Martinsburg, West Virginia, Counsel to the City, will pass upon certain legal matters for the City. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter. It is expected that the Series 2005 A Bonds will be available for delivery in New York, New York on or about June 15, 2005.

Crews&Associates
First Security Bancorp

Dated: May 27, 2005

CITY OF CHARLES TOWN, WEST VIRGINIA

J. Randolph Hilton, Mayor

CITY COUNCIL

Randy Breeden
John A. Ward
Matthew W. Ward
William F. Jordan, Jr.
Violet Lowery
Timothy P. Robinson
Russell C. Miller, Jr.
Geraldine Willingham

CITY MANAGER

Jane E. Arnett, CPA

CITY CLERK

Brenda Hamilton

CITY ATTORNEY

Hoy G. Shingleton, Jr.

CHARLES TOWN UTILITY BOARD

Locke Wysong, Sr.
Pete Kubic, PE
Thomas W. Stocks
Charles W. Kline
Jane E. Arnett, City Manager

UTILITY MANAGER

Pete Furr

BOND COUNSEL

Steptoe & Johnson PLLC
Charleston, West Virginia

REGISTRAR

United Bank, Inc.
Charleston, West Virginia

PAYING AGENT

West Virginia Municipal Bond Commission
Charleston, West Virginia

UNDERWRITER

Crews & Associates, Inc.
Little Rock, Arkansas

UNDERWRITER'S COUNSEL

Goodwin & Goodwin, LLP
Charleston, West Virginia

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 Series 2005 A Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by The City of Charles Town, West Virginia, or the Underwriter to give any information or to make any representations, other than as contained in this Official Statement. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from the City of Charles Town and other sources, which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and any expression of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City of Charles Town, West Virginia, as it relates to the System, since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein, and may not be reproduced or used, in whole or in part, for any other purposes.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2005 A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

$2,355,000
CITY OF CHARLES TOWN (WEST VIRGINIA)
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS, SERIES 2005 A (TAXABLE)

INTRODUCTION

This Official Statement, including the cover page and appendices, is provided for the purpose of setting forth certain information concerning the City of Charles Town, West Virginia (the "City"), the City's combined waterworks and sewerage system hereinafter described and the City's $2,355,000 in aggregate principal amount of Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable) (the "Series 2005 A Bonds"). The Series 2005 A Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), specifically Chapter 8, Article 20 of the Code of West Virginia of 1931, as amended (the "Act"), and an ordinance enacted by the City Council of the City on April 4, 2005 (the "Original Ordinance"), as supplemented and amended by a supplemental resolution adopted by the City Council of the City pursuant to the Original Ordinance (the "Supplemental Resolution" and together with the Original Ordinance, the "Ordinance").

The proceeds of the Series 2005 A Bonds, together with other funds available therefor, will be used as follows: to (i) provide funds to be deposited in the Series 2005 A Bonds Acquisition and Construction Fund, to pay for the acquisition and construction of the Phase One Wastewater Treatment Plant Upgrade Project, (ii) fund a debt service reserve account for the Series 2005 A Bonds, (iii) pay capitalized interest on the Bonds until June 1, 2006, and (iv) pay certain costs of issuance of the Series 2005 A Bonds and related costs.

The Series 2005 A Bonds are payable from and secured by the Gross Revenues, as defined in the Ordinance, derived from the existing combined waterworks and sewerage system of the City and any extensions, improvements or betterments thereto (the "System") on parity with the Prior Bonds, as hereinafter defined, and any additional parity bonds that may hereafter be issued by the City as permitted by the Ordinance (the Series 2005 A Bonds, the Prior Bonds and any such additional parity bonds are collectively referred to herein as the "Bonds"), and the Series 2005 A Bonds are also payable from funds on deposit in the Series 2005 A Bonds Sinking Fund and the Reserve Account therein. The Series 2005 A Bonds do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provisions or limitations, and the City shall not be obligated to pay the Series 2005 A Bonds or premium, if any, or the interest thereon except from such Gross Revenues and such funds on deposit. Pursuant to the Ordinance and the ordinances enacted with respect to other Bonds outstanding payable from the Gross Revenues, the City has covenanted and agreed to establish and collect just and equitable rates and charges for the use of the System and the services rendered thereby as will produce for each fiscal year Gross Revenues, as defined in the Ordinance, equal to at least 115% of the maximum amount required in any year to pay the principal of and interest on the Bonds and the Prior Bonds. See "ADDITIONAL SECURITY FOR THE SERIES 2005 A BONDS - Rate Covenant."

The Series 2005 A Bonds will be dated, will mature, will bear interest and will be subject to redemption prior to maturity as more fully described on the cover page and under the heading "THE SERIES 2005 A BONDS" herein. The Series 2005 A Bonds initially will be maintained under a book-entry system. So long as the Series 2005 A Bonds are maintained under a book-entry system,

the manner of payment, the denominations, the transfer and exchange of ownership and the method of providing notice of redemption to the owners of the Series 2005 A Bonds shall be determined as described under the "BOOK-ENTRY ONLY SYSTEM" herein. If the book-entry system is discontinued, principal of, interest, and premium, if any, on the Series 2005 A Bonds will be payable by the West Virginia Municipal Bond Commission, Charleston, West Virginia, as paying agent (the "Paying Agent"), to the owners thereof at the addresses appearing in the books kept by United Bank, Inc., Charleston, West Virginia, as registrar (the "Registrar"). For further information describing the method of payment and other matters in the event the book-entry system is discontinued, see "THE SERIES 2005 A BONDS" herein.

The City may issue additional bonds on a parity with the Series 2005 A Bonds for the purpose of financing the cost of the construction or acquisition of additions, improvements and betterments to the System and/or refunding one or more or all series of bonds subject, in each case, to certain tests and conditions provided for by the Ordinance. See "ADDITIONAL SECURITY FOR THE SERIES 2005 A BONDS - Additional Parity Bonds."

The Series 2005 A Bonds are offered when, as and if issued and received on behalf of the underwriter appearing on the cover page hereof (the "Underwriter"), subject to prior sale, to withdrawal or modification of the offering without notice and to the unqualified approval of the legality thereof by Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Hoy G. Shingleton, Jr., Martinsburg, West Virginia, as counsel for the City, will pass upon certain legal matters for the City. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

Brief descriptions of the Series 2005 A Bonds, the System, the City and certain provisions of the Ordinance and the Act, as defined in the Ordinance and hereinbefore, are set forth in this Official Statement, as well as other information contained in the appendices hereto. Such descriptions and information do not purport to be comprehensive or definitive. All references herein to the Ordinance, provisions of the Act and other applicable laws of the State are qualified in their entirety by reference to each such document or law. References herein to the Series 2005 A Bonds are qualified in their entirety by reference to the form thereof included in the Ordinance and the information with respect thereto included in the aforesaid documents. Capitalized terms used and not otherwise defined in this Official Statement shall have the respective meanings given them in the Ordinance. Copies of the Ordinance and other applicable documents may be obtained from the City or, during the period of offering the Series 2005 A Bonds, from the Underwriter.

THE PROJECT

The Project, as defined below, will allow the City to increase its treatment capacity at the wastewater treatment plant by an additional 550,000 gallons per day. The Project will add two blowers to the Sequencing Batch Reactor ("SBR") system, which will provide supplemental oxygen in order to handle additional incoming loads. It will also replace the dissolved oxygen analyzers and controllers. It will add a 600,000 gallon aerobic digester to enhance digestion and reduce the total amount of solids. The improvements to be made with the bond proceeds collectively constitute the "Project". The Project will result in improved discharge water quality.

The Project is needed to support the continued growth of industrial, commercial and residential construction in the service area as well as a new public high school. The three utilities served by the treatment plant have a large number of pending requests for service; these new requests for service exceed existing plant capacity.

The existing wastewater plant is approaching its design capacity of 1.2 million gallons a day. The improvements at the facility will help the area meet service demands while improving the discharge effluent quality during the high biochemical oxygen demand ("BOD") inflow events and reduce the sludge disposal costs for the City.

The Huntfield developer, Greenvest LC (the "Developer"), has entered into an agreement (the "Developer Agreement") with the City whereby the Developer has agreed to guarantee up to $700,000 of the principal and interest payments on the Series 2005 A Bonds, which guarantee amount will be reduced as sewer customers are added throughout the System, as well as by the utilities, the waste from which is treated by the City.

THE SERIES 2005 A BONDS ARE SECURED ONLY BY THE GROSS REVENUES OF THE SYSTEM, AS SET FORTH UNDER "SECURITY FOR THE BONDS" HEREIN. THE SERIES 2005 A BONDS ARE NOT SUPPORTED BY A SURETY, A LETTER OF CREDIT OR ANY OTHER FORM OF CREDIT ENHANCEMENT.

FINANCING PLAN

Sources and Uses of Funds (exclusive of accrued interest)

Sources of Funds:	
Principal Amount of Bonds	$2,355,000.00
Total Sources	$2,355,000.00
Uses of Funds:	
Series 2005 A Bonds Acquisition and Construction Fund	$1,835,110.00
Original Issue Discount	43,538.70
Series 2005 A Bonds Reserve Account	193,750.00
Capitalized Interest	152,253.56
Underwriter's Discount	70,650.00
Costs of Issuance (1)	59,697.74
Total Uses	$2,355,000.00

(1) Includes legal and financing fees, printing costs and other miscellaneous expenses relating to the issuance of the Series 2005 A Bonds.

THE SERIES 2005 A BONDS

General

The Series 2005 A Bonds shall be dated as of the date provided in a Supplemental Resolution and shall bear interest from the interest payment date next preceding the date of authentication or, if authenticated after the Record Date but prior to the applicable interest payment date or on such interest payment date, from such interest payment date or, if no interest on such Series 2005 A Bonds has been paid, from the date thereof; provided however, that, if, as shown by the records of the Registrar, interest on such Series 2005 A Bonds shall be in default, Series 2005 A Bonds issued in exchange for Series 2005 A Bonds surrendered for transfer or exchange shall bear interest from the date to which interest has been paid in full on the initial Series 2005 A Bonds surrendered. The Series 2005 A Bonds will bear interest from their date,

payable semiannually on each June 1 and December 1, commencing December 1, 2005, upon original issuance, at the rates per annum and will mature on the dates and in the amounts set forth on the cover page of this Official Statement.

The Series 2005 A Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 and integral multiples thereof for any year of maturity. The Series 2005 A Bonds initially shall be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Series 2005 A Bonds and payments of principal or redemption price of and interest on the Series 2005 A Bonds will be made as described herein under "BOOK-ENTRY ONLY SYSTEM." If the book-entry system is discontinued, interest on the Series 2005 A Bonds will be payable by check or draft made payable and mailed to the owners thereof at the addresses appearing in the books kept by the Registrar as of the 15th day of the month preceding such interest payment date (the "Record Date"). If the book-entry system is discontinued, principal of and premium, if any, on the Series 2005 A Bonds will be payable to the owner thereof upon surrender thereof at the office of the Paying Agent.

So long as the Series 2005 A Bonds are maintained under a book-entry system, transfers of ownership interests in the Series 2005 A Bonds will be made as described herein under "BOOK--ENTRY ONLY SYSTEM." If the book-entry system is discontinued, ownership of any Series 2005 Bond may be transferred upon surrender thereof to the Registrar, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or his duly authorized attorney or legal representative. Upon any such transfer of a Series 2005 Bond, there will be issued another Series 2005 Bond or Series 2005 A Bonds, at the option of the transferee, of the same aggregate principal amount, series, maturity and interest rate as said Series 2005 Bond. For every exchange or transfer of Series 2005 A Bonds, the Registrar may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The party requesting such transfer shall pay any service charge of the Registrar and any applicable tax or other governmental charge.

Extraordinary Redemption

The Series 2005 A Bonds shall also be subject to redemption as follows:

(1) If there should occur any damage to or destruction of the System or any condemnation of title to or the use of the System, the applicable Series 2005 A Bonds shall be subject to redemption at any time at the redemption price of 100% of the principal amount thereof plus accrued interest to the Redemption Date from any condemnation awards or insurance proceeds which are not used to repair, rebuild or rearrange the System.

(2) If the Series 2005 A Bonds can be refunded by the issuance of tax-exempt bonds, in whole or in part at any time as provided below under Notice of Redemption, from amounts deposited with the Bond Commission by the City, at a redemption price equal to the 102% principal amount thereof, plus accrued interest to the date fixed for redemption.

(3) The Series 2005 A Bonds are subject to redemption at the option and direction of the City, prior to maturity, in whole or in part on any principal payment date, in inverse order of maturity of the Series 2005 A Bonds, in principal amounts of not less than $50,000, and multiples of $5,000 in excess of $50,000, from amounts deposited with the Paying Agent by the City from funds of the City available therefor (other than from proceeds of refunding bonds) at a

redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

Optional Redemption

The Series 2005 A Bonds maturing on and after June 1, 2011, are subject to redemption at the option of the City, prior to maturity, on or after June 1, 2010, in whole or in part at any time from amounts deposited with the Bond Commission by the City or from other funds available therefore at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

If fewer than all of the Series 2005 A Bonds shall be called for optional redemption, the particular maturities of the Series 2005 A Bonds to be redeemed shall be selected by the City in such manner as it shall determine. So long as the Series 2005 A Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2005 A Bonds to be credited with any partial redemption shall be made as described herein under "BOOK-ENTRY ONLY SYSTEM."

Mandatory Redemption

The Series 2005 A Bonds maturing June 1, 2010, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2005 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on June 1, 2007, and on each June 1 thereafter to and including June 1, 2010, in annual principal amounts as follows:

Year	Amount
2007	$30,000
2008	30,000
2009	35,000
2010 (Maturity)	35,000

The principal amount of Series 2005 A Bonds maturing June 1, 2010, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2005 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2005 A Bonds maturing June 1, 2015, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2005 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on June 1, 2011, and on each June 1 thereafter to and including June 1, 2015, in annual principal amounts as follows:

Year	Amount
2011	$35,000
2012	40,000
2013	40,000
2014	45,000
2015 (Maturity)	45,000

The principal amount of Series 2005 A Bonds maturing June 1, 2015, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2005 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2005 A Bonds maturing June 1, 2025, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2005 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on June 1, 2016, and on each June 1 thereafter to and including June 1, 2025, in annual principal amounts as follows:

Year	Amount
2016	$50,000
2017	55,000
2018	55,000
2019	60,000
2020	65,000
2021	70,000
2022	75,000
2023	80,000
2024	85,000
2025 (Maturity)	90,000

The principal amount of Series 2005 A Bonds maturing June 1, 2025, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2005 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2005 A Bonds maturing June 1, 2030, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2005 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the mandatory redemption date, on June 1, 2026, and on each June 1 thereafter to and including June 1, 2030, in annual principal amounts as follows:

Year	Amount
2026	$ 95,000
2027	105,000
2028	110,000
2029	120,000
2030 (Maturity)	125,000

The principal amount of Series 2005 A Bonds maturing June 1, 2030, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2005 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

The Series 2005 A Bonds maturing June 1, 2035, shall be subject to mandatory redemption prior to maturity in part from moneys on deposit in the Series 2005 A Bonds Sinking Fund at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the

mandatory redemption date, on June 1, 2031, and on each June 1 thereafter to and including June 1, 2035, in annual principal amounts as follows:

Year	Amount
2031	$135,000
2032	145,000
2033	155,000
2034	165,000
2035 (Maturity)	180,000

The principal amount of Series 2005 A Bonds maturing June 1, 2035, delivered to or purchased by the Trustee shall reduce pro tanto the principal amount of Series 2005 A Bonds to be redeemed on the mandatory redemption date with respect to such maturity next following such delivery or purchase.

Notice of Redemption

So long as the Series 2005 A Bonds are maintained under a book-entry system, notice of the call for any redemption of the Series 2005 A Bonds shall be given as described below under "BOOK-ENTRY ONLY SYSTEM." At any other time, notice to the registered owner of any redemption shall be given by the Registrar not less than 30 nor more than 60 days prior to the date fixed for redemption by registered or certified mail at the address appearing in the Register. Failure to receive such notice or any defect in the mailing thereof shall not affect the validity of any proceedings for the redemption of the Series 2005 A Bonds; and failure to mail such notice shall not affect the validity of any such proceedings for any Series 2005 Bond with respect to which no such failure has occurred. Notice of redemption having been given in the manner hereinabove and in the Ordinance described and moneys necessary therefor having been deposited with the Paying Agent, the Series 2005 A Bonds specified in such notice shall on the date fixed for redemption be deemed paid, and interest thereon shall cease to accrue.

BOOK-ENTRY ONLY SYSTEM

The information in this section has been obtained from sources that the City and the Underwriter believe to be reliable, but neither the City nor the Underwriter takes any responsibility for the accuracy thereof.

The Depository Trust Company

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2005 A Bonds. The Series 2005 A Bonds will be issued as fully registered securities registered in the name of Cede & Co., DTC's partnership nominee. One fully registered certificate of the Series 2005 A Bonds will be issued for each maturity of the Series 2005 A Bonds in principal amount equal to the aggregate principal amount of the Series 2005 A Bonds of such maturity, and will be deposited with DTC.

DTC 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, as amended. DTC holds securities that its participants (the

"Participants") deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies, that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Ownership of Series 2005 A Bonds

Purchases of the Series 2005 A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2005 A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2005 Bond (the "Beneficial Owner") is in turn to be recorded on the Participant's records. 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 Participants through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Series 2005 A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of the Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interests in the Series 2005 A Bonds except in the event that use of the book-entry system for the Series 2005 A Bonds is discontinued under the circumstances described below under "Discontinuance of Book Entry System."

To facilitate subsequent transfers, Series 2005 A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2005 A Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2005 A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2005 A Bonds are credited, which may or may not be the Beneficial Owners. The 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 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. If the consent or vote of DTC or Cede & Co. is requested, under its usual procedures, DTC will mail an Omnibus Proxy to the City as soon as possible after the record date assigning Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2005 A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

So long as a nominee of DTC is the registered owner of the Series 2005 A Bonds, references herein to the Bondholders or the holders or owners of the Series 2005 A Bonds shall mean DTC and shall not mean the Beneficial Owners of the Series 2005 A Bonds. The City, the Registrar and the Paying Agent will recognize DTC or its nominee as the holder of

all of the Series 2005 A Bonds for all purposes, including the payment of the principal or redemption price of and interest on the Series 2005 A Bonds, as well as the giving of notices and any consent or direction required or permitted to be given to or on behalf of the Bondholders under the Ordinance. Neither the City, the Registrar nor the Paying Agent will have any responsibility or obligation to Participants or Beneficial Owners with respect to payments or notices to Participants or Beneficial Owners.

Payments on and Redemption of Series 2005 A Bonds

So long as the Series 2005 A Bonds are held by DTC under a book-entry system, principal or redemption price of and interest payments on the Series 2005 A Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the date on which such principal or interest is payable in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on such date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," subject to any statutory or regulatory requirements as may be in effect from time to time, and will be the responsibility of such Participants and not of DTC, the Paying Agent or the City. Payment of principal and interest to DTC is the responsibility of the City or Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Participants.

So long as the Series 2005 A Bonds are held by DTC under a book-entry system, the Registrar will send any notice of redemption with respect to the Series 2005 A Bonds only to Cede & Co. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant or any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the proceedings for the redemption of the Series 2005 A Bonds or of any other action premised on such notice. If fewer than all of the Series 2005 A Bonds of any maturity are selected for redemption, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Any such selection of Direct Participants to which any such partial redemption will be credited will not be governed by the Ordinance and will not be made by the City, the Registrar or the Paying Agent.

The City, the Registrar and the Paying Agent cannot give any assurances that DTC or the Participants will distribute payments of the principal or redemption price of and interest on the Series 2005 A Bonds paid to DTC or its nominee as the registered owner of the Series 2005 A Bonds, or any redemption or other notices, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

DTC may charge the Participants a sum sufficient to cover any tax, fee or other governmental charge that may be imposed for every transfer and exchange of a beneficial interest in the Series 2005 A Bonds, and the Participants may seek reimbursement therefor from the Beneficial Owners.

Discontinuance of Book-Entry Only System

DTC may resign or may be discharged by the City as a securities depository for the Series 2005 A Bonds and, in such event, the City may discontinue the maintenance of the Series 2005 A Bonds under a book-entry system or replace DTC with another qualified securities depository. Unless the City appoints a securities depository to replace DTC, the Series 2005 A Bonds held by

DTC will be canceled and the City will execute and the Registrar will authenticate and deliver Series 2005 A Bonds in fully certificated form to the Participants shown on the records of DTC provided to the Registrar or, to the extent requested by any Participant, to the Beneficial Owners of the Series 2005 A Bonds shown on the records of such Participant provided to the Registrar.

ADDITIONAL SECURITY FOR THE SERIES 2005 A BONDS

The Series 2005 A Bonds are special obligations of the City and are payable as to principal, premium, if any, and interest solely from the sources described below. The City is under no obligation to pay the Series 2005 A Bonds except from said sources.

Outstanding Prior Bonds

The City has outstanding the following bonds payable from the Gross Revenues of the System that are on parity with the Series 2005 A Bonds: The City's Combined Waterworks and Sewerage System Revenue Bonds, Series 1987, dated November 18, 1987, issued in the original aggregate principal amount of $413,629, of which approximately $239,469 is currently outstanding, the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B (B1), dated May 4, 1988, issued in the original aggregate principal amount of $295,916, of which approximately $182,096 is currently outstanding, the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B (B2), dated May 20, 1988, issued in the original aggregate principal amount of $558,000, of which approximately $343,380 is currently outstanding, the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480, of which approximately $75,309 is currently outstanding, the City's Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000, of which approximately $8,430,000 is currently outstanding, the City's Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601, of which approximately $339,057 is currently outstanding, the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781, of which approximately $2,765,821 is currently outstanding, the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000, of which approximately $1,081,384 is currently outstanding, the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000, of which approximately $3,499,539 is currently outstanding, the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C (Insured), dated December 1, 2002, issued in the original aggregate principal amount of $4,135,000, of which approximately $3,985,000 is currently outstanding, and the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT-Uninsured), dated January 1, 2003, issued in the original aggregate principal amount of $1,000,000, of which approximately $970,000 is currently outstanding (collectively, the "Prior Bonds").

Sources of Payment

The payment of the debt service on the Series 2005 A Bonds shall be secured forthwith equally and ratably by a first lien on and pledge of the Gross Revenues derived from the System, on

parity with the Prior Bonds and any additional parity bonds that may hereafter be issued by the City as permitted by the Ordinance, and the Series 2005 A Bonds are also payable from the funds on deposit in the Series 2005 A Bonds Sinking Fund and the Reserve Account therein. Gross Revenues derived from the System in an amount sufficient to pay the principal of, premium, if any, and interest on the Bonds and to make the payments into the Series 2005 A Bonds Sinking Fund, to pay all operation and maintenance expenses and to pay all other payments provided for in the Ordinance, and the funds in the Series 2005 A Bonds Sinking Fund and the Reserve Account therein, are irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Series 2005 A Bonds as the same become due and for the other purposes provided in the Ordinance.

Rate Covenant

Prior to the issuance of the Series 2005 A Bonds, rates or charges for the use of the services and facilities of the System will be fixed and established, all in the manner and form required by law, and a copy of such rates and charges so fixed and established shall at all times be kept on file in the office of the Clerk of the City, which copy will be open to inspection by all interested parties. The schedule or schedules of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds and accounts created hereunder. Such schedule or schedules of rates and charges shall be revised from time to time, whenever necessary, so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in income and revenues, the City has covenanted and agreed that the schedule or schedules of rates or charges from time to time in effect shall be sufficient to produce Gross Revenues (i) to provide for all Operating Expenses of the System and (ii) to have a balance each year equal to not less than 115% of the Maximum Annual Debt Service on the Bonds in any Fiscal Year. All such rates and charges, if not paid when due, shall constitute a lien upon the premises served by the System. For purposes of this test, the terms "Gross Revenues" shall include proceeds from the sale of capital assets but does not include any increase in the value of capital assets (including Qualified Investments). In any event, the City shall not reduce the rates or charges of the System set forth in the rate ordinance enacted by the City on May 3, 2005.

The City further covenanted that it will enact any rate increases, subject, however, to potential review by the Public Service Commission of West Virginia, as shall be required to comply with the aforementioned rate covenant, to the extent and in the manner authorized by law, immediately following a determination by the City or upon an annual audit of the City that the City is not in compliance with such rate covenant.

Series 2005 A Bonds Reserve Account

$193,750 of proceeds of the Series 2005 A Bonds will be deposited in the Series 2005 A Bonds Reserve Account.

In the event of a transfer from the Series 2005 A Bonds Reserve Account to the Series 2005 A Bonds Sinking Fund as aforesaid, the City shall restore the balance to the Series 2005 A Bonds Reserve Account in an amount up to the Series 2005 A Bonds Reserve Requirement, and the City shall replenish the Series 2005 A Bonds Reserve Account as provided in the Ordinance.

Application of Revenues

The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited by the City in the Revenue Fund. The Revenue Fund shall be kept separate and distinct from all other funds of the City and the Depository Bank and used only for the purposes and in the manner herein provided. All Revenues at any time remaining on deposit in the Revenue Fund shall be disposed of only in the following manner and order of priority:

(1) The City shall first, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission for deposit in the Sinking Funds of the Prior Bonds, the amounts required by the Prior Ordinances to pay the interest on the Prior Bonds and commencing 7 months prior to the first interest payment date of the Series 2005 A Bonds, for deposit in the Series 2005 A Bonds Sinking Fund, a sum equal to 1/6th of the amount of interest which will become due on the Series 2005 A Bonds on the next ensuing semiannual interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2005 A Bonds Sinking Fund and the next ensuing semiannual interest payment date is more or less than 7 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing semiannual interest payment date, the required amount of interest coming due on such date; provided further that, the initial amount required to be transferred from the Revenue Fund and deposited in the Series 2005 A Bonds Sinking Fund shall be reduced by the amount of accrued interest on the Series 2005 A Bonds deposited therein.

(2) The City shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission for deposit in the Sinking Funds of the Prior Bonds, the amounts required by the Prior Ordinances to pay the principal on the Prior Bonds and commencing 13 months prior to the first principal payment date or mandatory Redemption Date of the Series 2005 A Bonds, for deposit in the Series 2005 A Bonds Sinking Fund and in the Series 2005 A Bonds Redemption Account therein in the case of the Term Bonds which are to be redeemed, a sum equal to 1/12th of the amount of principal which will mature or be redeemed and become due on the Series 2005 A Bonds on the next ensuing annual principal payment date or mandatory Redemption Date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2005 A Bonds Sinking Fund and the next ensuing annual principal payment date or mandatory Redemption Date is more or less than 13 months, then such monthly payments shall be decreased or increased proportionately to provide, 1 month prior to the next ensuing annual principal payment date or mandatory Redemption Date, the required amount of principal coming due on such date.

Moneys in the Series 2005 A Bonds Sinking Funds shall be used only for the purposes of paying principal of and interest on the Series 2005 A Bonds, whether by maturity or redemption prior to maturity and, with respect to the Series 2005 A Bonds Reserve Accounts therein, any amounts necessary to fund such Reserve Account to maintain the Series 2005 A Bonds Reserve Account Requirement. Pending such use, such moneys shall be invested in accordance with the Ordinance.

The City shall not be required to make any further payments into the Series 2005 A Bonds Sinking Fund when the aggregate amount of funds therein, including the Series 2005 A Bonds Reserve Account therein, is at least equal to the aggregate principal amount of Series

2005 A Bonds then Outstanding, plus the amount of interest due or thereafter to become due on such Bonds then Outstanding.

As and when additional Bonds ranking on a parity with the Series 2005 A Bonds are issued, provision shall be made for additional deposits into the Series 2005 A Bonds Reserve Account sufficient to maintain the Series 2005 A Bonds Reserve Account Requirement in accordance with the provisions of the Ordinance.

The payments into the Series 2005 A Bonds Sinking Funds shall be made on the first day of each month, except that, when the first day of any month shall be a Saturday, Sunday or legal holiday, then such payments shall be made on the next succeeding Business Day, and all such payments shall be remitted to the Bond Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of the Ordinance.

(3) The City shall next, on the first day of each month, transfer from the Revenue Fund and simultaneously remit to the Bond Commission (i) for deposit in the Reserve Accounts of the Prior Bonds, the amount required by the Prior Ordinances; and (ii) for deposit in the Series 2005 A Bonds Reserve Account, an amount sufficient to remedy any decrease in value of the Series 2005 A Bonds Reserve Account below the Series 2005 A Bonds Reserve Requirement or any withdrawal from the Series 2005 A Bonds Reserve Account, beginning with the first full calendar month following the date on which (a) the valuation of investments in the Series 2005 A Bonds Reserve Account results in a determination that the amount of moneys and the value of the Qualified Investments deposited to the credit of the Series 2005 A Bonds Reserve Account is less than the Series 2005 A Bonds Reserve Requirement, or (b) any amount is withdrawn from the Series 2005 A Bonds Reserve Account for deposit into the Series 2005 A Bonds Sinking Fund. To the extent Gross Revenues and any other legally available funds are available therefor, the amount so deposited shall be used to restore the amount of moneys on deposit in the Series 2005 A Bonds Reserve Account to an amount equal to the Series 2005 A Bonds Reserve Requirement to the full extent that such Gross Revenues are available; provided however, that if the shortfall in the Series 2005 A Bonds Reserve Account is due to a decrease in value of investments therein, such shortfall shall be replenished by not less than 4 equal monthly payments, and if such shortfall is due to a withdrawal from the Series 2005 A Bonds Reserve Account, such shortfall shall be replenished by not less than 12 equal monthly payments, and provided further, that no payments shall be required to be made into the Series 2005 A Bonds Reserve Account whenever and as long as the amount on deposit therein shall be equal to the Series 2005 A Bonds Reserve Requirement.

Amounts in the Series 2005 A Bonds Reserve Account shall be used only for the purpose of making payments of principal of and interest on the Series 2005 A Bonds when due, when amounts in the Series 2005 A Bonds Sinking Fund are insufficient therefor and for no other purpose.

(4) The City shall next, each month, pay from the Revenue Fund the current Operating Expenses.

(5) The City shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, transfer to the Repair and Replacement Fund a sum equal to not less than 2 1/2% of the Gross Revenues each month (as previously set forth in the Prior Ordinances and not in addition thereto), exclusive of any payments for account of any Reserve Account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of

the Depository Bank and shall be invested and reinvested in accordance with Article VIII hereof. Subject to the restrictions contained in the Prior Ordinances, so long as the Prior Bonds are outstanding, withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, or improvements or extensions to the System; provided, that any deficiency in any Reserve Account, except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof, shall be promptly eliminated with monies from the Renewal and Replacement Fund.

(6) Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by the Act, such excess shall be considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System. Any Surplus Revenues then remaining in the Revenue Fund may be used for any lawful purpose of the System.

Enforcement of Collections

The City covenants in the Ordinance to diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals and other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia or otherwise by the laws of the State. The City further covenants and agrees in the Ordinance that it will, subject to the laws of the State and regulations of the Public Service Commission of West Virginia, discontinue water services to all delinquent users of services and facilities of the System, until such delinquent amounts, plus reasonable interest and penalty charges thereon, have been fully paid or an appropriate payment plan has been established. (See "THE SYSTEM - Customer Statistics.")

Additional Parity Bonds

So long as the Prior Bonds are Outstanding, the limitations and requirements on the issuance of parity obligations set forth in the Prior Ordinances shall be applicable. No additional Parity Bonds, payable out of the Gross Revenues of the System shall be issued after the issuance of any Bonds pursuant to the Ordinance, except under the conditions and in the manner herein provided.

No such Additional Parity Bonds shall be issued except for the purpose of financing the costs of the design, acquisition or construction of additions, betterments or improvements to the System, refunding all or a portion of one or more series of Bonds issued pursuant hereto or the Prior Bonds, to pay claims which may exist against the revenues or facilities of the System or all of such purposes.

No such Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Clerk a written statement by an Independent Accountant, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during 12 consecutive months in the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the

issuance of such Additional Parity Bonds, shall be not less than 115%, of the Maximum Annual Debt Service on the following:

(1) The Series 2005 A Bonds then outstanding;

(2) The Prior Bonds then Outstanding;

(3) Any Additional Parity Bonds then Outstanding; and

(4) The Additional Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues expected to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from the improvements to be financed by such Additional Parity Bonds and any increase in rates enacted by the City, the time for appeal of which shall have expired (without successful appeal) prior to the date of delivery of such Additional Parity Bonds, and shall not exceed the amount to be stated in a certificate of Independent Accountant, which shall be filed in the office of the Clerk prior to the issuance of such Additional Parity Bonds.

The Net Revenues actually derived from the System during the 12 consecutive month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Consulting Engineers and the Independent Accountant, as stated in a certificate, on account of increased rates, rentals, fees and charges for the System enacted by the City, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such Additional Parity Bonds.

The term "Additional Parity Bonds," as used in this section, shall be deemed to mean additional bonds issued under the provisions and within the limitations of this section and the Prior Ordinance, payable from the Gross Revenues of the System on a parity with the Series 2005 A Bonds and the Prior Bonds, and all the covenants and other provisions of the Ordinance (except as to details of such additional parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Series 2005 A Bonds and the Prior Bonds and the Holders of any Additional Parity Bonds theretofore or subsequently issued from time to time within the limitations of and in compliance with this section. All the Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Gross Revenues of the System, and their source of and security for payment from said Gross Revenues, without preference of any Bond over any other. The City shall comply fully with all the increased payments into the various funds and accounts created in the Ordinance required for and on account of such Additional Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to the Ordinance.

The term "Additional Parity Bonds," as used in this section, shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the Revenues of the System is subject to the prior and superior lien of the Bonds on such Revenues. Any such subordinate bonds, notes, certificates or other obligations shall be payable from Net Revenues remaining after all payments required to be made pursuant to Section 4.03 (1), (2) and (3) have first been paid. The City shall not issue any obligations whatsoever payable from the Revenues of the System, or any part thereof, which rank prior to

or equally, as to lien on and source of and security for payment from such Revenues, with the Series 2005 A Bonds, except in the manner and under the conditions provided in this section.

No Additional Parity Bonds, as in this section defined, shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in the Ordinance and the Prior Ordinances with respect to the Bonds then Outstanding (excluding the Renewal and Replacement Fund), and any other payments provided for in the Ordinance and the Prior Ordinances, shall have been made in full as required to the date of issuance of the Parity Bonds, and the City then be in full compliance with all the covenants, agreements and terms of the Ordinance and the Prior Ordinances and every ordinance supplemental thereto, or shall have fully corrected any delinquency or deficiency in such payments and compliance.

THE SYSTEM

The City has operated a water treatment and distribution system since 1961 and a sewerage collection and treatment system since 1928. The systems are legally combined.

Water

The City's water treatment plant is a state of the art facility utilizing complete recycling of backwash and system overflows, gravity plate settlers, sludge concentrators and declining rate filter. The water treatment plant is designed to operate at 2.8 million gallons per day (MGD).

Raw water is obtained from the Shenandoah River through a single intake screen and 20-inch intake line that feeds into a 3.0 MGD pump station. The intake is approximately 600 feet upstream of the Route 9 bridge. The Shenandoah River is part of the Chesapeake Bay Watershed and has a drainage area of approximately 3,000 square miles. The plant is designed to produce an adequate supply of water meeting the requirements of the Safe Drinking Water Act.

According to a June 30, 2004 bill analysis, approximately 5,424 monthly billings were made by the water system, of which 4,091 were residential, 1,328 were commercial, and 5 were industrial.

Water Usage – Annual Gallons Sold

Fiscal Year (ending June 30)	Residential	Commercial	Other	Total Customers
2000	157,200,000	87,098,000	6,433,000	3,829
2001	145,318,000	99,556,000	10,611,000	4,158
2002	145,318,000	99,556,000	10,718,000	4,456
2003	184,522,000	91,505,000	5,297,000	4,815
2004	226,927,000	87,895,000	5,279,000	5,424

Sewer

The City owns, operates and maintains a wastewater treatment plant and a collection system, extending throughout the City and into the Town of Ranson and the Jefferson County Public Service District, consisting of approximately 85 miles of sewer main. All operating and

maintenance expenses, in addition to capital improvement expenditures, for the 1.2 MGD treatment plant are evenly split between the three entities pursuant to an existing long term sewer service agreement. Until operational problems at the treatment plant became too prevalent due to overloading, the facility also received septage from several local septage haulers. The plant discharges its treated effluent to Evitts Run, a tributary of the Shenandoah River.

According to a recent survey of sewer customers, as of June 30, 2004, approximately 13,555 residents were served by the wastewater treatment plant. This number was derived from metered water billing accounts and 2000 census information. The breakdown of residential customers in the three service entities is as follows:

Charles Town:	1,569 residences @ 2.26 people/residence	=	3,546
Ranson:	1,453 residences @ 2.44 people/residence	=	3,545
Jefferson Co. PSD:	2,545 residences @ 2.54 people/residence	=	6,464
			13,555

Sewer Service Area

The Charles Town Wastewater Treatment Plant serves the following areas of Jefferson County:

North to the Bardane and Burr Industrial Parks including Jefferson High School and the Job Corps Center. This northern area is further described to include the subdivisions of Walnut Grove, Security Hills, Breckenridge, Briar Run, Flowing Springs, Patrick Henry as well as the Charles Town Plaza that includes Wal-Mart, Jefferson Crossing Shopping Center and the Charles Town Race Track.

The eastern boundary is described as approximately the Halltown area south of the railroad track, then in a southerly direction further bounded approximately by Marlowe Road.

West along the Frontage Road off U. S. Route 340 on the South to the Route 9 Bypass, encompassing all of Charles Town and Ranson. South and west approximately bounded by Huyett Road and Summit Point Road. Due west outside the corporate limits of Ranson to include Orchard Hills subdivision north to Leetown Pike.

Mayor/Council

The City is governed by an elected Mayor and Council. The Mayor and Council members, terms and occupations are listed below:

Mayor/Council	Term	Occupation
J. Randolph Hilton (Mayor)	6/01 to 6/05	Retired
Randy Breeden	6/03 to 6/07	Information Technology Specialist
Violet Lowery	6/01 to 6/05	Retired
John A. Ward	6/03 to 6/07	Retired
Timothy P. Robinson	6/01 to 6/05	Auto Technician/Reverend
Matthew W. Ward	6/03 to 6/07	Attorney
Russell C. Miller, Jr.	6/01 to 6/05	Retired
William F. Jordan	6/03 to 6/07	School Bus Operator
Geraldine Willingham	6/01 to 6/05	Retired

On May 26, 2005, a new Mayor and three (3) new Council members were elected and are scheduled to take office on June 6, 2005. The new Mayor and Council members, terms and occupations are listed below:

Mayor/Council	Term	Occupation
Peggy A. Smith (Mayor)	6/05 to 6/09	Retired
Sandra Slusher McDonald	6/05 to 6/09	Administrative Assistant
Amy Schmitt	6/05 to 6/09	Homemaker
Donald W. Clendening	6/05 to 6/09	Retired

Jane E. Arnett, a certified public accountant, has been the City Manager for the past 11 years. In addition to the City Manager, the City has 44 full-time employees.

Utility Board

Pursuant to the Act and the Board Ordinance, the System is operated by a Utility Board appointed by the Council. Utility Board members include Locke Wysong, Peter Kubic, Registered Professional Engineer, Thomas W. Stocks, Charles W. Kline and the City Manager. The Board employs a Utility Manager, 15 full-time and 1 part-time employees, including a Class III, Wastewater Plant Operator/Superintendent and a Class III, Water Treatment Plant Operator/Superintendent.

Summary Of Past Projects

The City is committed to continue improvements in the operation of the water and wastewater portions of the System. A brief history of the past projects and significant improvements under the current management include:

- Completed a water loss audit by an independent engineering firm (ACER Engineers & Consultants, Inc.).
- Implemented the recommendations of the audit through adoption of a water loss mitigation plan, a 100% water meter replacement program and hardware and software upgrades, to provide increased cash flow.
- Under West Virginia Senate Bill 568, requested and had completed a Public Service Commission audit.
- Adopted Finance Policy F1-1, *Collection Procedures,* to comply with PSC Rule 4.8, *Utility Discontinuance of Service,* to improve water and sewer collections.
- With regard to wastewater treatment and following a Pre-Application and Feasibility Study, an Inflow and Infiltration Study, an Influent BOD Source Study, Volumetric Metering of Effluent Flow, and Facilities Plan, the City completed a $4.3 million upgrade to a sequential batch reactor system at the Wastewater Treatment Plant.
- Preliminary Infrastructure Council Application and Division of Environmental Protection Application filed for relocating the wastewater effluent discharge from Evitts Run, a secondary trout stream, to the Shenandoah River.
- Completed approximately $350,000 in renovation work to the present City Hall building for improved handicap accessibility, and mechanical and electrical systems upgrades that included new computer cabling to improve network and on-line capabilities. This building houses certain water and wastewater administrative functions.
- Facilities Plan for Water System completed March 2001.

- Purchased a private utility with 175 customers, that includes a Super Wal-Mart. Purchased the assets of the Charles Town Races and Gaming private water system and connected the property to the City of Charles Town Water System.

- Acquired of the assets of the existing Tuscawilla Utilities water and sewer systems, the engineered a water connecting line, constructed one Tuscawilla water tank and one Huntfield development water tank. Tuscawilla serves approximately 825 residential customers.

- Acquired an approximately one mile water main to connect the System to the Huntfield development water system. This new development of approximately 1,000 acres has the capacity to accommodate over 3,000 homes.

- Completed in 2003, the Downtown Revitalization Project and Phase I Water Improvement Project totaled $6.7 million. The $2 million Downtown Revitalization Project was funded primarily by State and Federal grant funding ($1.4 million) to install new sidewalks, street areas, lighting and furniture that enhanced a state transportation corridor in the historic downtown area by promoting walkability and supporting tourism and economic development. Concurrently, a water line replacement project was completed through the downtown ensuring adequate fire flows in the National Register of Historic Places district. Finally, new water storage and three additional miles of water mains were installed.

Customer Statistics

The average number of System customers for the past ten Fiscal Years are as follows:

Fiscal Year (ending June 30)	Number of Water Customers	Number of Sewer Customers (Charles Town Only)
1995	3,440	1,407
1996	3,466	1,412
1997	3,486	1,423
1998	3,634	1,422
1999	3,674	1,429
2000	3,829	1,420
2001	4,158	1,416
2002	4,456	1,513
2003	4,815	2,427
2004	5,424	2,499

In addition to its residential and commercial customers, the City treats the wastewater from the City of Ranson and Jefferson County Public Service District.

Source: City of Charles Town

The following table sets forth the **ten largest customers of the water portion** of the System and related annual revenues for the fiscal year ended June 30, 2004.

Customer	Annual Revenue
1. PNGI	$48,059
2. Peter Chakmakian	$34,604
3. Apple Tree Garden Apts.	$30,348
4. Habitat America, LLC	$25,293
5. Jefferson Memorial Hospital	$22,878
6. Ruby Tuesday Inc.	$17,481
7. Gantt Miller/Chew House	$16,623
8. C.T. Associates/Charles Towers	$16,213
9. H.Q.M. of CT, LLC	$15,975
10. Kidde Fire Fighting	$13,417

Source: City Billing Records.

The following table sets forth the **ten largest customers of the sewer portion** of the System and related annual revenues for the fiscal year ended June 30, 2004.

Customer	Annual Revenue
1. Gantt Miller/Chew House	$13,429
2. H.Q.M. of CT, LLC	$13,160
3. C.T. Associates/Charles Towers	$11,790
4. Northgate Inn	$11,700
5. Patrick Henry Apts.	$ 8,828
6. Spring Run Apts.	$ 6,320
7. TLC Laundromat	$ 5,278
8. WalMart	$ 4,610
9. KFC	$ 3,310
10. Sun Chen Restaurant	$ 2,464

Source: City Billing Records.

Rates

Pursuant to the Act, the governing body of a municipality, or independent board charged with such responsibility, must fix minimum rates and charges for the use of its municipal water and sewerage systems and may increase such rates whenever deemed necessary. Such rates and charges are required by the Act to be sufficient at all times to provide for the payment of interest on all bonds issued pursuant to the Act and to create a sinking fund to pay the principal of such bonds as and when the same becomes due, and reasonable reserves therefore, to provide for the repair, maintenance and operation of the water and sewerage systems, to provide an adequate depreciation fund and to make any other payments required or provided for in the applicable bond ordinance.

Chapter 8, Article 20 of the Code of West Virginia, 1933, as amended, provides that rates and charges established by municipally operated utilities shall be just, reasonable, applied without unjust discrimination or preference and based primarily on the costs of providing service. Such rates and charges must be filed with the Public Service Commission of West Virginia (the "PSC") but generally are not subject to regulatory approval. However, any

customer of a municipally operated utility aggrieved by a rate change may present to the PSC within 30 days of the enactment of the ordinance providing for the change a petition signed by not less than 25 percent of the customers served by the utility. Within 100 days from the filing of any such petition, a hearing examiner must issue an order approving, disapproving or modifying the rate increase. Such order has the full force and effect of an order issued by the PSC. Also, if a municipally operated utility serves customers outside the boundaries of the municipality, the PSC is empowered to review, approve or modify such rates if, within 30 days of the adoption of the ordinance providing for such rates, a customer (including a wholesale user) alleges that such rates constitute discrimination between customers within and without the municipal boundaries. The PSC may determine the method by which such rates are reviewed and may grant and conduct a new hearing on the matter if the customer or the municipality requests such a hearing.

Current Water Rates

The Town Council enacted a water rate increase on September 3, 2003. The current rates are as follows:

Schedule I – applicable to entire area served excluding the subdivisions of Tuscawilla Hills and Locust Hills

Water Rates (Based upon the metered amount of water supplied)

First	10,000 gallons used per month	$6.67 per 1,000 gallons
Next	30,000 gallons used per month	$5.67 per 1,000 gallons
All over	40,000 gallons used per month	$4.48 per 1,000 gallons

No billing will be rendered for less than the following amounts, according to the size of the meter installed:

5/8" of 5/8" x ¾	Meter	$16.68 per month
¾"	Meter	$25.02 per month
1"	Meter	$41.70 per month
1-1/2"	Meter	$83.40 per month
2"	Meter	$133.40 per month
3"	Meter	$250.20 per month
4"	Meter	$417.00 per month
6"	Meter	$834.00 per month

Flat Rate

For Domestic, Commercial or Industrial Customer --$30.02 per month for 4,500 gallons.

Delayed Bill

The above schedule is net. On all accounts not paid in full within twenty (20) days after the day of the bill, ten percent (10%) will be added to the net amount shown. The delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

Security Deposit

The security deposit for water service shall be $36.50.

Tapping Fee

A fee of $350.00 will be charged for connecting to the system.

Rates for Fire Protection - Public

Fire Hydrants, each	$72.00 per annum

Rates for Fire Protection - Private

Fire Hydrants, each	$72.00 per annum
Sprinkler Heads, each	$00.20 per annum

Schedule II – applicable to the subdivisions of Tuscawilla Hills and Locust Hills

Water Rates (Based upon the metered amount of water supplied)

Rates until the entire subdivisions of Tuscawilla Hills and Locust Hills are connected to the City of Charles Town Water System:

First	4,000 gallons used per month	$5.77 per 1,000 gallons
Next	6,000 gallons used per month	$4.95 per 1,000 gallons
Over	10,000 gallons used per month	$4.12 per 1,000 gallons

Upon connection to the City of Charles town Water System:

First	10,000 gallons used per month	$6.67 per 1,000 gallons
Next	30,000 gallons used per month	$5.67 per 1,000 gallons
Over	40,000 gallons used per month	$4.48 per 1,000 gallons

Minimum Charge until the entire subdivisions of Tuscawilla Hills and Locust Hills are connected to the City of Charles Town Water System:

$23.08 per month

Upon connection to the City of Charles Town Water System, no bill will be rendered for less than the following amounts, according to the size of the meter installed, to-wit:

5/8	inch or 5/8 inch x 3/4 inch meter	$ 16.68 per month
3/4	inch meter	25.02 per month
1	inch meter	41.70 per month
1 - 1/2	inch meter	83.40 per month
2	inch meter	133.40 per month
3	inch meter	250.20 per month
4	inch meter	417.00 per month
6	inch meter	834.00 per month

Flat Rate

Flat Rate until the entire subdivisions of Tuscawilla Hills and Locust Hills are connected to the City of Charles Town Water System:

N/A

Upon connection to the City of Charles Town Water System:

For Domestic, Commercial or Industrial Customers
$30.02 for 4,500 gallons per month

Delayed Bill

The above schedule is net. On all accounts not paid in full within twenty (20) days after the day of the bill, ten percent (10%) will be added to the net amount shown. The delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

Security Deposit

The security deposit for water service shall be $36.50.

Tapping Fee

A fee of $350.00 will be charged for connecting to the system.

Cost Of Water Produced

Cost of Water charge until the entire subdivisions of Tuscawilla Hills and Locust Hills are connected to the City of Charles Town Water System:

$0.50 per 1,000 gallons. To be used when the bill reflects unusual consumption which can be attributed to eligible water leakage on the customer's side of the meter. This rate shall be applied to all such unusual consumption above the customer's historical average usage.

Schedule III

Capacity Improvements Capital Cost Fee

In addition to all the fees provided above, there shall be paid to the City at the time the application is made for connection of an unserved facility to the water system a capacity improvement capital cost fee of $750 for each residential connection. Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule set forth hereinafter. The funds collected from the capacity improvement capital cost fee shall be maintained in a separate fund by the Water System and shall be used only for the purpose of improving the water system treatment, storage and transmission facilities. These charges shall also be paid by customers of the water system who resell water supplied by the City to its customers in the same amount as if those connected to the resale equivalent for other that single family residential units for the capacity improvements capital cost free are as follows:

RESIDENTIAL USAGE EQUIVALENTS FOR CAPACITY IMPROVEMENTS CAPITAL COST FEE

UNIT	GALLONS PER DAY	RESIDENTIAL USAGE EQUIVALENT
Apartments	150/unit	1.0/unit
Bowling Alleys	200/alley	1.33/alley
Churches With Kitchen	8/member	0.05/member
Churches w/o kitchen	2/member	0.013/member
Food Service	32/seat	0.213/seat
Fast Food Restaurant	35/seat	0.23/seat
Bar & Cocktail Lounge (add.)		2/patron0.013/patron
Tavern-Little or No food	20/seat	0.132/person per shift
Hotel	120/room	0.8/person per shift
Industry, Sanitary	15/person/shift	0.1 person per shift
INSTITUTIONS		
Hospital	250/bed	1.67/bed
Nursing Home	150/bed	1.0/bed
Others	75/bed	0.5/bed
Office Buildings	15/person	0.1/person
Laundry Self Service	250/washer	1.67/washer
Mobile Home Park	150/unit space	1.0 unit space
Motels	120/room	0.8/room
Retail Stores	400/toilet room	2.67/toilet room
Residence	150/residence	1.0 residence
SCHOOL		
Day, no cafeteria/Showers	15/pupil	0.1/pupil
Day with cafeteria	18/pupil	0.12/pupil
Day with cafeteria/Showers	20/pupil	0.133/pupil
Boarding	75/pupil	0.5/pupil
Service Station	500/set of pumps	3.33/set of pumps
Shopping Centers	16/100 ft. of sales area	0.12/100ft. of sales area
Swimming Pools	10/swimmer design capacity	0.067/swimmer design capacity
THEATERS		
Drive In	4/car space	0.027/car space
Others	3/seat	0.02/seat
Warehouse	15/employee	0.1/employee

If a unit does not appear on this schedule the water department shall determine its Residential Usage Equivalent in consultation with its consulting engineer.

Current Sewer Rates

The Town Council enacted a sewer rate increase on May 3, 2005. The current rates are as follows:

Availability

Available for general domestic, commercial and industrial service and sale for resale sewer service.

Rate

First	2,000 gallons used per month	$7.65 per 1,000 gallons
Next	8,000 gallons used per month	$5.50 per 1,000 gallons
Next	20,000 gallons used per month	$5.00 per 1,000 gallons
All Over	30,000 gallons used per month	$4.43 per 1,000 gallons

Minimum Bill

No bill shall be rendered for less than $15.30 per month, which is the equivalent of 2,000 gallons.

Flat Rate Charge (Customers with non-metered water supply)

Equivalent of 4,500 gallons of water usage, $29.05 per month

Resale Rate

$3.36 per 1,000 gallons per month

Resale Credit (Applicable only to Jefferson County Public Service District)

A monthly credit of $3,451 per month will be credited against the respective bill rendered to Jefferson County Public Service District for debt incurred by the District as part of the 2000 Charles Town Treatment Plant upgrade. This credit will remain in effect until the indebtedness associated with the respective upgrade is satisfied (Matures 2031).

Transportation Credit (Applicable only to Jefferson County Public Service District)

A monthly credit of $1,009 per month will be credited against the respective bill rendered to Jefferson County Public Service District for reimbursement of fixed debt associated with lift stations needed to transport Charles Town's sewage from the former Sanitary Associates service area. The credit will be given until the indebtedness is satisfied. In addition to the monthly credit of $1,009, a transportation credit of $1.65 per thousand gallons shall be provided to the Jefferson County Public Service District for all flows from the former Sanitary Associates area.

Delayed Payment Penalty

The above schedule is net. On all current usage billings not paid in full within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. The delayed

payment penalty is not interest and is only to be collected only once for each bill where it is appropriate.

Tap Fee

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of $400.00 will be charged to customers applying for service outside of a certificate proceeding before the Commission for each new tap to the system.

Returned Check Charge

If a check is returned by the bank for any reason, the bank's charge to the Utility shall be the Utility's charge to the customer for such a bad check, but such charge to customers shall not exceed $25.00.

Leak Adjustment

$0.52 per 1,000 gallons of water is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on the customer's side of the meter. This rate shall be applied to all such consumption above customer's historical average usage.

Security Deposit

A deposit of $50.00 or 2/12 of the average annual usage of the applicant's specific customer class, whichever is greater.

Applicability

Applicable to Developers, which is defined as a person, corporation or entity who is in the business of land and/or commercial or housing development for profit, or a person, corporation, or entity who requests an alternate main line extension that includes the installation of mains by the person, corporation or entity. Applicable to non-Developers when the property at issue is a subdivided portion of a Previously Developed Tract. The term "Previously Developed Tract" as used in this Order is defined as property previously subdivided for commercial or housing development, for profit. Owners of existing or new (being constructed) single-family structures, where the person applying for service will be the customer of record, and the proposed service location is not part of a Previously Developed Tract, shall be exempt from payment of the Capital Capacity Improvement Fee.

Capacity Improvement Capital Cost Fee

There shall be paid to the City at the time of issuance by the City of a final sewer availability letter for the property to be served a capital capacity improvement fee of $1,127 for each residential connection. Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule set forth below. The funds collected from the capital capacity improvement fee shall be maintained in a separate fund administered jointly by the City, Jefferson County PSD and the City of Ranson or their designees and shall be used only for the purpose of improving the City's treatment facilities. The usage equivalent for other than single

family residential units for the capital capacity improvement fee shall be based upon the following:

UNIT	WATER GALLONS/DAY	RESIDENTIAL USAGE EQUIVALENT
Apartments	150/unit	1.0/unit
Bowling Alleys	200/alley	1.33/alley
Churches w/ Kitchen	8/member	0.05/member
Churches w/o Kitchen	2/member	0.013/member
Food Service	32/seat	0.213/seat
Fast Food Restaurant	35/seat	0.23/seat
Bar & Cocktail Lounge (additive)	2/patron	0.013/patron
Tavern-Little or no Food	20/seat	0.132/per seat
Hotel	120/room	0.8/room
Industry, sanitary	15/person/shift	0.1/person per shift
Institutions:		
Hospital	250/bed	1.67/bed
Nursing Home	150/bed	1.0/bed
Others	75/person	0.5/person
Office Buildings	15/person	0.1/person
Laundry Self Service	250/washer	1.67/washer
Motels	120/rooms	0.8/room
Retail Stores	400/toilet room	2.67/toilet room
Residence	150/residence	1.0/residence
Schools:		
Day, no cafeteria/showers	15/pupil	0.1/pupil
Day with cafeteria	18/pupil	0.12/pupil
Day with cafeteria/showers	20/pupil	0.133/pupil
Boarding	75/pupil	0.5/pupil
Service Station	500/set of pumps	3.33/set of pumps
Shopping Centers	16/100ft. of sales area	0.12/100ft. of sales area
Swimming Pools	10/swimmers design capacity	0.067/swimmer design capacity
Capacity Theaters	3/seat	0.02/sea
Warehouse	15/employee	0.1/employee

If a unit does not appear on this schedule the sewer department shall determine its Residential Usage equivalent in consultation with its consulting engineer.

Summary Of Doubtful Accounts

Year Ended June 30	Operating Revenues	Provision for Doubtful Accounts	Accounts Receivable Written Off
1999	$2,244,640	-0-	$20,605
2000	$2,068,243	-0-	$ 5,076
2001	$1,972,845	-0-	$67,629

2002	$2,530,096	-0-	$42,791
2003	$2,911,334	-0-	$39,633
2004	$3,310,929	-0-	$47,610

Source: City Billing Records, Public Service Commission Annual Report

The City has covenanted to diligently enforce and collect all fees and charges as described in "SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE –General Covenants—Enforcement of Collections" herein.

System Budget and Expenditures

An operating budget is prepared annually by the Utility Board and is approved by the Council.

Method of Accounting

The accounts of the Water and Sewer Funds are organized on the basis of fund accounting as enterprise funds. With respect to operating revenues and expenses, the City accounts are maintained in accordance with generally accepted accounting principles. J. C. Kunkle & Associates, A.C. audited the records of the City for the fiscal year ended June 30, 2004. (See Appendix B – "Financial Statements of the City of Charles Town".)

Retirement System Contributions

	Fiscal Years Ended June 30,		
	2002	2003	2004
City Contribution Amount	$106,022	$130,471	$163,553

Source: City of Charles Town Audits

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ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each year the amounts payable from Revenues as principal of and interest on the Series 2005 A Bonds and the Prior Bonds.

Year Ended June 30	Existing Debt	2005 A Bonds	Total
2005	$1,483,850.78	-	$1,674,613.28
2006	$1,481,595.78	$160,762.50	$1,670,783.28
2007	$1,413,330.78	$190,762.50	$1,605,943.28
2008	$1,412,235.78	$189,187.50	$1,603,010.78
2009	$1,410,385.78	$192,612.50	$1,599,323.28
2010	$1,422,140.78	$190,775.00	$1,613,978.28
2011	$1,412,193.28	$188,937.50	$1,601,630.78
2012	$1,416,435.78	$191,837.50	$1,608,473.28
2013	$1,419,485.78	$189,437.50	$1,608,823.28
2014	$1,426,150.78	$192,037.50	$1,617,788.28
2015	$1,310,325.78	$189,337.50	$1,503,588.28
2016	$1,313,985.28	$191,637.50	$1,503,535.28
2017	$1,306,365.28	$193,262.50	$1,497,202.78
2018	$1,308,002.78	$189,550.00	$1,499,790.28
2019	$1,308,047.78	$190,837.50	$1,500,447.78
2020	$1,286,849.28	$191,787.50	$1,479,524.28
2021	$1,272,671.78	$192,400.00	$1,465,284.28
2022	$1,086,806.78	$192,675.00	$1,279,019.28
2023	$1,091,476.78	$192,612.50	$1,282,951.78
2024	$1,084,051.78	$192,212.50	$1,274,451.78
2025	$1,080,364.28	$191,475.00	$1,274,114.28
2026	$1,080,108.02	$190,400.00	$1,271,508.02
2027	$912,179.28	$193,750.00	$1,105,879.28
2028	$911,466.78	$191,400.00	$1,101,766.78
2029	$499,861.52	$193,700.00	$691,411.52
2030	$491,208.78	$190,300.00	$682,971.28
2031	$492,383.78	$191,550.00	$683,633.78
2032	$492,258.78	$191,762.50	$682,271.28
2033	$166,352.52	$191,250.00	$359,402.52
2034	$166,352.52	$190,012.50	$356,365.02
2035	$166,352.52	$193,050.00	$359,402.52
2036	$166,352.52		$166,352.52
2037	$166,352.52		$166,352.52
2038	$166,352.52		$166,352.52
2039	$166,352.52		$166,352.52
2040	$93,506.52		$93,506.52
2041	$93,506.52		$93,506.52
2042	$46,752.00		$46,752.00
Totals	$34,024,452.50	$5,711,312.50	$39,958,065.00

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

The following is a summary of certain provisions of the Ordinance. The summary does not purport to be a comprehensive statement of the terms and provisions thereof, for which reference is made to the complete text of the Ordinance, copies of which may be obtained from the City or, during the period of the offering of the Bonds, from the Underwriter.

Certain Definitions

All capitalized terms used in the Ordinance and not otherwise defined in the recitals hereto shall have the meanings specified below, unless the context expressly requires otherwise:

"Act" means Chapter 8, Article 20 of the West Virginia Code of 1931, as amended and in effect on the Closing Date for the Series 2005 A Bonds.

"Authorized Newspaper" means a financial journal or newspaper of general circulation in the City of New York, New York, printed in the English language and customarily published on each business day of the Registrar, whether or not published on Saturdays, Sundays or legal holidays, and so long as so published, shall include *The Bond Buyer*.

"Authorized Officer" means the Mayor or City Manager of the City or any other officer of the City specifically designated by resolution of the Council of the City.

"Board" shall mean the City of Charles Town Utility Board, created by an ordinance of the City, or any successor thereto.

"Bond Commission" means the West Virginia Municipal Bond Commission or any other agency of the State of West Virginia which succeeds to the functions of the Bond Commission.

"Bond Counsel" means any law firm having a national reputation in the field of municipal law whose opinions are generally accepted by purchasers of municipal bonds, appointed by the City or the Board, and shall initially mean Steptoe & Johnson PLLC, Charleston, West Virginia.

"Bondholder," "Holder," "Holder of the Bonds," "Owner of the Bonds," "Registered Owner," or any similar term means any person who shall be the registered owner of any outstanding Bond.

"Bond Register" means the books of the City maintained by the Registrar for the registration and transfer of Series 2005 A Bonds.

"Bond Year" means with respect to each series of Series 2005 A Bonds, the 12 month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, except that the first Bond Year shall begin on the Closing Date.

"Bonds" means, collectively, the Series 2005 A Bonds, the Prior Bonds and any additional parity Bonds hereafter issued within the terms, restrictions and conditions contained in the Ordinance.

"Business Day" means any day other than a Saturday, Sunday or a day on which national banking associations, West Virginia banking corporations or the New York Stock Exchange are authorized by law to remain closed.

"Certificate of Authentication and Registration" means the Certificate of Authentication and Registration on the Series 2005 A Bonds, in substantially the form set forth in EXHIBIT A – SERIES 2005 BOND FORM to the ordinance.

"City" or "Issuer" means the City of Charles Town, a municipal corporation of the State of West Virginia, in Jefferson County thereof, and, where appropriate, the Council, the Board and any successor thereto.

"City Manager" means the City Manager of the City.

"Closing Date" means the dates upon which there is an exchange of the Bonds for the proceeds representing the original purchase price thereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended and supplemented from time to time, and Regulations thereunder.

"Connection Fees" means the fees, if any, paid by customers of the System in order to connect thereto.

"Consulting Engineers" means any independent qualified engineer or engineers or firm or firms of engineers that shall at any time now or hereafter be retained by the City as Consulting Engineers for the System, or portion thereof.

"Costs" or similar terms means all those costs now or hereafter permitted by the Act to be financed with bonds issued pursuant hereto, including, without limitation, interest accruing or to accrue thereon, premiums for municipal bond insurance and reserve account insurance, letter of credit fees, expenses for fiscal or other agents, legal expenses and any other costs or expenses necessary, incidental, desirable or appurtenant to the issuance of the Series 2005 A Bonds.

"Council" means the City Council of the City or any other governing body of the City that succeeds to the functions of the Council as presently constituted.

"Debt Service" with reference to a specified period, means the amount of principal, including any sinking fund payments, and interest payable with respect to the Bonds during such period.

"Depository Bank" means the bank or banks to be designated as such in the Supplemental Resolution, and any other bank or national banking association located in the State of West Virginia, eligible under the laws of the State of West Virginia to receive deposits of state and municipal funds and insured by the FDIC that may hereafter be appointed by the City as Depository Bank.

"DTC" means The Depository Trust Company, New York, New York, or its successor thereof.

"DTC-eligible" means, with respect to the Series 2005 A Bonds, bonds meeting the qualifications prescribed by DTC.

"Event of Default" means any occurrence or event specified in Section 7.01.

"FDIC" means the Federal Deposit Insurance Corporation or any successor to the functions of the FDIC.

"Fiscal Year" means each 12-month period beginning on July 1 and ending on the succeeding June 30.

"Government Obligations" shall have the meaning set forth in the Supplemental Resolution.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts, and includes any proceeds from the sale or other disposition of capital assets, but does not include any increase in the value of capital assets (including Qualified Investments).

"Independent Accountant" means the West Virginia State Tax Department or any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the City to prepare an independent annual or special audit of the accounts of the System or for any purpose except keeping the accounts of said System in the normal operations of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or residential rental property for family units which is not located within the jurisdiction of the City and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Maximum Annual Debt Service" means, at the time of computation, the greatest amount of Debt Service required to be paid on the Bonds for the then current or any succeeding Fiscal Year.

"Mayor" means the Mayor of the City.

"Net Proceeds" means the face amount of the Series 2005 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds deposited in the Series 2005 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 2005 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means Gross Revenues less Operating Expenses.

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds of the Series 2005 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 2005 A Bonds.

"Operating Expenses," unless qualified, means the current expenses, paid or accrued, of repair, operation and maintenance of the System, and includes, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses (other than those capitalized as part of the costs of any project relating to the acquisition or construction of additions, betterments or improvements for the System), supplies, labor, wages, the cost of materials and supplies used for current operations, fees and expenses of fiscal agents and of the Depository Bank, Registrar and Paying Agent or Paying Agents, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles.

"Ordinance" or "Bond Ordinance" regardless of whether preceded by the article "the" or "this," means the Ordinance, as it may hereafter from time to time be amended or supplemented, by ordinance or by resolution.

"Original Purchaser" means the investment banking firm or firms, bank or banks or such other entity or entities as shall purchase the Series 2005 A Bonds directly from the City, as determined by a resolution supplemental to the Ordinance.

"Outstanding," when used with reference to the Series 2005 A Bonds or the Prior Bonds and as of any particular date, describes all Bonds theretofore and thereupon being issued and delivered except (a) any Bond or Prior Bond canceled by the registrar for such Bond or Prior Bonds at or prior to said date; (b) any Bond or Prior Bonds for the payment of which monies, equal to its principal amount, with interest to the date of maturity, shall be held in trust under this Ordinance and set aside for such payment (whether upon or prior to maturity); (c) any Bond deemed to have been paid as provided by Section 9.01 of the Ordinance; and (d) with respect to determining the number or percentage of Bondholders or Bonds or Prior Bonds for the purpose of consents, notices and the like, any Bond registered to the City. Notwithstanding the foregoing, in the event that a Bond Insurer has paid principal of and/or interest on any Bond or Prior Bond, such Bond or Prior Bond shall be deemed to be Outstanding until such time as such Bond Insurer has been reimbursed in full.

"Paying Agent" means, initially, the West Virginia Municipal Bond Commission, and any other paying agent for the Series 2005 A Bonds that may be appointed by a resolution supplemental to the Ordinance, all in accordance with Section 8.12 of the Ordinance.

"Prior Bonds" means, collectively, the Series 1987 B Bonds, Series 1988 B (B1) Bonds, Series 1988 B (B2) Bonds, Series 1989 B Bonds, Series 1998 Refunding Bonds, Series 1998 Design Bonds, Series 2000 A Bonds, Series 2002 A Bonds, Series 2002 B Bonds, Series 2002 C Bonds and the Series 2003 A Bonds, as more fully defined in Section 1.03B of the Ordinance.

"Prior Ordinances" means the ordinances of the City enacted November 16, 1987, April 18, 1988, May 16, 1988, April 3, 1989, March 16, 1998, June 19, 2000, and December 16, 2002, authorizing the issuance of the Prior Bonds.

"Private Business Use" means use directly or indirectly in a trade or business carried on by a natural person or in any activity carried on by a person other than a natural person, excluding, however, use by a state or local governmental unit and use as a member of the general public.

"Project" means the acquisition and construction of certain additions, betterments and improvements to the sewerage portion of the System, including the Phase One Wastewater Treatment Plant Upgrade Project and all necessary appurtenances.

"Purchase Price," for the purpose of computation of the Yield of the Series 2005 A Bonds, has the same meaning as the term "issue price" in Sections 1273(b) and 1274 of the Code, and, in general, means the initial offering price of the Series 2005 A Bonds to the public (not including bond houses and brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of the Bonds of each maturity is sold or, if the Series 2005 A Bonds are privately placed, the price paid by the first buyer of the Series 2005 A Bonds or the acquisition cost of the first buyer.

"Qualified Investments" means and includes the investments set forth in the Supplemental Resolution and designated as such.

"Record Date" means the date or dates which shall be so stated in the Series 2005 A Bonds, regardless of whether such day is a Saturday, Sunday or legal holiday.

"Recording Officer," "Recorder" or "Clerk" means the City Clerk of the City.

"Redemption Date" means the date fixed for redemption of Bonds subject to redemption in any notice of redemption published or mailed in accordance herewith.

"Redemption Price" means the price at which any of the Bonds may be called for redemption and includes the principal amount of the Bonds to be redeemed, plus the interest and the premium, if any, required to be paid to effect such redemption.

"Registrar" means the bank to be designated in the Supplemental Resolution as the Registrar for the Series 2005 A Bonds, and any successor thereto appointed in accordance with Section 8.08 of the Ordinance.

"Regulations" means temporary and permanent regulations promulgated under the Code, and includes applicable regulations promulgated under the Internal Revenue Code of 1954.

"Revenue Fund" means the Revenue Fund created by the Prior Ordinances and continued hereby.

"Series 2005 A Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable), of the City, originally authorized to be issued pursuant to the Ordinance and the Supplemental Resolution.

"Series 2005 A Bonds Acquisition and Construction Fund" means the Series 2005 A Bonds Acquisition and Construction Fund created by Section 4.01 of the Ordinance.

"Series 2005 A Bonds Costs of Issuance Fund" means the Costs of Issuance Fund created by Section 4.01 of the Ordinance.

"Series 2005 A Bonds Redemption Account" means the Redemption Account created in the Series 2005 A Bonds Sinking Fund by Section 4.02 of the Ordinance.

"Series 2005 A Bonds Reserve Account" means the Series 2005 A Bonds Reserve Account created in the Series 2005 A Bonds Sinking Fund by Section 4.02 of the Ordinance.

"Series 2005 A Bonds Reserve Account Requirement" means an amount equal to the lesser of (i) 10% of the original principal amount of the Series 2005 A Bonds, (ii) Maximum Annual Debt Service at the time of original issuance of the Series 2005 A Bonds, or (iii) 125% of average annual Debt Service at the time of original issuance of the Series 2005 A Bonds.

"Series 2005 A Bonds Sinking Fund" means the Series 2005 A Bonds Sinking Fund created by Section 4.02 of the Ordinance.

"State" means the State of West Virginia.

"Supplemental Resolution" means any ordinance or resolution amendatory or supplemental to an Ordinance of the City and, when preceded by the article "the," refers specifically to the Supplemental Resolution or Resolutions to be adopted by the City following enactment of the Ordinance, setting forth the final amounts, maturities, interest rates, redemption provisions, Bond Insurer provisions (if any) and other terms of the Series 2005 A Bonds and authorizing the sale of the Series 2005 A Bonds to the Original Purchaser; provided, that any provision intended to be included in the Supplemental Resolution and not so included may be contained in any other Supplemental Resolution.

"System" means the complete existing municipal waterworks and sewerage systems of the City, consisting of a water treatment and distribution system, including a water filtration and treatment plant, reservoirs, water tanks, distribution lines and booster stations, and a sewage treatment and collection system, including a sewage treatment plant, collection and transportation lines and lift stations, now owned by the City or any integral part thereof, and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or to the waterworks and sewage systems, and shall include any additions, betterments and improvements thereto hereafter acquired or constructed for said waterworks or sewage systems from any sources whatsoever, both within and without the City.

"Term Bonds" means Bonds subject to mandatory sinking fund redemption, as described by Section 3.06 of the Ordinance.

Application of Bond Proceeds

Upon the issuance and delivery of the Series 2005 A Bonds, the City shall forthwith deposit the proceeds thereof as follows:

1. All interest accrued on the Series 2005 A Bonds from the date thereof to the date of delivery thereof shall be deposited in the Series 2005 A Bonds Sinking Fund and applied to payment of interest on the Series 2005 A Bonds at the first interest payment date.

2. An amount of the proceeds of the Series 2005 A Bonds equal to the amount, if any, set forth in the Supplemental Resolution shall be remitted to the Bond Commission for deposit in the Series 2005 A Bonds Reserve Account, provided that, to the extent the Series 2005 A Bonds Reserve Requirement is satisfied in whole or in part from a reserve account letter of credit, surety bond or other credit facility, proceeds of the Series 2005 A Bonds shall be deposited in the Series 2005 A Bonds Reserve Account only to the extent needed to satisfy the balance of the Series 2005 A Bonds Reserve Requirement.

3. The amount of Series 2005 Bond proceeds which, together with other monies or securities deposited therein shall be equal to the Costs of Issuance of the Series 2005 A Bonds shall be deposited with the Depository Bank in the Series 2005 A Bonds Costs of Issuance Fund and shall be drawn out, used and applied by the City solely to pay costs of issuance of the Series 2005 A Bonds at the written direction of the City. Monies not to be applied immediately to pay such costs of issuance may be invested in accordance with this Ordinance, subject however, to applicable yield restrictions as may be in effect under the Code. If for any reason such proceeds, or any part thereof, are not necessary for, or are not applied to such purpose within 120 days following the Closing Date for the Series 2005 A Bonds, such unapplied proceeds shall be transferred by the City to the Series 2005 A Bonds Sinking Fund established in Section 4.01 of the Ordinance and applied to the next ensuing payment of interest on the Series 2005 A Bonds. All such proceeds shall constitute a trust fund for such purposes, and there hereby is created a lien upon such monies until so applied in favor of the Holders of the Series 2005 A Bonds from which such proceeds are derived.

4. The balance of Series 2005 A Bonds proceeds, if any, shall be deposited in the Series 2005 A Bonds Acquisition and Construction Fund and disbursed as provided in Section 3.16(A) of the Ordinance.

Investment of Funds

The City shall invest and reinvest, and shall instruct the Bond Commission and the Depository Bank to invest and reinvest, any moneys held as a part of the funds and accounts created by the Ordinance in Qualified Investments to the fullest extent possible under applicable laws, the Ordinance, the need for such moneys for the purpose set forth herein and the specific restrictions and provisions set forth in this section.

Except as provided below, any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The City shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The City may make any and all investments permitted by this section through the trust department of the Depository Bank. The Depository Bank shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The following specific provisions shall apply with respect to any investments made under this section:

(A) Qualified Investments acquired for the Series 2005 A Bonds Reserve Account shall mature or be subject to retirement at the option of the holder within not more than 5 years from the date of such investment.

(B) The City shall, or shall cause the Bond Commission to, annually transfer from the Series 2005 A Bonds Reserve Account to the Sinking Fund any earnings on the moneys

deposited therein and any other funds in excess of the Series 2005 A Bonds Reserve Account Requirement; provided, however, that there shall at all times remain on deposit in the Series 2005 A Bonds Reserve Account an amount at least equal to the Series 2005 A Bonds Reserve Account Requirement.

(C) In computing the amount in any fund or account, Qualified Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest. Valuation of all funds and accounts shall occur annually, except in the event of a withdrawal from the Series 2005 A Bonds Reserve Account, whereupon it shall be valued immediately after such withdrawal. If amounts on deposit in the Series 2005 A Bonds Reserve Account shall, at any time, be less than the Series 2005 A Bonds Reserve Requirement, the Bond Insurer shall be notified immediately of such deficiency and such deficiency shall be made up from the first available Gross Revenues after required deposits to the Sinking Fund and otherwise in accordance with the Ordinance.

(D) All amounts representing accrued and capitalized interest shall be held by the Bond Commission, pledged solely to the payment of interest on the Series 2005 A Bonds and invested only in Government Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(E) Notwithstanding the foregoing, all moneys deposited in the Series 2005 A Bonds Sinking Fund may be invested by the Bond Commission in the West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the Code of West Virginia, 1931, as amended.

General Covenants

Enforcement of Collections. The City or the Board will diligently enforce and collect all fees, rates, rentals or other charges for the services and facilities of the System and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges that become delinquent to the full extent permitted or authorized by the Act and the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Rate Covenants. The City has covenanted to fix, establish and collect rates and charges for the use of the services and facilities of the System that shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the Funds and Accounts created under the Ordinance. Such schedule of rates and charges shall be changed and adjusted, whenever necessary, so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in income and revenues, the City covenants and agrees in the Ordinance that the schedule of rates or charges from time to time in effect shall be sufficient together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2005 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2005 A Bonds, including the Prior Bonds.

Operation and Maintenance. The City or the Board, as applicable, will maintain the System in good condition and will operate the same as a revenue producing enterprise in an efficient and economical manner, making such expenditures for equipment. and for renewal,

repair and replacement as may be proper for the economical operation and maintenance thereof from the Gross Revenues of the System in the manner provided in the Ordinance.

Sale of the System. So long as the Prior Bonds are Outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System, except as provided by the Prior Ordinances. Additionally, so long as the Series 2005 A Bonds are Outstanding, the System may be sold, mortgaged, leased or otherwise disposed of only as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to defease the pledge created by this Ordinance as provided by Section 9.01. The proceeds from such sale, mortgage, lease or other disposition of the System shall be immediately remitted to the Bond Commission for deposit in the Series 2005 A Bonds Sinking Fund, and otherwise as prescribed by the Ordinance. Any balance remaining after such defeasance shall be remitted to the Issuer by the Bond Commission unless necessary for the payment of other obligations of the Issuer payable out of the Revenues of the System.

The foregoing provision notwithstanding, the Board shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor is not in excess of $50,000, the Board shall, in writing, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Board may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of $50,000 but not in excess of $200,000, the Board shall first, in writing, determine with the written approval of the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and the Board may then, if it be so advised, by resolution duly adopted, approve and concur in such finding and authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property, in excess of $50,000 and not in excess of $200,000, shall be deposited by the Issuer into the Renewal and Replacement Fund. Such payments of such proceeds into the Renewal and Replacement Fund shall reduce the amounts required to be paid into said funds by other provisions of this Ordinance.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom shall be in excess of $200,000 and insufficient to defease the pledge created by this Ordinance, as provided by the Ordinance, without the prior approval and consent in writing of any applicable Bond Insurer and the Holders, or their duly authorized representatives, of 60% in amount of Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the Bond Insurer and the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Issuance of Other Obligations Payable Out of Gross Revenues and General Covenant Against Encumbrances. The City shall not issue any other obligations payable from the Gross Revenues of the System that rank prior to, or equally, as to lien on and source of and security for payment from the Gross Revenues, with the Bonds; provided that additional bonds on parity with the Bonds may be issued as described herein under the heading "SECURITY FOR THE BONDS -- Additional Revenue Bonds."

The City shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or, except with respect to additional parity bonds, being on parity with the lien of the Bonds and the interest thereon, upon any of the Gross Revenues of the System pledged for payment of the Bonds and the interest thereon in the Ordinance, or upon the System or any part thereof.

Insurance. The City will, so long as the Bonds remain Outstanding, carry, with a reputable insurance carrier or carriers, fire, lightning, vandalism, malicious mischief, extended coverage, public liability and workers' compensation insurance, and require or maintain performance, completion and fidelity bonds, as provided in the Ordinance.

Services Rendered to the City. The City will not render or cause to be rendered any free services of any nature by the System. The rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the City and any department, agency, instrumentality, officer or employee thereof using the facilities or services of the System. Such charges shall be paid as they accrue, and the City shall transfer from its general funds sufficient sums to pay such charges for service to any of its departments or properties. The revenues so received shall be deemed to be Gross Revenues and shall be deposited and accounted for in the same manner as other Gross Revenues.

No Competing Franchise. To the extent legally allowable, neither the City nor the Board will grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever, for the providing of any services that would compete with services provided by the System.

Books and Records. The Board will keep books and records of the System, separate and apart from all other books, records and accounts of the Board or the City, in which complete and correct entries shall be made of all transactions relating to the System, and any registered owner of the Bonds shall have the right at all reasonable times to inspect the System and all parts thereof, and all records, accounts and data of the Board relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles to the extent allowable under and in accordance with the rules and regulations of the Public Service Commission of West Virginia and the Act.

The City or the Board shall file with the Original Purchaser and any Bond Insurer, and shall mail in each year to any registered owner of the Bonds requesting the same, an annual report within 30 days following the date of receipt of the final audit containing a balance sheet, statement of revenues, expenses, and changes in retained earnings, and statement of cash flows, as prescribed by generally accepted accounting principles.

The City or the Board shall also file with the Original Purchaser and any Bond Insurer, and mail to any bondholder requesting the same, a monthly unaudited report within 30 days following the end of each month containing the following:

(A) A statement of Gross Revenues, Operating Expenses, and Net Revenues derived from the System; and

(B) A statement of account balances in the Sinking Fund accounts provided for in the Ordinance and status of said funds.

The City or the Board also shall cause the books, records and accounts of the System to be completely audited by Independent Accountants at least once a year, and shall mail upon request, and make available generally, the report of said Independent Accountants, or a summary thereof, to any registered owner of the Bonds, and file said report with the Original Purchaser.

Restrictions as to Arbitrage Bonds. The City covenants in the Ordinance that (i) it will restrict the use of the proceeds of the Bonds of each series in such manner and to such extent as may be necessary, so that such Bonds will not constitute "arbitrage bonds" under Section 148 of the Code and Regulations prescribed thereunder, and (ii) it will take all actions that may be required of it (including, without implied limitation, the timely filing of a Federal information return with respect to such Bonds) so that the interest on such Bonds will be and remain excluded from gross income for Federal income tax purposes, and will not take any action which would adversely affect such exclusion.

Operating Budget. The Board shall annually, at least 45 days preceding the beginning of each Fiscal Year, or at such earlier date required by the Charter of the City, prepare and adopt by resolution a detailed budget of the estimated expenditures for operation and maintenance of the System during the succeeding fiscal year. No increased expenditures in excess of ten percent of the amount of such budget shall be made except upon certification by a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Board shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Original Purchaser and shall make available such budgets and resolutions to the Original Purchaser and to any registered owner of the Bonds or anyone acting for and on behalf of a registered owner who requests the same.

Amendment. Prior to issuance of the Series 2005 A Bonds, this Ordinance may be amended, modified or supplemented in any way by the Supplemental Resolution. All provisions required by the Bond Insurer, if any, shall be set forth in the Supplemental Resolution and to the extent they constitute an amendment or modification of this Ordinance, shall be controlling. Following issuance of the Series 2005 A Bonds, this Ordinance and any Supplemental Resolution may, without the consent of any Bondholder or other person, be amended, modified or supplemented in any manner which, in the opinion of Bond Counsel, does not materially adversely affect the interests of the Bondholders or any Bond Insurer, provided that, in the event any of the bonds are insured, no such amendment or modification which affects the rights of the Bond Insurer for such Bonds may be made without the written consent of such Bond Insurer. Otherwise, no materially adverse amendment or modification to the Ordinance, or of any Supplemental Resolution, may be made without the written consent of the Holders of 60% in aggregate principal amount of the Series 2005 A Bonds then Outstanding and affected thereby and the Bond Insurer, which must be filed with the Clerk of the City before any such modification or amendment may be made. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter the terms of payment of the principal of or interest on, any Bond without the express written consent of the Holder of such Bond, nor reduce the percentage of Series 2005 A Bonds required for consent to any such modification or amendment.

Defeasance. If the City shall pay or cause to be paid, or there shall otherwise be paid, to the registered owners of all Series 2005 A Bonds the principal of and premium and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Ordinance, and all other monies due under the Ordinance have been paid, then the Ordinance and the pledges of the Gross Revenues and other moneys and securities pledged under the Ordinance, and all covenants, agreements and other obligations of the City on behalf of the registered owners of the Series 2005 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds for the payment of which either moneys in an amount that shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys that, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time,

shall be sufficient, to pay as and when due the respective principal of and interest on such Bonds, shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Series 2005 A Bonds shall, prior to the maturity thereof, be deemed to have been paid if there shall have been deposited with the Bond Commission or an escrow trustee either moneys in an amount that shall be sufficient, or securities the principal of and the interest on which when due, will provide moneys that, together with any moneys deposited with the Bond Commission or Escrow Trustee at the same or earlier time, shall be sufficient, to pay when due the principal of and interest due and to become due on said Bonds on and prior to the maturity dates thereof. Neither securities nor moneys so deposited with the Bond Commission or an Escrow Trustee nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and interest on said Bonds; provided, that any cash received from such principal, redemption premium, if any, or interest payments on such securities, if not then needed for such purpose, to the extent practicable shall be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal of, redemption premium, if any, and interest to become due on said Bonds on and prior to the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the City as received by the Bond Commission or said Escrow Trustee, free and clear of any trust, lien or pledge.

Default and Remedies

Events of Default. Each of the following events shall constitute an Event of Default with respect to the Series 2005 A Bonds:

A. If default occurs in the due and punctual payment of the principal of or interest on any Bond;

B. If default occurs in the City's observance of any of the covenants, agreements or conditions on its part in the Ordinance or any Supplemental Resolution or in the Series 2005 A Bonds contained, and such default shall have continued for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the City by any Bondholder or any Insurer; C. If the City files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America; or

C. If default occurs with respect to the Prior Bonds or the Prior Ordinances.

Enforcement. Upon the happening and continuance of any Event of Default, any Bond Holder (with the prior written consent of the Bond Insurer) or any Bond Insurer may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his rights and, in particular (i) bring suit for any unpaid principal or interest then due; (ii) by mandamus or other appropriate proceeding enforce all rights of the Bondholders, including the right to require the City to perform its duties under the Act and the Ordinance; (iii) bring suit upon the Series 2005 A Bonds; (iv) by action at law or bill in equity require the City to account as if it were the trustee of an express trust for the Bondholders; and (v) by action or bill in equity enjoin any acts in violation of the Ordinance or of the rights of the Bondholders.

Appointment of Receiver. If there be any Event of Default existing and continuing, any Bondholder or any Bond Insurer shall, in addition to all other remedies or rights, have the right by appropriate legal proceeding to obtain the appointment of a receiver to administer the System on behalf of the City, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of the principal of and interest on the Series 2005 A Bonds and the Prior Bonds, the deposits into the funds and accounts hereby established as herein provided and the payment of Operating Expenses of the System and to apply such rates, rentals, fees, charges or

other Revenues in conformity with the provisions of the Ordinance and the Act.

The receiver so appointed shall forthwith, directly or by his agents and attorneys, enter into and upon and take possession of all facilities of said System and shall hold, operate, maintain, manage and control such facilities, and each and every part thereof, and in the name of the City exercise all the rights and powers of the City with respect to said facilities as the City itself might do.

Whenever all that is due upon the Series 2005 A Bonds issued pursuant to the Ordinance and interest thereon and under any covenants of the Ordinance for reserve, sinking or other funds and accounts and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenue of the System shall have been paid and made good, and all defaults under the provisions of the Ordinance shall have been cured and made good, and all monies due hereunder or under any Supplemental Resolution have been paid in full, possession of the System shall be surrendered to the City upon the entry of an order of the court to that effect. Upon any subsequent default, and Bondholder shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the City and for the joint protection and benefit of the City and the Holders of the Series 2005 A Bonds issued pursuant to the Ordinance. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System, for the sole purpose of the protection of both the City and the Bondholders, and the curing and making good of any default under the provisions of the Ordinance, and the title to and ownership of said System shall remain in the City, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, mortgage or otherwise dispose of any assets of the System.

Notwithstanding any other provision of the Ordinance, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of the Ordinance, any trustee or Bondholder's committee shall consider the effect on the Bondholders as if no Municipal Bond Insurance Policy were then in effect.

TAX MATTERS

General

The following is a brief discussion of certain income tax matters with respect to the Series 2005 A Bonds under existing statutes. It does not purport to deal with all aspects of taxation that may be relevant to the owner of a Series 2005 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the tax consequences of owning and disposing of the Series 2005 A Bonds.

Federal Income Taxes

Interest on the Series 2005 A Bonds is not excluded from the gross income of the recipients thereof for federal income tax purposes.

West Virginia Taxes

In the opinion of Steptoe & Johnson PLLC, Bond Counsel, under the Act, as presently written and applied, the Series 2005 A Bonds, together with interest thereon and income therefrom, are exempt from all taxation by the State of West Virginia and any county, municipality, political subdivision or agency thereof.

APPROVAL OF LEGALITY

Legal matters incident to the authorization, sale and issuance of the Series 2005 A Bonds are subject to the unqualified approving opinion of Steptoe & Johnson PLLC, Charleston, West Virginia, Bond Counsel. Hoy G. Shingleton, Jr., Martinsburg, West Virginia, as counsel for the City, will pass upon certain legal matters for the City. Goodwin & Goodwin, LLP, Charleston, West Virginia, as counsel to the Underwriter, will pass upon certain legal matters for the Underwriter.

ABSENCE OF MATERIAL LITIGATION

There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, public board or body, now pending or, to the best knowledge of the City, threatened or affecting the City (or, to the City's knowledge, any basis therefor) wherein an unfavorable decision, ruling or finding would have a material adverse effect on the City's financial position or on the validity of the Series 2005 A Bonds, the Ordinance or any agreement to which the City is a party and which is a part of the issuance of the Series 2005 A Bonds.

NEGOTIABLE INSTRUMENTS

Pursuant to State law, the Series 2005 A Bonds are and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia. See "THE SERIES 2005 A BONDS - General."

UNDERWRITING

The Series 2005 A Bonds are being purchased by the Underwriter named on the cover of this Official Statement. The Purchase Contract provides that the Underwriter will purchase all the Series 2005 A Bonds, if any are purchased, at a purchase price equal to the initial public offering prices set forth on the cover page hereof less an Underwriter's discount of $70,650 plus accrued interest. The obligation to make such purchase is subject to the terms and conditions set forth in the Purchase Contract, including the approval of certain legal matters by counsel. The Underwriter may change the initial public offering prices from time to time. The Underwriter may offer and sell Series 2005 A Bonds to certain dealers (including dealers depositing Series 2005 A Bonds into investment trusts) and certain dealer banks acting as agents at prices lower than the public offering prices stated on the cover page hereof.

FINANCIAL STATEMENTS

Included herein as Appendix B are the audited financial statements of The Sanitary Board of Charles Town as of and for the twelve-month period ended June 30, 2004, and the report with respect to the audited financial statements as of and for the twelve-month period ended June 30, 2004, dated March 24, 2005, of J. C. Kunkle & Associates, A.C., certified public accountants.

CONTINUING DISCLOSURE

The City has agreed to an undertaking for the benefit of the Registered Owners of the Series 2005 A Bonds to provide certain financial and operating information (the "Annual Information") not later than one hundred eighty (180) days following the end of its fiscal year, commencing in 2005, and to provide the Annual Information to each National Recognized Municipal Securities Information Repository ("National Repository"), either directly, or if permitted, to the Central Post Office, and any State Information Depository ("State Depository") and to provide notice of the occurrence of the enumerated events to each National Repository or the Municipal Securities Rulemaking Board ("MSRB") and to any State Depository. This obligation shall be evidenced by the Continuing Disclosure Certificate executed by the City, the form of which is attached hereto as Appendix D.

The Annual Information will consist generally of information of the type contained in Appendix B of the Official Statement. Any of the foregoing information may be supplied by including by specific reference information previously supplied to each National Repository or to the Central Post Office and any State Depository or the Securities and Exchange Commission ("SEC"). Information will not be included by reference from any final official statement unless such final official statement is available from the MSRB.

This continuing disclosure obligation is being undertaken by the City to assist the Underwriter in complying with Rule 15c2-12 promulgated by the SEC. The City has agreed to give notice in a timely manner to each National Repository or the Central Post Office, or the MSRB, and to each State Depository of any failure to supply the requested information. However, any such failure will not constitute a default under the terms of the Series 2005 A Bonds. Registered Owners may contact the Charles Town City Manager at P.O. Box 14, 101 East Washington Street, Charles Town, West Virginia 25414, (304) 725-2311, for more information.

MISCELLANEOUS

The foregoing summaries, explanations and quotations do not purport to be complete and are expressly made subject to the exact provisions of the complete documents. Purchasers are referred to the Act and the Ordinance for full and complete statements of their provisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representation of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Series 2005 A Bonds. The City has authorized the execution and distribution of this Official Statement.

CITY OF CHARLES TOWN, WEST VIRGINIA

By: /s/ J. Randolph Hilton
Mayor

J. Randolph Hilton

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GENERAL INFORMATION REGARDING JEFFERSON COUNTY*

Jefferson County, located in the extreme eastern part of the eastern panhandle of West Virginia, was named for Thomas Jefferson, third president of The United States, and formed in 1801 from Berkeley County. Charles Town is the county seat.

Jefferson County has a total land area of 212.41 square miles and varies in elevation from a low of 275 feet above sea level at Harpers Ferry to a high of 1000 feet. It is bordered on the west by Berkeley County, West Virginia, on the north by the State of Maryland and on the east and south by the Commonwealth of Virginia. Because of its proximity to the Baltimore-Washington, DC area, the County has experienced the type of growth representative of those metropolitan areas. The most recent census for the County was 42,190 from the 2000 U.S. Census. Located just 58 miles from the Washington, DC Beltway, Jefferson County is the Eastern Gateway to West Virginia. The County is within 60 miles of Gettysburg, Pennsylvania, Hagerstown, Maryland and Winchester, Virginia.

For most of its history, Jefferson County's economy has been primarily agricultural, with the area producing grain and other crops for export in the 18th and 19th centuries and orchards playing an important role in the late 19th and 20th centuries. Due to the limestone deposits that underlie much of the county, limestone quarrying has also served as an important source of revenue.

Two of the most important events that shaped the future of Jefferson County were George Washington's establishment of the Federal Armory at Harpers Ferry in 1799 and the arrival of the Baltimore & Ohio Railroad in 1834. Partly because of the military and economic importance of the Armory, the B&O Railroad was routed through Harpers Ferry, a factor that influenced the decision in 1863 to include Jefferson County in the new state of West Virginia rather than in the secessionist state of Virginia.

Top Ten Employers – 2004 (Chamber of Commerce)

1. PNGI Charles Town Gaming
2. Jefferson County Board of Education
3. Shepherd College
4. AB&C Group, Inc.
5. Jefferson Memorial Hospital
6. Wal-Mart Stores, Inc
7. National Park Service
8. Royal Vendors, Inc.
9. Augmentation, Inc.
10. Genesis Eldercare Network Services

Source: Bureau of Employment Programs

* Unless indicated otherwise, data source is the WV Department of Employment Security

Population History

	Jefferson County	West Virginia
1970	21,280	1,744,237
1980	30,311	1,928,524
1990	35,936	1,193,477
1995	39,300	1,826,409
2000	42,190	1,808,344
2003	46,270	1,810,354

Source: US Census Bureau

Population Growth

	Jefferson County		West Virginia		United States	
Year	Population	Percent Change (1)	Population	Percent Change (1)	Population	Percent Change (1)
1960	18,665	--	1,860,421	-7.8%	179,323,000	+14.5%
1970	21,280	+12.0%	1,744,237	-6.7%	203,212,000	+13.3%
1980	30,311	+29.0%	1,949,644	+11.7%	226,545,805	+11.5%
1990	35,926	+15.0%	1,793,477	+8.0%	248,709,873	+9.8%
2000	42,190	+17.4%	1,800,344	+0.8%	281,421,906	+13.2%

(1) The percentage increase or decrease over the proceeding period.

Source: United States Department of Commerce, Bureau of the Census

Employment and Wages Covered by Unemployment Compensation Programs

Total Wages, Annual, 2000	$282,206,275
Annual Wage, Annual Average, 2000	$22,062
Weekly Wage, Annual Average, 2000	$424.29

Source: Bureau of Employment Programs

Unemployment Rate

The following table presents statistics regarding the average annual labor force and historical employment levels in Jefferson County.

JEFFERSON COUNTY EMPLOYMENT RATES

Year	Labor Force	Number Employed	Number Unemployed	Unemployment Rate (%)
1990	18,770	17,720	1,050	5.6%
1991	19,500	17,580	1,920	9.8%
1992	19,270	17,400	1,870	9.7%
1993	19,200	18,010	1,190	6.2%
1994	19,390	18,440	940	4.9%
1995	19,720	18,860	860	4.3%
1996	20,090	19,270	820	4.1%
1997	20,440	19,720	730	3.5%
1998	21,040	20,380	660	3.1%
1999	21,770	21,150	630	2.9%
2000	22,460	21,920	540	2.4%
2001	23,110	22,520	590	3.5%
2002	20,690	20,920	770	3.5%
2003	21,900	21,180	720	3.3%

Source: "WV Labor Force Statistics by County," LMT LER 132, WV Department of Employment Security, Labor and Economic Research Unit, Labor Market Information Division and WV County Profiles, March 8, 2005.

Communications

Newspaper: Spirit of Jefferson/Farmer's Advocate & Shepherdstown Chronicle; published weekly. The Journal, Martinsburg, WV and The Morning Herald, Hagerstown, MD; published daily.

Radio Stations: WXVA, AM and FM

Cable Television: Adelphia offers more than 60 stations, including Washington, DC and Baltimore, MD. Local TV coverage by Hagerstown Channel 25. School news Channel 19.

Banks

Jefferson County has five (5) banks with full consumer, commercial and trusts services available:

Bank of Charles Town
BB&T
City National Bank
Jefferson Security Bank
United Bank

Education

Public Schools

Elementary with Kindergarten	8
Elementary without Kindergarten	1
Junior High School	3
High School	1
Daycare Centers	10
Private Schools	1

Colleges

Shepherd College is a West Virginia state college with 4,391 students, offering numerous four-year degree programs. The West Virginia University Graduate Center is located in Shepherdstown and offers a variety of programs.

Vocational School

James Rumsey Center, Martinsburg, is a Regional Vocational Technical School with over 900 students. Offering 12 post-secondary programs and 40 post-secondary programs in adult and community education. Affiliated with Shepherd College's Community College.

Libraries

There are 4 libraries within the County with over 1.5 million volumes.

Transportation

Jefferson County is served by Interstates 81 and 70, U.S. Route 340 and State Routes 9, 51, 230 and 480. Interstate 81 is a major northeast – southwest highway located 10 miles west of the County in Berkeley County, West Virginia, and Interstate 70 is a major east-west highway located 20 miles north of the County in Maryland and is linked by Interstate 81. Routes 51, 230 and 480 provide major access to all parts of the County.

Norfolk and Southern Railway and CSX Transportation provide commuter and commercial transportation through Jefferson County. Eastern Panhandle Regional Airport in Martinsburg supplies air transportation to and from the area. Dulles International Airport is less than one hour driving time. Other national airports within driving distance are Baltimore-Washington International Airport, Ronald Reagan National Airport, Hagerstown, Maryland and Winchester, VA Regional Airport.

A container cargo facility at Front Royal, Virginia and multiple motor freight carriers supply road transportation to and from Jefferson County.

Bus Service is provided by Eastern Panhandle Transit Authority (Pan Tran). Located in Harpers Ferry, the MARC commuter train offers daily service to downtown Washington and Maryland.

Utilities and Services

Electrical service to the County is provided by Allegheny Energy Power Company. There is no natural gas service in the County. Local heating oil companies are Community Oil Company, Kable Oil Company and Smith Oil Company.

Telephone services are provided by Frontier Telecommunication, including fiber optic service as well as long distance. Personal communication systems are available through Sprint Spectrum and US Cellular.

Water and sewer services are provided by the City, the City of Ranson, Jefferson County Public Service District and various other local communities.

Recreation

Federal Parks:

Harpers Ferry National Park
C&O Canal National Park

City Parks:

Jefferson County Memorial Park

County Parks:

Leetown Park
Summit Point Park
Sam Michaels Park

Golf Courses:

Cress Creek Golf & Country Club, Shepherdstown

Sleepy Hollow Golf Course, Charles Town

Locust Hill Golf & Country Club, Charles Town

Miscellaneous:

Appalachian Trail
Blue Ridge Mountains
Charles Town Race Track – Horse Track & Video Slot Machines
KOA Campgrounds, Bolivar
Morgan's Grove Park, Shepherdstown
Summit Point Raceway-Motor Sports & Road Racing

The Arts:

The Old Opera House
Millbrook Orchestra
Mountain Heritage Arts & Crafts Festival Contemporary American Theater Festival
Shepherd College Athletic & Cultural Activities

Housing

A wide range of housing is available in Jefferson County. Generally, housing costs are at least 1/3 less than in the suburban metropolitan area.

Jefferson County offers a blend of rural lifestyles with a close proximity to the attractions of Washington, DC and Baltimore, Maryland.

Housing

Total Housing Units	17,623
Occupied Housing Units	16,165
Owner Occupied Units	12,253
Renter Occupied Units	3,912

Households

Total Households	16,165
Family Households	11,319
Non-Family Households	4,846
Persons 65 and Over, Living Alone	1,366
Average Household Size	2.54

Cost of Living

Cost of Living Index

Jefferson/Berkeley County, WV 92.4
Source: ACCRA Cost of Living Index, Fourth Quarter 1999
Washington, DC 114.7

Source: ACCRA Cost of Living Index, Third Quarter 2000 Source: U.S. Census Bureau

Jefferson County Statistics:

Per capita income (August 2002) Income $27,957
Source: WV BEP
Median Household Income (2002) $46,849

Source: US Census Bureau Estimate

Incorporated Towns

	Population (2003)
Charles Town	3,180
Shepherdstown	1,140
Harpers Ferry	302
Bolivar	1,074
Ranson	3,282

Source: US Census Bureau

Area Civilian Labor Force

	December 2004
Jefferson County	22,880
Berkeley County	39,410
Morgan County	6,790

Source: WV BEP

Industrial Sites in Jefferson County

The Jefferson County Development Authority has completed the Burr Industrial Park, a 200-acre business complex near Charles Town. Located along Route 9, the park offers excellent industrial, commercial and office sites served by all utilities and paved roads. The park offers easy access to the Charles Town Bypass and the interstate highway system. Many fine privately owned sites offering major highway and/or rail access are also available.

Source: Jefferson County Development Authority

Land Use Ordinance

Jefferson County Planning Commission administers a zoning ordinance, a subdivision ordinance, a building permit ordinance and flood plan and salvage yard ordinance.

Source: Jefferson County Development Authority

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APPENDIX B

FINANCIAL STATEMENTS OF THE CITY OF CHARLES TOWN

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MUNICIPALITY OF CHARLES TOWN
Charles Town, West Virginia

FINANCIAL STATEMENTS
(with Supplemental Information)

For the year ended June 30, 2004

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Municipality of Charles Town, West Virginia
SCHEDULE OF FUNDS INCLUDED IN REPORT
June 30, 2004

GOVERNMENTAL FUND TYPES

Major Funds

General
Capital Reserve Fund

Nonmajor Funds

Coal Severance Fund

Community Development Fund

Residual Fund

BUSINESS-TYPE FUNDS

Major Funds

Water Fund
Sewer Fund

FIDUCIARY FUND TYPES

Policemen's Pension and Relief

Municipality of Charles Town, West Virginia
CITY OFFICIALS
June 30, 2004

Elected Officials:

Mayor	J. Randolph Hilton	06/01/01-06/01/05
City Council	Randy Breeden	06/01/03-06/01/07
	William F. Jordan, Jr.	06/01/03-06/01/07
	Violet Lowery	06/01/01-06/01/05
	Russell C. Miller, Jr.	06/01/01-06/01/05
	Timothy Robinson	06/01/01-06/01/05
	John A. Ward	06/01/03-06/01/07
	Matthew W. Ward	06/01/03-06/01/07
	Geraldine Willingham	06/01/01-06/01/05

Appointed Officials:

City Manager	Jane Arnett	Reappointed annually
City Clerk	Brenda S. Hamilton	Reappointed annually
City Attorney	James B. Crawford	Reappointed annually
	Braun A. Hamstead	Reappointed annually
	Hoy Shingleton, Jr.	Reappointed annually

J.C. Kunkle & Associates, A.C.
CERTIFIED PUBLIC ACCOUNTING & CONSULTING

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Honorable Mayor and Council
Municipality of Charles Town
Charles Town, West Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Charles Town, West Virginia (Municipality), as of and for the year ended June 30, 2004, which collectively comprise the Municipality's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Municipality's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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, each major fund, and the aggregate remaining fund information of the Municipality of Charles Town, West Virginia, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the Notes to the Financial Statements, the Municipality has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of June 30, 2004.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2005 on our consideration of the Municipality's internal control over financial reporting and tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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, employees' retirement system and budgetary comparison information on pages 8-14 and 46-48 are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality of Charles Town, West Virginia's basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Municipality. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

J.C. Kunkle & Associates, A.C.

Martinsburg, West Virginia
March 24, 2005

The discussion and analysis of the City of Charles Town's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the City's financial statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

The City's net assets increased by $1.6 million as a result of this year's operations. While net assets of the business-type activities increased by $0.2 million, or nearly 5.2 percent, net assets of the governmental activities increased by $1.4 million, or nearly 45.29 percent.

During the year, the City had expenses for governmental programs that were $1.5 million more than the $0.8 million generated by governmental program revenues, which includes fees for services and intergovernmental aid. The remaining cost of governmental activities was financed with general revenues, which totaled $2.1 million this year.

In the City's business-type activities, revenues increased to $3.6 million while expenses increased to $3.4 million.

The general fund ended the year with a fund balance of $0.3 million.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 15 through 17) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 18. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The analysis of the City as a whole begins on page 9. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets-the difference between assets and liabilities-as one way to measure the City's financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

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, streets, and general administration. Property taxes, business and occupation taxes, and state and federal grants finance most of these activities.

Business-type activities-The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported here.

USING THIS ANNUAL REPORT (CONTINUED)

Reporting the City's Most Significant Funds

The analysis of the City's major funds begins on page 12. The fund financial statements begin on page 18 and provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds-governmental and proprietary-use different accounting approaches.

Governmental funds-Most 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 called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in the reconciliation at the bottom of the fund financial statements.

Proprietary funds–When the City charges customers for the services it provides-whether to outside customers or to other units of the City-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 funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The City as Trustee

The City is the trustee for the policeman's pension fund. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 26 and 27. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE CITY AS A WHOLE

The City's combined net assets increased $1.9 million from a year ago-increasing from $7.3 million to $9.2 million. Reviewing the net assets and net expenses of governmental and business-type activities separately provides more detail about these changes. The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

THE CITY AS A WHOLE (CONTINUED)

Table 1
Net Assets
(in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	$ 1.9	$ 1.9	$ 3.1	$ 4.6	$ 5.0	$ 6.5
Capital assets	2.7	1.3	23.6	22.0	26.3	23.3
Total assets	$ 4.6	$ 3.2	$26.7	$26.6	$31.3	$29.8
Long-term debt outstanding	0.1	0.1	20.7	21.1	20.8	21.2
Other liabilities	0.1	0.3	1.2	1.0	1.3	1.3
Total liabilities	0.2	0.4	21.9	22.1	22.1	22.5
Net assets:						
Invested in capital assets, net of debt	1.3	1.2	(0.3)	(0.4)	1.0	0.8
Restricted for debt and construction	-	-	2.8	3.0	2.8	3.0
Restricted for long-term loan receivable	0.1	-	-	-	0.1	-
Reserved for capital improvements	0.2	0.2	-	-	0.2	0.2
Unrestricted	2.8	1.4	2.3	1.9	5.1	3.3
Total net assets	4.4	2.8	4.8	4.5	9.2	7.3
Total liabilities and net assets	$ 4.6	$ 3.2	$26.7	$26.6	$31.3	$29.8

Net assets of the City's governmental activities increased by 57.1 percent ($1.6 million). Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements-increased from $1.4 million at June 30, 2003, to $2.8 million at the end of this year.

The net assets of business-type activities increased by 6.7 percent ($4.8 million compared to $4.5 million). The City generally can use these net assets to finance the continuing operations of the water and sewer.

THE CITY AS A WHOLE (CONTINUED)

Table 2
Changes in Net Assets
(in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues:						
Charges for services	$ 0.8	$ 0.6	$ 3.4	$ 3.0	$ 4.2	$ 3.6
Capital grants and contributions	0.8	0.5	0.2	0.1	1.0	0.6
General revenues:						
Property taxes	0.4	0.4	-	-	0.4	0.4
Business and occupation tax	0.4	0.3	-	-	0.4	0.3
Utility services tax	0.1	0.1	-	-	0.1	0.1
Video lottery	0.9	0.7	-	-	0.9	0.7
Other general revenues	0.3	0.1	-	-	0.3	0.1
Total revenues	3.7	2.7	3.6	3.1	7.3	5.8
Expenses						
Program expenses:						
General government	0.6	0.6	-	-	0.6	0.6
Public safety	1.3	1.1	-	-	1.3	1.1
Highways and streets	0.3	0.4	-	-	0.3	0.4
Culture and recreation	0.1	-	-	-	0.1	-
Water and sewer	-	-	3.4	2.8	3.4	2.8
Total expenses	2.3	2.1	3.4	2.8	5.7	4.9
Increase in net assets	$ 1.4	$ 0.6	$ 0.2	$ 0.3	$ 1.6	$ 0.9

The City's total revenues increased by 25.9 percent ($1.5 million). The total cost of all programs and services increased by 16.3 percent ($0.8 million) with no new programs added this year. The analysis below separately considers the operations of governmental and business-type activities.

THE CITY AS A WHOLE (CONTINUED)

Governmental Activities

Revenues for the City's governmental activities increased by 37 percent ($1.0 million), while total expenses increased by 9.5 percent ($0.2 million). The factors driving these results include the following:

a) The City received $0.8 million in Highway Planning and Construction capital grants for its downtown revitalization project.

b) The City's video lottery revenue increased by approximately $0.2 million.

c) The City's building permits/license fees increased approximately $0.2 million.

The cost of all governmental activities this year was $2.3 million compared to $2.1 million last year. However, as shown in the Statement of Activities on page 17, the amount that taxpayers ultimately financed for these activities through City taxes was only $0.7 million because some of the cost was paid by those who directly benefitted from the programs ($0.8 million) or by other governments and organizations that subsidized certain programs with grants and contributions ($0.8 million). Overall, the City's governmental program revenues, including intergovernmental aid and fees for services, increased in 2004 from $1.1 million to $1.6 million. The City paid for the remaining "public benefit" portion of governmental activities with $2.1 million in taxes (some of which could only be used for certain programs) and with other revenues, such as interest and miscellaneous revenue.

Business-Type Activities

Revenues of the City's business-type activities (see Table 2) increase by 16.1 percent ($0.5 million in 2004) and expenses increased by 21.4 percent ($0.6 million in 2004). The factors driving these results include:

a) Increased customer growth on the water system has provided increased revenues to the system.

b) Costs have been increasing due to the demands to meet environmental regulations and perform required maintenance of the water and sewer system.

THE CITY'S FUNDS

As the City completed the year, the governmental funds (as presented in the balance sheet on page 18) reported a combined fund balance of $1.7 million, which exceeds last year's total of $1.6 million. The primary reasons for the increase in combined fund balance mirror the governmental activities analysis highlighted above under "City as a Whole."

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget on two occasions. These budget amendments were made to reflect anticipated funding changes in the City's operations.

Even with the above mentioned amendments, the City's actual revenues exceeded budgeted revenues by $200K and expenditures were less than budgeted by $200K. Actual ending fund balance exceeded budgeted ending fund balance by $257K.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the City had $25.2 million invested in a broad range of capital assets, including land, buildings, and water and sewer lines. (See Table 3 below). This amount represents a net increase (including additions and deductions of just over $2.5 million, or 11 percent, above last year.

Table 3
Capital Assets at Year-End
(Net of Depreciation, in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	$ 0.2	$ 0.2	$ -	$ -	$ 0.2	$ 0.2
Land improvements	2.0	1.0	-	-	2.0	1.0
Buildings and improvements	1.0	1.0	-	-	1.0	1.0
Equipment and vehicles	0.2	-	-	-	0.2	-
Utility plant	-	-	30.6	28.5	30.6	28.5
Totals	3.4	2.2	30.6	28.5	34.0	30.7
Accumulated depreciation	(0.7)	(0.6)	(8.1)	(7.4)	(8.8)	(8.0)
Capital assets net of depreciation	$ 2.7	$ 1.6	$22.5	$21.1	$25.20	$22.70

This year's major additions included (in millions):

Infrastructure improvements for downtown Charles Town streets and sidewalks	$1.0

As permitted by GASB No. 34, the City has elected to account for the capitalization of infrastructure assets on a prospective basis.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt

At year-end, the City had $22.5 million in bonds and notes outstanding versus $22.6 million last year-a increase of 0.8 percent-as shown in Table 4.

Table 4
Outstanding Debt at Year-End (in Millions)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenue bonds and notes (backed by specific fee revenues)	$ -	$ -	$22.8	$22.6	$22.8	$22.6

The debt resulted mainly from issuing revenue bonds for the construction of water and sewer utility plant improvements. These bonds are secured by revenues derived from the combined water and sewer system.

Other obligations include accrued vacation pay obligations under capital leases. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS

The City's elected and appointed officials considered many factors when setting the fiscal-year 2005 budget, tax rates, and fees that will be charged for the business-type activities. One of those factors is the economy. The County's increasing population has a direct impact on the City's economic growth.

The City of Charles Town is very optimistic about its potential for economic growth in the future. The increasing population, infrastructure improvements, annexation, TIF, and procurement of grants and other funding sources are all positive indicators for continued economic growth in the City of Charles Town.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money its receives. If you have questions about this report or need additional financial information, contact the City Manager at City Hall 101 E. Washington Street, Charles Town, West Virginia.

Municipality of Charles Town, West Virginia
STATEMENT OF NET ASSETS
June 30, 2004

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	BUILDING COMMISSION
ASSETS				
Current:				
Cash	$ 662,641	$ 387,221	$ 1,049,862	$ 51,809
Investments	429,080	-	429,080	-
Receivables, net of allowances:	-	141,110	141,110	-
Taxes	271,413	-	271,413	-
Accounts (loans)	74,544	-	74,544	-
Other	12,895	27,686	40,581	-
Due from(to):				
Building Commission	(188,564)	-	(188,564)	188,564
Associated companies	-	33,011	33,011	-
Inventory, at cost	-	24,228	24,228	-
Accrued utility revenue	-	198,109	198,109	-
Internal balances	641,808	(641,808)	-	-
Total current assets	1,903,817	169,557	2,073,374	240,373
Restricted:				
Reserved for bond retirement	-	2,032,931	2,032,931	94,210
Reserved for construction	-	136,860	136,860	-
Reserved for capacity improvements	-	626,240	626,240	-
Reserved for repair and replacement	-	113,001	113,001	-
Total restricted assets	-	2,909,032	2,909,032	94,210
Capital assets:				
Land	240,796	-	240,796	-
Land improvements	1,972,023	-	1,972,023	-
Buildings	963,184	-	963,184	209,654
Building improvements	38,700	-	38,700	483,303
Roads	-	-	-	979,118
Equipment	193,378	-	193,378	-
Vehicles	24,193	-	24,193	-
Utility plant in service	-	30,571,792	30,571,792	-
Less: accumulated depreciation	(708,778)	(8,155,302)	(8,864,080)	(307,605)
Net capital assets in services	2,723,496	22,416,490	25,139,986	1,364,470
Construction in progress	-	257,812	257,812	-
Total capital assets	2,723,496	22,674,302	25,397,798	1,364,470
Other:				
Unamortized bond issue costs	-	878,663	878,663	68,956
Due from current assets to capacity improvements	-	43,744	43,744	-
Total other	-	922,407	922,407	68,956
Total assets	$ 4,627,313	$ 26,675,298	$ 31,302,611	$ 1,768,009

The accompanying notes are an integral part of this statement.

Municipality of Charles Town
STATEMENT OF NET ASSETS (CONTINUED)
June 30, 2004

	PRIMARY GOVERNMENT			COMPONENT UNIT
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS	BUILDING COMMISSION
LIABILITIES AND NET ASSETS				
Liabilities:				
Current liabilities (payable from current assets):				
Accounts payable	$ 44,872	$ 199,349	$ 244,221	$ -
Accrued expenses	-	36,854	36,854	-
Customer deposits	-	92,569	92,569	400
License fees and deposits	16,065	-	16,065	-
Other accrued expenses	70,954	-	70,954	-
Due to other utilities	-	29,699	29,699	-
Capital lease payable (current portion)	28,616	20,000	48,616	-
Notes payable (current portion)	-	17,500	17,500	548,664
Total current liabilities (payable from current assets)	160,507	395,971	556,478	549,064
Current liabilities (payable from restricted assets):				
Revenue bonds payable	-	668,553	668,553	62,956
Accrued revenue bond interest payable	-	149,508	149,508	23,065
Total current liabilities (payable) from restricted assets)	-	818,061	818,061	86,021
Long-term liabilities (net of current portion)				
Revenue bonds payable	-	21,827,449	21,827,449	859,633
Capital lease payable	46,385	119,600	165,985	-
Notes payable	-	292,415	292,415	-
Compensated absences	38,630	23,791	62,421	-
Due to capacity improvements	-	43,744	43,744	-
Deferred loss on bond refinancing	-	(1,604,435)	(1,604,435)	-
Total long-term liabilities	85,015	20,702,564	20,787,579	859,633
Total liabilities	245,522	21,916,596	22,162,118	1,494,718
Net Assets:				
Invested in capital assets, net of related debt	1,371,897	(271,215)	1,100,682	(102,183)
Restricted for debt and construction	-	2,759,524	2,759,524	71,145
Reserved for long-term loans receivable	50,000	-	50,000	-
Reserved for capital improvements	197,357	-	197,357	-
Unrestricted	2,762,537	2,270,393	5,032,930	304,329
Total net assets	4,381,791	4,758,702	9,140,493	273,291
Total liabilities and net assets	$ 4,627,313	$ 26,675,298	$ 31,302,611	$ 1,768,009

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia
STATEMENT OF ACTIVITIES
For the year ended June 30, 2004

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS: PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT: TOTAL	COMPONENT UNIT: BUILDING COMMISSION
PRIMARY GOVERNMENT								
Governmental activities:								
General government	$ 610,966	$ 294,711	$ 1,034	$ 20,200	$ (295,021)	$ -	$ (295,021)	$ -
Public safety	1,274,094	376,385	10,829	-	(886,880)	-	(886,880)	-
Health and sanitation	5,500	-	-	-	(5,500)	-	(5,500)	-
Highways and streets	321,750	81,463	-	816,024	575,737	-	575,737	-
Culture and recreation	89,203	-	-	-	(89,203)	-	(89,203)	-
Housing rehabilitation	270	-	-	-	(270)	-	(270)	-
Total governmental activities	2,301,783	752,559	11,863	836,224	(701,137)	-	(701,137)	-
Business-type activities:								
Water	2,192,971	2,253,582	-	224,750	-	285,361	285,361	-
Sewer	1,223,957	1,166,991	-	5,768	-	(51,198)	(51,198)	-
Total business-type activities	3,416,928	3,420,573	-	230,518	-	234,163	234,163	-
Total primary government	$5,718,711	$ 4,173,132	$ 11,863	$ 1,066,742	$ (701,137)	$ 234,163	$ (466,974)	$ -
COMPONENT UNIT								
Building Commission	$ 200,107	$ -	$ -	$ -	-	-	-	(200,107)
General revenues:								
Taxes:								
Property taxes, levied for general purposes					394,916	-	394,916	-
Business and occupation tax					417,195	-	417,195	-
Alcoholic beverage tax					50,751	-	50,751	-
Utility services tax					136,299	-	136,299	-
Hotel/motel tax					63,083	-	63,083	-
Other taxes					831	-	831	-
Miscellaneous					125,660	-	125,660	-
Rental income					-	-	-	69,976
Lease income					-	-	-	93,380
Interest income					17,945	-	17,945	640
Video lottery					896,458	-	896,458	-
Transfers					(33,927)	-	(33,927)	33,927
Total general revenues					2,069,211	-	2,069,211	197,923
Change in net assets					1,368,074	234,163	1,602,237	(2,184)
Total net assets at beginning of year					3,013,717	4,524,539	7,538,256	275,475
Total net assets at end of year					$ 4,381,791	$ 4,758,702	$ 9,140,493	$ 273,291

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2004

	GENERAL FUND	CAPITAL RESERVE FUND	OTHER GOVERNMENTAL FUNDS	TOTALS
ASSETS				
Cash	$ 360,374	$ 156,049	$ 146,218	$ 662,641
Investments	-	-	429,080	429,080
Receivables, net of allowances:				
Taxes	241,118	-	-	241,118
Accounts (loans)	13,456	-	61,088	74,544
Other	12,895	-	-	12,895
Due from:				
Other funds	1,013	229,872	650,795	881,680
Total assets	$ 628,856	$ 385,921	$ 1,287,181	$ 2,301,958
LIABILITIES AND FUND BALANCES				
Current liabilities (payable from current assets):				
Accounts payable	$ 44,872	$ -	$ -	$ 44,872
License fees and deposits	16,065	-	-	16,065
Other accrued expenses	70,954	-	-	70,954
Due to other funds	239,872	188,564	-	428,436
Total current liabilities (payable from current assets)	371,763	188,564	-	560,327
Fund balances:				
Reserved for long-term loans receivable	-	-	50,000	50,000
Reserved for capital improvements	-	197,357	-	197,357
Unreserved	257,093	-	1,237,181	1,494,274
Total fund balances	257,093	197,357	1,287,181	1,741,631
Total liabilities and fund balances	$ 628,856	$ 385,921	$ 1,287,181	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,723,496
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	30,295
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(113,631)
Net assets of governmental activities.	$ 4,381,791

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the year ended June 30, 2004

	GENERAL FUND	CAPITAL RESERVE FUND	OTHER GOVERNMENTAL FUNDS	TOTALS
REVENUES				
Taxes (including interest and penalties)	$ 1,075,706	$ -	$ -	$ 1,075,706
Licenses and permits	230,542	-	-	230,542
Intergovernmental:				
Federal	1,034	823,024	-	824,058
State	4,954	13,200	5,875	24,029
Charges for services	21,122	-	-	21,122
Fines and forfeits	376,385	-	-	376,385
Street paving fees	81,463	-	-	81,463
Franchise fees	43,047	-	-	43,047
Interest	220	1,668	16,057	17,945
Video lottery	896,458	-	-	896,458
Miscellaneous	16,139	109,482	39	125,660
Total revenues	2,747,070	947,374	21,971	3,716,415
EXPENDITURES				
General government	579,684	2,625	-	582,309
Public safety	1,224,981	26,000	-	1,250,981
Health and sanitation	500	5,000	-	5,500
Highways and streets	312,385	-	-	312,385
Culture and recreation	67,434	21,769	-	89,203
Capital expenditures	-	1,308,581	23,608	1,332,189
Housing rehabilitation	-	-	270	270
Total expenditures	2,184,984	1,363,975	23,878	3,572,837
Excess (deficiency) of revenues over expenditures:	562,086	(416,601)	(1,907)	143,578
Other financing sources (uses):				
Transfers from other funds	15,900	484,872	10,000	510,772
Transfers to other funds	(494,872)	(33,927)	(15,900)	(544,699)
Total other financing sources (uses)	(478,972)	450,945	(5,900)	(33,927)
Net change in fund balance	83,114	34,344	(7,807)	109,651
Fund balance at beginning of year	173,979	163,013	1,294,988	1,631,980
Fund balance at end of year	$ 257,093	$ 197,357	$ 1,287,181	$ 1,741,631

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2004

Net change in fund balance - total governmental funds		$ 109,651
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	1,332,189	
Depreciation expense	(69,339)	
Amount capital outlays exceed depreciation expense in the current period.		1,262,850
Governmental funds report capital lease payments as expenditures. However, in the statement of activities these payments are not reported because they are a reduction in outstanding debt.		13,748
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Deferred revenues decreased by this amount in the current period.		(12,631)
Expenses in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds. Long-term compensated absences increased by this amount in the current period.		(5,544)
Change in net assets of governmental activities.		$ 1,368,074

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2004

	Water Fund	Sewer Fund	Totals
ASSETS			
Current:			
Cash	$ 349,430	$ 37,791	$ 387,221
Receivables, net of allowances	104,759	36,351	141,110
Other accounts receivable	27,686	-	27,686
Due from other funds	155,457	29,554	185,011
Due from associated companies	-	33,011	33,011
Inventory, at cost	23,351	877	24,228
Accrued utility revenue	165,441	32,668	198,109
Total current assets	826,124	170,252	996,376
Restricted:			
Reserved for bond retirement	1,463,528	569,403	2,032,931
Reserved for construction	136,860	-	136,860
Reserved for capacity improvements	626,240	-	626,240
Reserved for repair and replacement	104,656	8,345	113,001
Total restricted assets	2,331,284	577,748	2,909,032
Capital Assets:			
Utility plant in service	18,677,503	11,894,289	30,571,792
Less: accumulated depreciation and amortization	4,756,251	3,399,051	8,155,302
			-
Net utility plant in service	13,921,252	8,495,238	22,416,490
Construction in progress	173,168	84,644	257,812
Total capital assets	14,094,420	8,579,882	22,674,302
Other:			
Unamortized bond issue cost	696,128	182,526	878,654
Due from current assets to capacity improvements	43,744	-	43,744
Total other	739,872	182,526	922,398
Total assets	$ 17,991,700	$ 9,510,408	$ 27,502,108

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS (CONTINUED)
June 30, 2004

	Water Fund	Sewer Fund	Totals
CURRENT LIABILITIES (PAYABLE FROM CURRENT ASSETS)			
Accounts payable	$ 162,206	$ 37,143	$ 199,349
Accrued expenses	24,544	12,310	36,854
Customer deposits	81,247	11,322	92,569
Due to other utilities	29,699	-	29,699
Due to other funds	30,558	-	30,558
Capital lease payable (current portion)	15,000	5,000	20,000
Notes payable (current portion)	7,500	10,000	17,500
Total current liabilities (payable from current assets)	350,754	75,775	426,529
CURRENT LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)			
Revenue bonds payable	423,579	244,974	668,553
Accrued revenue bond interest payable	124,443	25,065	149,508
Total current liabilities (payable from restricted assets)	548,022	270,039	818,061
LONG-TERM LIABILITIES (NET OF CURRENT PORTION)			
Revenue bonds payable	15,639,134	6,188,315	21,827,449
Capital lease payable	109,000	10,600	119,600
Notes payable	116,367	176,048	292,415
Compensated absences	16,773	7,018	23,791
Due to capacity improvements	43,744	-	43,744
Due to other funds	509,000	287,252	796,252
Deferred loss on bond refinancing	(1,252,710)	(351,725)	(1,604,435)
Total long-term liabilities	15,181,308	6,317,508	21,498,816
Total liabilities	16,080,084	6,663,322	22,743,406
NET ASSETS			
Invested in capital assets, net of related debt	(2,216,160)	1,944,945	(271,215)
Restricted for debt and construction	2,206,841	552,683	2,759,524
Unrestricted	1,920,935	349,458	2,270,393
Total net assets	1,911,616	2,847,086	4,758,702
Total liabilities and net assets	$ 17,991,700	$ 9,510,408	$ 27,502,108

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS

For the year ended June 30, 2004

	Water Fund	Sewer Fund	Totals
OPERATING REVENUES			
Sales and services to customers	$ 2,149,755	$ 1,161,111	$ 3,310,866
Total operating revenues	2,149,755	1,161,111	3,310,866
OPERATING EXPENSES			
Personal services	488,892	329,923	818,815
Contractual services	33,909	93,748	127,657
Administrative and general	93,265	66,239	159,504
Materials and supplies	82,479	75,485	157,964
Utilities	63,197	90,202	153,399
Maintenance	261,583	72,430	334,013
Depreciation and amortization	487,668	236,395	724,063
Total operating expenses	1,510,993	964,422	2,475,415
Operating income	638,762	196,689	835,451
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	16,461	5,817	22,278
Interest and fiscal charges	(627,908)	(223,992)	(851,900)
Amortization of bond issue cost	(27,243)	(28,107)	(55,350)
Miscellaneous revenues	87,366	63	87,429
Bad debts	(25,528)	(7,436)	(32,964)
Other interest expense	(1,299)	-	(1,299)
Total nonoperating revenues (expenses)	(578,151)	(253,655)	(831,806)
Income (loss) before contributed capital	60,611	(56,966)	3,645
CONTRIBUTED CAPITAL	224,750	5,768	230,518
Change in net assets	285,361	(51,198)	234,163
Total net assets at beginning of year	1,626,255	2,898,284	4,524,539
Total net assets at end of year	$ 1,911,616	$ 2,847,086	$ 4,758,702

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the year ended June 30, 2004

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 2,172,364	$ 1,157,531	$ 3,329,895
Cash payments for goods and services	(411,112)	(373,687)	(784,799)
Cash payments for employee services	(466,666)	(315,637)	(782,303)
Net cash provided by operations	1,294,586	468,207	1,762,793
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(2,287,807)	(82,308)	(2,370,115)
Proceeds from long-term debt	1,026,393	15,600	1,041,993
Principal paid on revenue bonds and long-term debt	(434,833)	(327,038)	(761,871)
Interest paid on bonds, notes and leases payable	(576,257)	(209,055)	(785,312)
Debt refinancing costs paid	(4,751)	-	(4,751)
Contributed capital	224,750	-	224,750
Miscellaneous revenues (expenses) - net	87,365	62	87,427
Increase in bond retirement reserves	(35,257)	(7,217)	(42,474)
Net cash used in capital and related financing activities	(2,000,397)	(609,956)	(2,610,353)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on cash and investments	16,461	11,585	28,046
Advances to sewer fund	(84,092)	-	(84,092)
Advances from water fund	-	84,092	84,092
Advances to associated company	-	(36,729)	(36,729)
Increase in customer deposits held	12,929	1,003	13,932
Net cash provided by (used in) investing activities	(54,702)	59,951	5,249
Net increase in cash and cash equivalents	(760,513)	(81,798)	(842,311)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,977,699	127,934	2,105,633
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,217,186	$ 46,136	$ 1,263,322

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
For the year ended June 30, 2004

	Water Fund	Sewer Fund	Totals
Operating income	$ 638,762	$ 196,689	$ 835,451
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	487,668	236,395	724,063
Decrease (increase) in receivables	767	(11,755)	(10,988)
Decrease (increase) in accrued revenues	(3,687)	738	(2,949)
Decrease in inventory	876	-	876
Decrease in prepayments	1,324	-	1,324
Increase in accounts payable	148,940	31,854	180,794
Increase in accrued expenses	19,936	14,286	34,222
Net cash provided by operating activities	$ 1,294,586	$ 468,207	$ 1,762,793

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Noncash investing, capital, and financing transactions:
None

RECONCILIATION OF CASH

Cash	$ 349,430	$ 37,791	$ 387,221
Reserved for construction	136,860	-	136,860
Reserved for capacity improvements	626,240	-	626,240
Reserved for repair and replacements	104,656	8,345	113,001
Total	$ 1,217,186	$ 46,136	$ 1,263,322

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2004

	Policemen's Pension and Relief
ASSETS	
Cash	$ 82,639
Investments	300,000
State allocation receivable	20,613
Total assets	$ 403,252
LIABILITIES AND NET ASSETS	
Liabilities:	$ -
Net assets:	
Net assets held in trust for pension benefits	403,252
Total liabilities and net assets	$ 403,252

The accompanying notes are an integral part of this statement.

Municipality of Charles Town, West Virginia

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

For the year ended June 30, 2004

	Policemen's Pension and Relief
ADDITIONS	
Contributions:	
Employer	$ 85,679
Plan members	3,907
Insurance premium tax allocation	20,613
Total contributions	110,199
Investment income:	
Interest	16,939
Total investment income	
Other income:	
Donations	1,530
Total other income	1,530
Total additions	128,668
DEDUCTIONS	
Benefits	91,994
Administrative expense	3,022
Total deductions	95,016
Change in net assets	33,652
Net assets held in trust for pension benefits:	
Beginning of year	369,600
End of year	$ 403,252

The accompanying notes an integral part of this statement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Municipality of Charles Town, West Virginia ("Municipality") is a municipal corporation in which citizens elect the mayor at large and eight council members. The Municipality engages in a comprehensive range of services, including general government administration, public safety and administration of justice, water and sewer services, transportation, planning, community development and recreation, cultural and historic activities.

The accounting policies and the presentation of the financial report of the Municipality has been designed to conform to generally accepted accounting principles as applicable to government units, in accordance with the Governmental Accounting Standards Board (GASB). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so.

The Municipality follows the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* for financial reporting. Certain significant components of the Statement include the following:

- A management Discussion and Analysis (MD&A section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City's activities.
- Fund financial statements that focus on major funds.

The City elected to implement the general provisions of the Statement beginning July 1, 2003. The City is a Phase 3 government under GASB No. 34 implementation guidelines and has elected to account for infrastructure prospectively.

These financial statements present all fund types of the Municipality and its discretely presented component unit.

Individual Component Unit Disclosure

The criteria for including component units consists of identification of legally separate organizations for which the elected officials of the City are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

The City had no blended component units as of and for the year ended June 30, 2004.

The City of Charles Town Building Commission is governed by a board appointed by the Municipality's Council. While legally separate from the City, it is reported as part of the reporting entity under the discretely presented method because the City's elected officials are financially accountable for the City of Charles Town Building Commission. The City Council has the power to approve, disapprove, or modify the budget and financial operations of the Building Commission. Separate financial information can be obtained from the City of Charles Town Building Commission.

Related Organizations

The City's officials are also responsible for appointing the members of the board of various organizations, but the City's accountability for these organizations does not significantly extend beyond making the appointments. The City is not financially accountable for the organizations to which these appointments are made.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Municipality as a whole) and fund financial statements. Under this reporting model, the focus is on both the Municipality as a whole and the fund financial statements, including the major funds of the governmental and business-type categories, as well as the fiduciary funds, (by fund type) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business- type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected in a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government, public safety, highways and streets, culture and recreation, etc.) that are otherwise being supported by general government revenues (property, business and occupation taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions. The program revenues must be directly associated with the function (general government, public safety, highways and streets, culture and recreation, etc.) or a business-type activity. Program revenues include 1) charges to customers for applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues. The Municipality does not allocate indirect expenses. The operating grants include operating - specific and discretionary (either operating or capital) grants while the capital grants column reflects capital - specific grants and contributions.

In the fund financial statements, financial transactions and accounts of the Municipality are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resources and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The Municipality's fiduciary funds are presented in the fund financial statements by type (pension). Since, by definition, these assets are being held for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government - wide statements.

The following is a brief description of the specific funds used by the Municipality:

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within a current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Municipality considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements (continued)

General Fund

The general fund is the primary operating fund of the Municipality. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service and interest income.

Special Revenue Funds

Special revenue funds account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities. The special revenue funds, except for the capital reserve fund, are considered non-major funds for reporting purposes. The capital reserve fund is used to administer the capital grant and bond and loan monies received for capital improvements.

Proprietary Funds

Proprietary funds are used to account for operations that are financed in a manner similar to private business enterprises where the intent is that the cost of providing goods and services to the general public, on a continuing basis, be financed or recovered primarily through user charges. The Municipality's proprietary funds account for the operations of water and sewer activities.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Municipality in a trustee capacity or as an agent for individuals, private organizations and other governments. The fiduciary fund of the Municipality is a pension trust fund. For accounting measurement purposes, the pension trust fund account for the assets of the Municipality's police pension plan. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation. Fiduciary funds are not included in the government-wide financial statements.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e. revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statements of net assets and statements of activities, all proprietary funds, and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net assets or on the statement of decreases (e.g., expenses) in net total assets.

The statements of net assets, statements of activities, and financial statements of the proprietary funds and fiduciary funds (except for agency funds) are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned, and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting

All municipalities within West Virginia are required by statute to prepare annual budgets (levy estimates) on prescribed forms and submit these for approval to the State Tax Commissioner. Theses budgets are prepared in accordance with the following procedures:

1. The governing body of the Municipality is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain the financial condition of the Municipality and to prepare the levy estimate (budget) for the fiscal year commencing July 1.

2. The budget is then forthwith submitted to the State Tax Commissioner for approval.

3. The governing body then reconvenes on the third Tuesday in April to hear objections from the public and to formally lay the levy.

The annual budget for the General Fund is prepared on a basis generally consistent with U.S. generally accepted accounting principles.

Revisions are authorized only with the prior written approval of the State Tax Commissioner. The budgeted amounts reflected in the accompanying financial statements represent those adopted by the Municipality's Council and approved by the State Tax Commissioner.

Encumbrances

Encumbrance accounting, under which purchase orders are issued but are not considered expenditures until liabilities for payments are incurred, is not employed as an extension of the formal budgetary process.

Customer Receivables

The Municipality uses the reserve method of providing for possible losses in the collection of its customers' accounts receivable. Management believes all accounts are materially collectible and no allowance is necessary for the year ended June 30, 2004.

Inventories

The Municipality considers inventories of materials and supplies utilized in governmental fund type operations as expended at the time of purchase. Therefore, they do not appear in the Municipality's financial statements. Inventories of materials and supplies utilized in proprietary fund type operations, however, are considered expended at the time of consumption. Therefore, balances on hand at year-end, valued at cost (first-in, first-out) are presented in the Municipality's financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital outlays are recorded as expenditures of the general and special revenue funds and as assets in the government-wide financial statements to the extent the Municipality's capitalization threshold of $5,000 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings	25-50 years
Improvements	10-20 years
Equipment	3-10 years

To the extent that the Municipality's capitalization threshold of $5,000 is met, capital outlays of the proprietary funds are recorded as fixed assets and depreciated over their estimated useful lives on both the funds basis and the government-wide basis using the straight-line method and the following estimated useful lives:

Buildings	25-50 years
Improvements	10-20 years
Utility Plant	10-20 years
Equipment	3-10 years

All fixed assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

Bond Issue Cost

Bond issue costs are amortized over the life of the related bonds using the straight-line method.

Deferred Loss

Deferred loss resulting from an advance refunding of debt related to the proprietary funds is being amortized by the straight-line method over the remaining term of the old debt.

Capitalized Interest

The Municipality capitalizes net interest costs and interest earned as part of constructing various water and sewer projects when material. There was no capitalized interest for the year ended June 30, 2004.

Compensated Absences

The Municipality's policy is to permit employees to accumulate earned but unused vacation benefits. The Municipality fully recognizes the liability related to compensated absences in the governmental and proprietary funds in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 43 without modification.

Interfund Charges

The Municipality allocates to several funds a percentage of the salaries and wages and related cost of personnel who perform services for such funds but are paid out of the general fund. These services are billed on a periodic basis to the appropriate funds at the time the services are performed.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the proprietary and fiduciary fund types and the discretely presented component unit consider all highly liquid investments (including restricted assets) with a maturity of 3 months or less when purchased are considered to be cash equivalents.

PROPERTY TAXES

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July. There is no lien denominated as such on personal property. However, statutes provide that the sheriff of a county may distrain for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments: the first installment is payable on September first of the year for which the assessment is made and becomes delinquent on October first: the second installment is payable on the first day of the following March and becomes delinquent on April first. Taxes paid on or before the date when they are due, including both first and second installments, are subject to a discount of two and one-half percent. If taxes are not paid on or before the date on which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until paid.

All municipalities within the state are authorized to levy taxes not in excess of the maximum levies per $100 of assessed valuation. In addition, municipalities may provide for an election to lay an excess levy, the rates not to exceed fifty percent of such authorized maximum levies, provided that at least sixty percent of the voters cast ballots in favor of the excess levy.

The rates levied by the Municipality per $100 of assessed valuation for each class of property for the year ended June 30, 2004, were as follows:

Class of Property	Assessed Valuations For Tax Purposes	Current Expense
Class I	$ 3,500	11.97¢
Class II	$ 51,220,500	23.94¢
Class IV	$ 60,449,751	47.88¢

CASH AND TEMPORARY INVESTMENTS

Cash and temporary investments represent amounts being held at banks and the West Virginia Municipal Bond Commission and consist of the following accounts and amounts at June 30, 2004:

	Primary Government Market Value	Component Unit Market Value
Unrestricted accounts		
Petty cash	$ 475	$ -
Bank accounts	956,439	51,809
Temporary investments	429,080	-
Security deposits	92,948	-
Bank accounts - fiduciary funds	82,638	-
Temporary investments - fiduciary funds	300,000	-
Total unrestricted	1,861,580	51,809
Restricted accounts		
Renewal and replacement	113,001	-
Reserve for bond retirement	2,032,931	94,210
Reserve for capacity improvements	626,240	-
Reserve for construction	136,860	-
Total restricted	2,909,032	94,210
Total	$ 4,770,612	$ 146,019

Temporary investments consist entirely of purchased certificates of deposit. The renewal and replacement funds are under the control and custody of the trustee in accordance with provisions of the revenue bond indentures and represent funds on deposit for the purpose of making repairs and replacements. The reserve for capacity improvement fund represents amounts to be used to pay for the cost of increased capacity.

CASH AND TEMPORARY INVESTMENTS (CONTINUED)

Municipalities are authorized by statute to provide excess funds to the Municipal Bond Commission for investment purposes, or to invest such funds in the following classes of securities: obligations of the United States or any agency thereof, certificates of deposit and repurchase agreements.

The market value of the above investments approximates cost at June 30, 2004.

COLLATERALIZATION OF DEPOSITS

The Municipality maintains its cash accounts at various banks. Municipality deposits held by financial institutions are insured up to $100,000 at each financial institution by the Federal Deposit Insurance Corporation (FDIC). The Municipality's deposits held at 3 financial institutions exceed the $100,000 FDIC limit. The Municipality's deposits are categorized to give an indication of the level of risk assumed by the Municipality at fiscal year end.

Category 1 – Insured or collateralized with securities held by the Municipality or by its agent in the Municipality's name.

Category 2 – Collateralized with securities held by the pledging financial institution or agent in the Municipality's name.

Category 3 – Uncollateralized (which includes securities held by the pledging financial institution or agent not in the Municipality's name).

Deposits, not including funds held by the West Virginia Municipal Bond Commission, categorized by the level of risk are:

	Bank Balance	Category 1	Category 2	Category 3	Carrying Amount
Deposits	$2,825,783	$300,000	$1,503,283	$1,022,500	$2,883,701

INTERGOVERNMENTAL BALANCES AND TRANSACTIONS AND INTERFUND TRANSFERS

The composition of interfund balances as of June 30, 2004 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Water	$ 1,013
Capital Reserve	General	229,872
Non-Major Gov't Funds	General	10,000
Building Commission (component unit)	Capital Reserve	188,564
Water	Sewer	155,457
Sewer	Water	29,554
Non-Major Gov't Funds	Water	509,000
Non-Major Gov't Funds	Sewer	131,795
		$1,255,255

These balances represent timing differences due to routine advances between the Municipality's Funds for both Governmental Funds and Business-Type Funds. Interfund receivables and payables are expected to be paid by year end except for the Water and Sewer to Non-Major Governmental Fund, which represents financing of water and sewer assets.

INTERGOVERNMENTAL BALANCES AND TRANSACTIONS AND INTERFUND TRANSFERS (Continued)

Interfund transfers and transactions for the year ended June 30, 2004 consisted of the following:

Transfer to (Fund)	Transfer from (Fund)	Amount
General	Non-Major Gov't Funds	$ 5,900
General	Non-Major Gov't Funds	10,000
Capital Reserve	General	484,872
Non-Major Gov't Funds	General	10,000
Building Commission (component unit)	Capital Reserve	33,927
		$ 544,699

CHANGES IN FIXED ASSETS

The following is a summary of the changes in governmental and business-type funds property, plant, and equipment:

	Balance at June 30, 2003	Additions	Deletions	Balance at June 30, 2004
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 240,796	$ -	$ -	$ 240,796
Other capital assets:				
Buildings and improvements	963,184	38,700	-	1,001,884
Land improvements	729,009	1,243,014	-	1,972,023
Equipment	167,096	26,282	-	193,378
Vehicles	-	24,193	-	24,193
Total	1,859,289	$1,332,189	$ -	3,191,478
Less accumulated deprecation	(639,439)			(708,778)
Total other capital assets	1,219,850			2,482,700
Governmental activities capital assets, net	$1,460,646			$2,723,496

Depreciation was charged to functions as follows:

Governmental activities:	
General government	$ 23,113
Public safety	23,113
Highways and streets	23,113
Total government activities deprecation expense	$ 69,339

CHANGES IN FIXED ASSETS (Continued)

	Balance at June 30, 2003	Additions	Deletions	Balance at June 30, 2004
Business-Type Activities				
Capital assets not being depreciated:				
Construction in progress	$ 3,163,762	$ -	$(3,163,762)	$ -
Capital assets being depreciated:				
Utility plant in service	$25,295,725	$ 5,276,067	$ -	$30,571,792
Less accumulated deprecation:	(7,411,458)	-	-	(8,155,302)
Business-type activities capital assets, net	$21,048,029			$22,416,490

Depreciation was charged to functions as follows:

Business-type activities:	
Water	$ 487,668
Sewer	256,176
Total business-type activities deprecation expense	$ 743,844

LONG-TERM DEBT

The following is a summary of bonds and notes payable at June 30, 2004:

Revenue Bonds Payable – Water Fund

Issue	Maturity Date	Interest Rates	Amount Issued	Amount Retired	Amount Outstanding
1987B	2026	-%	$ 413,629	$ 163,276	$ 250,353
1988B	2028	-%	558,000	200,312	357,688
1989B	2029	-%	117,480	39,160	78,320
1998	2028	variable	8,387,550	1,296,000	7,091,550
2002A	2039	5.8%	1,100,000	9,046	1,090,954
2002B	2042	-%	3,600,000	53,709	3,546,291
2002C	2032	variable	2,700,000	37,443	2,662,557
2003A	2032	variable	1,000,000	15,000	985,000
Total revenue bonds payable at June 30, 2004:					16,062,713
Less: Current portion due in upcoming year					(423,579)
Long-term revenue bonds payable at June 30, 2004 (net of current portion)					$15,639,134

Maturities of water revenue bonds payable for each of the five years succeeding June 30, 2004, are as follows:

2005	$ 423,579
2006	460,917
2007	416,954
2008	429,106
2009	442,863
Thereafter	13,889,294
Total	$ 16,062,713

Revenue Bonds Payable – Sewer Fund

Issue	Maturity Date	Interest Rates	Amount Issued	Amount Retired	Amount Outstanding
1988B	2028	-%	$ 295,916	$ 106,231	$ 189,685
1998	2028	variable	1,967,450	304,000	1,663,450
1998 Design	2019	2%	437,601	88,708	348,893
2000A	2021	2%	3,163,781	329,968	2,833,813
2002C	2032	variable	1,435,000	35,552	1,397,448
Total revenue bonds payable at June 30, 2004:					6,433,289
Less: Current portion due in upcoming year					(244,974)
Long-term revenue bonds payable at June 30, 2004 (net of current portion)					$ 6,188,315

Maturities of sewer revenue bonds payable for each of the five years succeeding June 30, 2004, are as follows:

2005	$ 244,974
2006	250,267
2007	256,292
2008	249,755
2009	255,952
Thereafter	5,176,049
Total	$ 6,433,289

LONG-TERM DEBT (continued)

The bond issues are secured by a lien on the revenues derived from the system and a statutory mortgage lien on the system.

The Series 1987B, 1988B, 1989B, 1998, 2002A, 2002B, 2002C, and 2003A bonds for the Water fund and the Series 1988B, 1998, and 1998 Design and 2000A and 2002C bonds for the Sewer Fund are all on parity.

The covenants contained in the bond issues include a required debt service coverage ratio of 115%. As of June 30, 2004, the Municipality's Water and Sewer Funds' debt service coverage ratio was 125%.

Each of the bond issues also requires monthly deposits to the renewal and replacement fund equal to 2 ½% of monthly gross revenues less reserve funding requirements. The Municipality's deposits, including necessary expenditures for renewals and replacements, exceeded this requirement for the year ended June 30, 2004.

Notes Payable Bank - Water Fund

Loan from a bank in the original amount of $299,000; monthly installments of principal and interest of $3,056 including interest at 9% until December 2015; secured by deed of trust. This note was divided equally between Water and Sewer Funds.	$ 123,867

Scheduled maturities of the note for each of the five years succeeding June 30, 2004 are as follows:

2005	$ 7,500
2006	8,195
2007	8,964
2008	9,804
2009	10,724
Thereafter	78,680
Total	$ 123,867

Notes Payable Bank - Sewer Fund

Loan from a bank in the original amount of $71,000; monthly installments of principal and interest of $515 including interest at 6.15% until November 2019; secured by deed of trust.	$ 61,737
Loan from a bank in the original amount of $299,000; monthly installments of principal and interest of $3,056 including interest at 9% until December 2015; secured by deed of trust. This note was divided equally between Water and Sewer Funds.	124,311
Total	$ 186,048

LONG-TERM DEBT (continued)

Notes Payable Bank - Sewer Fund (continued)

Scheduled maturities of the notes for each of the five years succeeding June 30, 2004 are as follows:

2005	$ 10,000
2006	10,756
2007	11,685
2008	12,697
2009	13,797
Thereafter	127,113
Total	$ 186,048

Lease Revenue Bond Payable Charles Town Building Commission (Component Unit)

Series 1999 Lease Revenue Bond in the original amount of $1,070,000 with an outstanding balance of $943,989 at June 30, 2004. The bond bears interest at 5 to 6.5% and matures June 2019.

Schedule maturities of the bond for each of the five years succeeding June 30, 2004 are as follows:

2005	$ 62,956
2006	43,308
2007	45,722
2008	48,272
2009	50,963
Thereafter	671,368
Total	$ 922,589

Bond debt service is payable solely from lease rental payments pursuant to an agreement and lease between the Building Commission and The City. Lease rentals are subject to annual appropriation by the City. The bonds are secured by a lease assignment made to the bondholder by the Building Commission.

Notes Payable Charles Town Building Commission (Component Unit)

The Building Commission has three (3) bank notes outstanding. Two bank notes in the original amount of $400,000 have an outstanding balance of $360,100 at June 30, 2004. The notes bear 6% interest and require monthly interest payments. The note proceeds were used to refurbish municipal property and are secured by deeds of trust. Both notes matured in November 2002, and are payable on demand. Subsequent to June 30, 2004, the notes were refinanced through the issuance of revenue bonds.

The Building Commission executed a $415,000 demand note on June 29, 2003, with a financial institution to provide capital funds for the City 's downtown improvement project. The note has an outstanding balance of $188,564 at June 30, 2004. Interest is payable quarterly at 6% and the note matures August 29, 2007. The City has pledged residual fund investments as collateral for this note.

LEASE AGREEMENTS

Operating Leases

Initial lease - Municipality of Charles Town (Lessor) and Charles Town Building Commission (Lessee)

The Municipality and the Building Commission entered into a 20 year lease agreement dated July 27, 1999, whereby the Municipality leased certain of its roads and streets including improvements thereon to the Building Commission. No rentals are payable under the agreement and the Municipality retains responsibility for all taxes and insurance regarding the leased property.

LEASE AGREEMENTS (continued)

Agreement and Lease - Charles Town Building Commission (Lessor) and Municipality of Charles Town (Lessee)

The Municipality and the Building Commission entered into an Agreement and Lease dated July 27, 1999, whereby the Municipality leases from the Building Commission certain improved roads and streets in consideration for the issuance by the Building Commission of Lease Revenue Bonds, Series 1999.

The lease term is for a 20 year period ending July 30, 2019. The Municipality has pledged to pay lease rentals to the Building Commission consisting of amounts received by the Municipality as municipal service fees for street improvements as established by City ordinance. The Municipality is required to pay sufficient lease rentals to accumulated sums necessary to promptly pay principal and interest due on the Building Commission's Lease Revenue Bonds, Series 1999. The Municipality is responsible for all operation and maintenance costs associated with the leased property.

General Fund Leases

The City has entered into a certain vehicle leases (primarily for law enforcement vehicles) which are subject to annual appropriations. The City records these vehicle leases as operating leases as a result of short useful lives of assets.

The Municipality is the lessor of various equipment under capital leases expiring at various times and accounted for in the Municipality's general fund. The assets and liabilities are recorded at the present value of the minimum lease payments.

The lease obligations are secured by the leased equipment. Depreciation of assets under capital leases is included in depreciation expense in the government-wide financial statements.

Leased Equipment	Expiration	Remaining Minimum (net of interest) Lease Payment
Dump truck	2006	$ 28,770
Street sweeper	2007	46,231
Total capital leases payable at June 30, 2004		75,001
Less: Current portion due in upcoming year		(28,770)
Long-term capital lease payable at June 30, 2004 (net of current portion)		$ 46,231

Minimum lease payments under capital leases at June 30, 2004:

2005	$ 28,770
2006	30,096
2007	16,135
Total	$ 75,001

LEASE AGREEMENTS (continued)

Capital Leases - Water and Sewer Funds

The Municipality is the lessor of various equipment under capital leases expiring at various times and accounted for in the Municipality's Water and Sewer Funds. The assets and liabilities under the capital lease are recorded at their present value of the minimum lease payments.

The lease obligations are secured by the leased equipment. Depreciation of assets under capital lease is included in depreciation expense for the year ended June 30, 2004.

Leased Equipment	Expiration	Remaining Minimum (net of interest) Lease Payment
Backhoe	2010	$ 45,430
Backhoe	2006	3,975
Mower	2007	7,450
Mower trailers	2006	1,675
Ford F250	2008	23,680
Ford Ranger	2008	21,413
Excavator	2008	20,377
Sewer pumps	2006	15,600
Total capital leases payable at June 30, 2004		139,600
Less: Current portion due in upcoming year		(20,000)
Long-term capital lease payable at June 30, 2004 (net of current portion)		$ 119,600

Minimum future lease payments under the capital leases as of June 30, 2004 are:

2005	$ 20,000
2006	25,000
2007	25,000
2008	25,000
2009	25,000
2010	24,600
Total	$ 139,600

EMPLOYEES' RETIREMENT SYSTEM

The Municipality has established and maintains the following employees' retirement and benefit funds, as authorized by West Virginia Code 8-22-1, et seq., for all eligible employees.

Employees' Retirement and Benefit Fund

All full-time employees of the Municipality, except those employees of the police department covered by the Municipality's Policemen's Pension and Relief Fund, are covered by the West Virginia Public Employees Retirement System which is a cost-sharing multi-employer PERS.

All full-time employees are eligible and must participate in the State PERS. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. A member may retire after reaching the age of 60 and accumulating 5 years of credited service in force. Benefits generally vest in varying degrees once a member attains 5 or more year of credited service in force. Employees who retire at age 60 with 5 or more years of credited service in force are entitled to pension payments for the rest of their lives equal to 2% of their final, three-year average salary times the number of years for which they were employed as a participant in the State PERS.

Pension provisions include deferred allowances whereby an employee may terminate his or her employment with the Municipality after accumulating 5 or more years of credited service in force, but before reaching the age of 60. If the employee does not withdraw his or her accumulated contributions, the employee is entitled to certain pension benefits in accordance with the West Virginia Public Employees Retirement Act.

Pension provisions include annuity options to provide benefits to a member's nominated beneficiary if so elected. In addition, disability retirement is provided for members who meet certain requirements as specified in the Act. The covered payroll amounted to approximately $1,557,646 for the year ended June 30, 2004.

Employees of the Municipality are required to pay 4.5% of their gross earnings to the pension plan. The Municipality makes annual contributions to the plan equal to 10.5% of its covered payroll. Total contributions made during the fiscal year ended June 30, 2004 amounted to $163,553.

Information regarding the plan is available from the state of West Virginia.

Policemen's Pension and Relief Fund

The Policemen's Pension and Relief Fund of the Municipality covers one active and seven separated employees of the police department. Eligibility for participation is available only to department employees hired prior to 1981. The Municipality's contribution for the year ended June 30, 2004 was $85,679 and $20,613 was provided by the insurance premium tax allocation and employee contributions were $3,907 for a total contribution of $110,199.

For plan year end June 30, 2004, the membership in the pan was comprised of the following:

Number of participants	
Active	1
Normal retirees	3
Beneficiaries	3
Disability retirees	1
Total	8

EMPLOYEES' RETIREMENT SYSTEM (continued)

Policemen's Pension and Relief Fund (continued)

According to the latest actuarial study of the Municipality's Policemen's Pension and Relief Fund, conducted by Hallet Associates, Inc., the unfunded actuarial liability as of July 1, 2003 was:

Active Employees	$ 483,647
Retirees	1,176,034
Total actuarial liability	1,659,681
Assets at market value	369,599
Unfunded actuarial liability	$ 1,290,082

To amortize this unfunded actuarial liability by June 30, 2031, plus provide for normal costs each year, Hallet Associates, Inc. recommended that the municipality contribute $85,679 annually to the Policemen's Pension and Relief Fund as the employer's share of the contribution. This amount is net of the estimated premium tax allocation of $20,613.

The recommended minimum annual funding is as follows:

Normal cost and amortization payment	$ 106,292
Less state allocation	(20,613)
Amount to meet minimum funding requirement	$ 85,679

The covered payroll amounted to approximately $49,000 for the year ended June 30, 2004. Employee contributions are 7% of payroll and are accounted for in determining normal cost.

In presenting these recommended funding levels, Hallet Associates, Inc. assumed that the premium tax allocation will continue to be paid to the Municipality and that it will remain at about the same level.

The Board of Trustees is required to have an actuarial study of the fund performed at least once every 3 years. The study must be performed by a qualified actuary. The last actuarial valuation was performed as of July 1, 2003. The study includes the salient features of the plan, a 15 year solvency schedule, and the actuarial cost method, factors and assumptions used in determining cost estimates. For information regarding the above, please refer to the above study.

RISK MANAGEMENT

The Municipality 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. The Municipality participates in one risk management program administered by the State of West Virginia.

Workers' Compensation Fund (WCF)

West Virginia is one of six states that operates an exclusive state-managed Workers' Compensation Insurance Fund (WCF), which means that private insurance companies cannot offer coverage to employers. Nearly every employer in the State, including all Municipalities, who have a payroll must have coverage. The cost of all coverage as determined by the WCF Compensation Programs Performance Council is paid by the employers. The WCF risk pool retains all risk related to the compensation of injured employees under the program.

Property and Liability Insurance

Significant losses are covered by commercial insurance for all major programs except for workers' compensation coverage for which the Workers' Compensation Fund retains risk of loss. For insured programs, there have been no significant reductions in insurance coverage. Settlement charges have not exceeded insurance coverage for the current year or prior years in which commercial coverage has been in force.

CONTINGENCIES

Litigation

The Municipality is routinely a party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Municipality, when considered in relation to insurance coverage in force.

West Virginia Department of Environmental Protection - Civil Enforcement Action

The West Virginia Department of Environmental Protection brought a civil enforcement action in Jefferson County Circuit Court in March of 2004 with regards to historic violations of Charles Town's NPDES permit related to operation of the City's sewerage treatment plant. The lawsuit sought civil penalties in excess of $1 million. In March of 2005, the WVDEP and the City reached a tentative agreement to settle the lawsuit. The settlement requires Charles Town to pay a cash penalty and perform a supplemental environmental project with a total combined value of $251,000. The city anticipates the settlement to be approved by the Court during the second quarter of 2005.

The City has not accrued any loss in connection with this civil action as of June 30, 2004.

Federal Grants

In the normal course of operations, the Municipality receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

SEWER SERVICE AGREEMENT

The Municipality of Charles Town has entered into an agreement with Jefferson County Public Service District and the Municipality of Ranson for treatment and discharge of waste water. The agreement sets forth certain terms and conditions and stipulates a specific formula for payment for sewer services. During the year ended June 30, 2004, treatment revenue totaled $508,273.

REQUIRED SUPPLEMENTAL INFORMATION

POLICEMEN'S PENSION AND RELIEF FUND

Pension Plan Funding Progress/Schedules of Funding Progress

Policemen's Pension and Relief Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) --Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ration (a)/(b)	Covered Payroll	UAAL as Percentage of Covered Payroll
07/01/00	$305,428	$ 1,553,844	$ 1,248,416	19.66%	$ 39,216	3183%
07/01/03	$369,599	$ 1,659,681	$ 1,290,082	22.27%	$ 48,623	2653%

Schedule of Employer Contributions

Fiscal Year	Annual Statutory Cost	Percentage Contributed
2003	$ 86,367	100%
2004	$ 85,679	100%

Notes to Required Supplemental Information

Valuation date	07/01/03
Actuarial cost method	Entry age normal
Amortization method	Level with a 28 year closed period ending June 30, 2031
Actuarial asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.0%, net of expenses
Projected salary increases	4% per year
Post retirement benefit increases	COLA after 2 years
Inflation	3.00%
Cost of living adjustments	CPI with 4.0% cap

See independent auditor's report.

Municipality of Charles Town, West Virginia
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the year ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES				
Taxes (including interest and penalties):				
General property tax	$ 402,700	$ 405,658	$ 407,547	$ 1,889
Business and occupation tax	260,000	260,000	417,195	157,195
Alcoholic beverages tax	40,000	50,751	50,751	-
Utility services tax	125,000	127,500	136,299	8,799
Hotel/motel tax	50,000	62,637	63,083	446
Other taxes	1,855	1,755	831	(924)
Total taxes	879,555	908,301	1,075,706	167,405
Licenses and permits	90,000	217,250	230,542	13,292
Intergovernmental:				
Federal	15,000	1,034	1,034	-
State	-	4,954	4,954	-
Charges for services	40,900	20,525	21,122	597
Fines and forfeits	497,700	398,918	376,385	(22,533)
Street paving fees	80,000	80,000	81,463	1,463
Franchise fees	30,000	43,047	43,047	-
Interest	-	-	220	220
Video lottery	550,000	862,000	896,458	34,458
Miscellaneous	7,000	15,000	16,139	1,139
Total revenues	2,190,155	2,551,029	2,747,070	196,041
EXPENDITURES				
General government	606,375	664,318	579,684	84,634
Public safety	1,235,212	1,215,400	1,224,981	(9,581)
Health and sanitation	554	554	500	54
Highways and streets	297,714	447,327	312,385	134,942
Culture and recreation	51,300	62,891	67,434	(4,543)
Total expenditures	2,191,155	2,390,490	2,184,984	205,506
Excess (deficiency) of revenues over expenditures	(1,000)	160,539	562,086	401,547
Other financing sources (uses):				
Transfers from other funds	5,000	5,000	15,900	10,900
Transfers to other funds	(104,000)	(250,370)	(494,872)	(244,502)
Total other financing sources (uses)	(99,000)	(245,370)	(478,972)	(233,602)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(100,000)	(84,831)	83,114	167,945
Fund balance at beginning of year, as restated	100,000	84,831	173,979	89,148
Fund balance at end of year	$ -	$ -	257,093	$ 257,093

See independent auditor's report.

Municipality of Charles Town, West Virginia
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - COAL SEVERANCE TAX FUND
For the year ended June 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
State	$ 7,100	$ 7,100	$ 5,875	(1,225)
Interest	-	-	9	9
				-
Total revenues	7,100	7,100	5,884	(1,216)
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	7,100	7,100	5,884	(1,216)
Other financing sources (uses):				
Operating transfers out	7,744	7,744	5,900	1,844
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(644)	(644)	(16)	628
Fund balance at beginning of year	644	644	30	(614)
Fund balance at end of year	$ -	$ -	$ 14	$ 14

See independent auditor's report.

OTHER SUPPLEMENTAL INFORMATION

Municipality of Charles Town, West Virginia

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2004

	Coal Severance Fund	Community Development Fund	Residual Fund	Totals
ASSETS				
Cash	$ 14	$ 67,807	$ 78,397	$ 146,218
Investments	-	-	429,080	429,080
Receivables, net of allowances:				
Accounts (loans)		61,088		61,088
Due from:				
Other funds			650,795	650,795
Total assets	$ 14	$ 128,895	$ 1,158,272	$ 1,287,181
LIABILITIES AND FUND BALANCES				
Liabilities:				
Total liabilities	$ -	$ -	$ -	$ -
Fund balances:				
Reserved for long-term loans receivable	-	50,000	-	50,000
Unreserved	14	78,895	1,158,272	1,237,181
Total fund balances	14	128,895	1,158,272	1,287,181
Total liabilities and fund balances	$ 14	$ 128,895	$ 1,158,272	$ 1,287,181

See independent auditor's report.

Municipality of Charles Town, West Virginia

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

For the year ended June 30, 2004

	Coal Severance Fund	Community Development Fund	Residual Fund	Totals
REVENUES				
Intergovernmental:				
State	$ 5,875	$ -	$ -	$ 5,875
Interest	9	872	15,176	16,057
Miscellaneous	-	39	-	39
Total revenues	5,884	911	15,176	21,971
EXPENDITURES				
Capital expenditures	-	23,608	-	23,608
Housing rehabilitation	-	270	-	270
Total expenditures	-	23,878	-	23,878
Excess (deficiency) of revenues over expenditures	5,884	(22,967)	15,176	(1,907)
Other financing sources (uses):				
Transfers from other funds			10,000	10,000
Transfer to other funds	(5,900)	(10,000)	-	(15,900)
Total other financing sources (uses)	(5,900)	(10,000)	10,000	(5,900)
Net change in fund balance	(16)	(32,967)	25,176	(7,807)
Fund balance at beginning of year	30	161,862	1,133,096	1,294,988
Fund balance at end of year	$ 14	$ 128,895	$ 1,158,272	$ 1,287,181

See independent auditor's report.

J.C. Kunkle & Associates, A.C.
CERTIFIED PUBLIC ACCOUNTING & CONSULTING

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Council
Municipality of Charles Town
Charles Town, West Virginia

We have audited the financial statements of the Municipality of Charles Town, West Virginia, as of and for the year ended June 30, 2004, and have issued our report thereon dated March 24, 2005. 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.

Compliance

As part of obtaining reasonable assurance about whether the Municipality of Charles Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Municipality of Charles Town in a separate letter dated March 24, 2005.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Municipality of Charles Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Municipality of Charles Town's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-01 and 04-02.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Municipality of Charles Town, in a separate letter dated March 24, 2005.

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

J.C. Kunkle & Associates, A.C.

Martinsburg, West Virginia
March 24, 2005

J.C. Kunkle & Associates, A.C.
CERTIFIED PUBLIC ACCOUNTING & CONSULTING

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

Honorable Mayor and Council
Municipality of Charles Town
Charles Town, West Virginia

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. An audit includes examining, on a test basis, evidence about the Municipality of Charles Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Municipality of Charles Town's compliance with those requirements.

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

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

J.C. Kunkle & Associates, A.C.

Martinsburg, West Virginia
March 24, 2005

Municipality of Charles Town, West Virginia
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA #	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Public Safety Partnership and Community Policing Grants	16.710	None	$ 1,034
Department of Housing and Urban Development:			
Small Cities Block Grant	14.219	99SCBG0095X	7,000
Department of Transportation/ West Virginia Department of Transportation:			
Highway Planning and Construction	20.205	5319-51-7.49	1,173 582
Federal Emergency Management Agency:			
Public Assistance Grant	83.544	1455-DR-WV	16,890
Total Expenditures of Federal Awards			$ 1,198,506

NOTES TO SCHEDULE OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

The above Schedule of Expenditures of Federal Awards includes the federal award activity of the Municipality of Charles Town, West Virginia, and is presented on the cash basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Municipality of Charles Town
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2004

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? ___ Yes _X_ No

Reportable condition(s) identified that are not considered to be material weaknesses? _X_ Yes ___ None reported

Noncompliance material to financial statements noted? ___ Yes _X_ No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ Yes _X_ No

Reportable condition(s) identified that are not considered to be material weaknesses? ___ Yes _X_ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ___ Yes _X_ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Amount Expended
20.205	Highway Planning and Construction	$ 1,173,582

Dollar threshold to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? ___ Yes _X_ No

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

FINDING #04-1

Condition

The Municipality does not maintain subsidiary ledgers for its capital assets and long-term debt in connection with its governmental funds.

Criteria

U.S. Generally Accepted Accounting Principles require governmental entities to maintain this information in order to prepare the government-wide financial statements.

Cause

Historically, the Municipality has accounted for fixed assets and debt on a cash basis.

Effect

The Municipality risks exposure to not capturing all information necessary to prepare complete and accurate government-wide financial statements.

Recommendation

The Municipality should develop a program to establish fixed asset and subsidiary ledgers and records.

Management's Response

Management concurs and is in the process of developing a program in which to establish these ledgers and records.

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH U.S. GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS (continued)

FINDING #04-2

Condition

Certain general fund capital leases may not be recorded in accordance with U.S. Generally Accepted Accounting Principles.

Criteria

U.S. Generally Accepted Accounting Principles require that capital leases be recorded as both an asset and obligation of the City in its government-wide financial statements.

Cause

Historically, the Municipality has accounted for general fund capital leases on a cash basis.

Effect

Although the City's governmental funds are not materially misstated, appropriate accounting for capital lease transactions would enhance the usefulness of the City's financial statements.

Recommendation

The Municipality should consider accounting for capital leases in accordance with U.S. Generally Accepted Accounting Principles.

Management's Response

Management concurs and will develop a plan to address this issue on a prospective basis.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

Municipality of Charles Town
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended June 30, 2004

There were no audit findings relative to federal award programs reported in the June 30, 2004 independent auditor's report.

APPENDIX C

[STEPTOE & JOHNSON PLLC LETTERHEAD]

(Form of Opinion of Bond Counsel)

June 15, 2005

City of Charles Town (West Virginia)
Combined Waterworks and
Sewerage System Revenue Bonds, Series 2005 A
(Taxable)

City of Charles Town
Charles Town, West Virginia

Crews & Associates, Inc.
Charleston, West Virginia

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by the City of Charles Town (West Virginia) (the "Issuer") of its $2,355,000 aggregate principal amount Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable) (the "Bonds").

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act") and a Bond Ordinance duly enacted by the Issuer on April 4, 2005, as supplemented by a Supplemental Resolution duly adopted by the Issuer on May 27, 2005 (said Ordinance, as so supplemented, herein called the "Ordinance") and are subject to all the terms and conditions of the Ordinance.

The Bonds are issued in fully registered form, are dated June 1, 2005, upon original issuance, mature on June 1 in years and amounts and bear interest payable each June 1 and December 1, commencing December 1, 2005, and are subject to optional and mandatory sinking fund redemption prior to maturity on the dates, in the amounts and at the redemption prices, all as set forth in the Ordinance.

The Ordinance provides that the issue is for the purposes of providing funds to acquire, construct and equip certain waterworks and sewerage facilities, to fund a reserve account for the Bonds and to pay costs of issuance of the Bonds and other costs in connection with such issue.

The Bonds are issued on a parity with the following bonds of the Issuer:

(1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629 (the "Series 1987 B Bonds");

(2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916 (the "Series 1988 B-1 Bonds");

(3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000 (the "Series 1988 B-2 Bonds");

(4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480 (the "Series 1989 B Bonds");

(5) Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 1998, dated May 15, 1998, issued in the original aggregate principal amount of $10,355,000 (the "Series 1998 Refunding Bonds");

(6) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601 (the "Series 1998 Design Bonds");

(7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781 (the "Series 2000 A Bonds");

(8) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000 (the "Series 2002 A Bonds");

(9) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2002, issued in the original aggregate principal amount of $3,600,000 (the "Series 2002 B Bonds");

(10) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 C (Insured), dated December 1, 2002, issued in the original aggregate principal amount of $4,135,000 (the "Series 2002 C Bonds"); and

(11) Combined Waterworks and Sewerage System Revenue Bonds, Series 2003 A (AMT - Uninsured), dated January 1, 2003, issued in the original aggregate principal amount of $1,000,000 (the "Series 2003 A Bonds")

The Series 1987 B Bonds, the Series 1988 B-1 Bonds, the Series 1988 B-2 Bonds, the Series 1989 B Bonds, the Series 1998 Refunding Bonds, the Series 1998 Design Bonds, the Series 2000 A Bonds, the Series 2002 A Bonds, the Series 2002 B Bonds, the Series 2002 C Bonds and the Series 2003 A Bonds are herein collectively called the "Outstanding Prior Bonds."

The Bonds have been sold to Crews & Associates, Inc. (the "Purchaser"), pursuant to a Bond Purchase Agreement dated May 27, 2005, and accepted by the Issuer (the "Bond Purchase Agreement").

As to questions of fact material to our opinion, we have relied upon representations and certifications of the Issuer and others, contained in the Ordinance and in the certified proceedings and other certifications of certain officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, and assuming compliance with the covenants, representations and certifications of the Issuer and others, pertaining to tax matters set forth in the Ordinance and with certain certificates delivered in connection with the issuance of the Bonds, we are of the opinion, under existing law, that:

1. The Issuer is a duly created and validly existing municipal corporation under and pursuant to the laws of the State of West Virginia, with full power and authority to enact the Ordinance, enter into the Bond Purchase Agreement, perform its obligations under the terms and provisions thereof and to issue and sell the Bonds, all under the provisions of the Act and other applicable provisions of law.

2. The Issuer, through its governing body, has legally and effectively enacted the Ordinance, has authorized, executed and delivered the Bond Purchase Agreement and has issued and delivered the Bonds to the Purchaser pursuant to the Bond Purchase Agreement. The Ordinance is in full force and effect as of the date hereof.

3. Assuming due authorization, execution and delivery by the other parties thereto, the Bond Purchase Agreement constitutes a valid, legal, binding and enforceable instrument of the Issuer in accordance with its terms; and the Bonds, subject to the terms thereof, constitute valid and legally enforceable limited obligations of the Issuer, payable from the Gross Revenues and issued on a parity with respect to liens, pledge and sources of and security for payment with the Outstanding Prior Bonds, and

enforceable in accordance with their terms and the terms of the Ordinance, and are entitled to the benefits of the Ordinance and the Act.

4. The Bonds have not been issued on the basis that the interest, if any, thereon is or will be excluded from gross income of the owners thereof for federal income tax purposes. We express no opinion regarding the excludability of such interest from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Bonds.

5. Under the Act, the Bonds and the interest thereon, are exempt from all taxation by the State of West Virginia and any county, municipality, political subdivision or agency thereof.

6. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and the West Virginia Uniform Securities Act, as amended, and it is not necessary, in connection with the public offering and sale of the Bonds, to register any securities under said Securities Acts.

It is to be understood that the rights of the holders of the Bonds and the enforceability of liens, pledges, rights or remedies with respect to the Bonds, the Ordinance and the Bond Purchase Agreement are subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws heretofore or hereafter enacted affecting creditors' rights or remedies generally, and that their enforcement may also be subject to the application of public policy, general principles of equity and the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond No. AR-1 of said issue, and in our opinion, said Bond is in proper form and has been duly executed and authenticated.

Very truly yours,

STEPTOE & JOHNSON PLLC

APPENDIX D

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Certificate") is made and entered into by the City of Charles Town, a political subdivision of the State of West Virginia (the "Issuer"), in connection with the issuance of $2,355,000 City of Charles Town, Combined Waterworks and Sewerage System Bonds, Series 2005 A (Taxable) (the "Bonds"). The Bonds are being issued pursuant to the Issuer's Ordinance enacted on April 4, 2005, and its Supplemental Resolution adopted on May 27, 2005 (collectively, the "Ordinance"). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with SEC Rule 15c2-12(b)(5).

Any filing under this Certificate may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at http://www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

SECTION 2. Definitions. In addition to the definitions set forth in the Ordinance and the Bond Purchase Agreement dated May 27, 2005, which apply to any capitalized term used in this Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in Sections 3 and 4 of this Certificate.

"Beneficial Owner" shall mean any person that has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Central Post Office" shall mean the MAC, which shall receive Annual Reports and Listed Events and then electronically transmit them to the National Repositories and the State Repository.

"Dissemination Agent" shall initially mean the Issuer and any later appointed Dissemination Agent or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit B.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean the Central Post Office for delivery to each National Repository and the State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of West Virginia.

"State Repository" shall mean any public or private repository or entity designated by the State as the state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. [As of the date of this Certificate, there is no State Repository.]

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 12 months after the end of the Issuer's fiscal year (presently June 30), commencing with the report for the 2005 Fiscal Year, provide to the Central Post Office for delivery to each Repository an Annual Report, which is consistent with the requirements of Section 4 of this Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Certificate; provided, that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and not later than 15 days after receipt by the Issuer. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the Central Post Office for delivery to each National Repository and the State Repository, if any; and

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) Within one hundred twenty (120) days after the end of its 2005 fiscal year and each subsequent fiscal year, to the Central Post Office for delivery to each National Repository and any State Depository, unaudited general purpose financial statements of the Issuer, and

(b) Within fifteen (15) days after receipt by the Issuer of its 2005 fiscal year-end, and

each subsequent fiscal year, to the Central Post Office for delivery to each National Repository and any State Repository, core financial information and operating data of the Issuer for the prior fiscal year, including (i) the audited financial statements, prepared in accordance with generally accepted auditing principles in effect from time to time, and (ii) material historical quantitative data of the type found in the Official Statement under the caption "Financial Statements of the Issuer":

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events, if applicable, with respect to the Bonds, if material:

1. principal and interest payment delinquencies;

2. non-payment related defaults;

3. unscheduled draws on debt service reserves reflecting financial difficulties;

4. unscheduled draws on credit enhancements reflecting financial difficulties;

5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions or events affecting the tax-exempt status of the security;

7. modifications to rights of security holders;

8. bond calls;

9. defeasances;

10. release, substitution, or sale of property securing repayment of the securities; and

11. rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of any of the Listed Events, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the Issuer determines that knowledge of the occurrence of any of the Listed Events would be material under applicable federal securities laws, the Issuer shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board, the Central Post Office for delivery to the National Repository and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) (4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Ordinance.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for any of the Listed Events under Section 5(a).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Certificate.

SECTION 8. Amendment, Waiver. Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

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

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

In the event of any amendment or waiver of a provision of this Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for any of the Listed Events under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in

quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of any of the Listed Events, in addition to that which is required by this Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of any of the Listed Events in addition to that which is specifically required by this Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it is any future Annual Report or notice of occurrence of any of the Listed Events.

SECTION 10. Default. In the event of a failure of the Issuer to comply with any provision of this Certificate (and, at the request of the Original Purchaser), any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Ordinance, and the sole remedy under this Certificate in the event of any failure of the Issuer to comply with this Certificate shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Issuer, the Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: June 15, 2005

CITY OF CHARLES TOWN

By: _____
Mayor

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Charles Town

Name of Issue: $2,355,000 City of Charles Town, Combined Waterworks and Sewerage System Bonds, Series 2005 A (Taxable)

Date of Issuance: June 15, 2005

Notice is hereby given that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by its covenant made in connection with the above-referenced bond issue. The Issuer anticipates that the Annual Report will be filed by _____.

Dated this _____.

CITY OF CHARLES TOWN

By: _____
Mayor

EXHIBIT B

Nationally Recognized Municipal
Securities Information Repositories
Approved by the Securities and Exchange
Commission as of June 1, 2005

Central Post Office
Website: http://www.disclosureusa.org

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
FAX: (609) 279-5962
E-mail: munis@Bloomberg.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, NY 10038
Phone: (212) 771-6999
FAX: (212) 771-7390 (Secondary Market Information)
(212) 771-7391 (Primary Market Information)
E-mail: NRMSIR@FTID.com

Standard & Poor's J.J. Kenny Repository
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
FAX: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
FAX: (201) 947-0107
E-mail: nrmsir@dpcdata.com

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$2,355,000
CITY OF CHARLES TOWN
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS
SERIES 2005 A (TAXABLE)

BOND PURCHASE AGREEMENT

May 27, 2005

City of Charles Town
P.O. Box 14
Charles Town, WV 25414

Ladies and Gentlemen:

1. Crews & Associates, Inc. (the "Underwriter") offers to enter into the following agreement with you, the City of Charles Town (the "City"), which, upon your acceptance of this offer, will become binding upon you and upon the Underwriter. This offer is made subject to your acceptance by execution of this Bond Purchase Agreement (the "Purchase Contract") and its delivery to us on or before 11:00 P.M., prevailing time, today. Terms used and not defined in this Purchase Contract have the meanings given to them in the Official Statement hereinafter referred to.

2. Upon the terms and conditions and upon the basis of the representations and warranties hereinafter set forth, the Underwriter hereby agrees to purchase from you for offering to the public, and you hereby agree to sell to the Underwriter for such purpose, all (but not less than all) of $2,355,000 aggregate principal amount of Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable) of the City (the "Bonds"), having the principal amounts and maturities and bearing interest at the rates stated in the Official Statement hereinafter referred to, at the aggregate purchase price of $2,247,063.18. This purchase price reflects an original issue discount of $43,538.70 and underwriter's discount of $70,650.00, plus accrued interest of $6,251.88 on the Bonds from June 1, 2005 to the date of the Closing.

3. The Bonds shall be as described in, and shall be issued pursuant to, an Ordinance enacted by City Council of the City and effective on April 4, 2005, and a Supplemental Resolution enacted by City Council of the City and effective on May 27, 2005 (together, the "Ordinance" or "Bond Ordinance"). The Bonds shall be secured by the gross revenues collected by the City from the operation of its combined waterworks and sewerage system.

4. We agree to make a bona fide public offering of all the Bonds not in excess of the initial public offering prices (which may be expressed in terms of yields), set forth on the cover page of the Official Statement (hereinafter defined), plus interest accrued thereon from the date thereof, reserving, however, the right to change such yields or prices as the Underwriter shall deem necessary in connection with the offering of the Bonds, even after the initial offering.

5. (a) Prior to the date hereof, you have provided for our review a form of Official Statement that the City deems final as of its date, except for certain omissions in connection with the pricing of the Bonds. At the time of or before your acceptance hereof, you shall deliver to us three executed copies of the Official Statement of the City dated today relating to the Bonds (the form of which, together with the cover page and all appendices or supplements thereto as are adopted by the City in accordance herewith and other reports or statements attached thereto or included therein, is called the "Official Statement") executed on behalf of the City by its Mayor.

(b) You authorize any and all of this material, including specifically the Official Statement and the information therein contained, to be used in connection with the public-offering and sale of the Bonds. The City hereby ratifies the use by the Underwriter prior to the date hereof of the Preliminary Official Statement of the City dated May 24, 2005, in connection with the public offering of the Bonds.

(c) You agree to deliver or cause to be delivered to the Underwriter, at such address as the Underwriter shall specify, as many additional copies of the Official Statement as the Underwriter shall reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 (17 CFR §240.15c2-12) (the "Rule"). You agree to deliver such additional copies of the Official Statement, complete as of its date of delivery and in form satisfactory to the Underwriter, upon acceptance hereof or as soon as practicable thereafter (but in any event within seven (7) business days after the date hereof and in sufficient time to accompany any confirmation that requests payment from any customer).

The Underwriter agrees to give notice to the City on the date after which the Underwriter shall no longer be obligated to deliver the Official Statement pursuant to paragraph (b)(4) of the Rule.

(d) From the date hereof, if, until the earlier of (i) 90 days from the end of the underwriting period or (ii) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository (but in no case less than twenty-five (25) days following the end of the underwriting period), any event occurs as a result of which, it may be necessary to amend or supplement the Official Statement in order to make the statements therein, in light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter and, if in the opinion of the City or the Underwriter, such event requires the preparation and publication of an amendment or supplement to the Official Statement, the City, at its expense, promptly will prepare an appropriate amendment or supplement thereto (and file, or cause to be filed, the same with a nationally recognized municipal securities information repository) so that the statements in the Official Statement as so amended or supplemented will not, in light of the circumstances under which they were made, be misleading.

6. The City represents and warrants to the Underwriter that:

(a) The City is a public corporation and political subdivision of the State of West Virginia (the "State"), established and existing under the laws of the State, and has, and at

the date of the Closing will have, full legal right, power and authority (i) to enter into this Purchase Contract, (ii) to enact the Ordinance providing for the issuance of and security for the Bonds (including the pledge by the City of the gross revenues collected from the operation of the combined waterworks and sewerage system), (iii) to issue, sell and deliver the Bonds to the Underwriter as provided herein; and (iv) to carry out and to consummate the transactions contemplated by this Purchase Contract, the Ordinance and the Official Statement;

(b) The City has complied, and will at the Closing be in compliance, in all respects with Chapter 8, Article 20 of the West Virginia Code of 1931, as amended (the "Act");

(c) By official action of the City prior to or concurrently with the acceptance hereof, the City has duly authorized the Ordinance and has duly ratified the distribution of the Preliminary Official Statement and the execution and delivery of the Official Statement, has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations contained in, the Bonds and this Purchase Contract and has duly authorized and approved the performance by the City of the obligations contained in the Ordinance and the consummation by it of all other transactions contemplated by the Official Statement;

(d) The execution and delivery of this Purchase Contract and the Bonds and the execution of the Ordinance and compliance with their respective provisions will not conflict with or constitute a breach of or default under any applicable law or administrative regulation of the State of West Virginia or the United States or any applicable judgment or decree or any agreement or other instrument to which the City is a party or is otherwise subject and will not conflict with any provision of the Act;

(e) We have no reason to believe that, the financial statements relating to the City in the Official Statement do not fairly present the respective financial positions and results of operations of the City as of the dates and for the periods therein set forth;

(f) At the time of the City's acceptance hereof, the Preliminary Official Statement was and the Official Statement, as of the date hereof is, and as it may be amended or supplemented at the date of delivery to the Underwriter and at the Closing will be, true and correct in all material respects and the Preliminary Official Statement did not, and the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and, in addition, any amendments or supplements to the Official Statement prepared and furnished by the City pursuant hereto will not contain any untrue statement of a material fact or omit to state any material facts necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(g) Between the date of this Purchase Contract and the Closing, the City will not issue any bonds, notes or other obligations for borrowed money, secured by the gross revenues collected from the operation of the City's combined waterworks and sewerage system, except as described in or contemplated by the Official Statement, and without the prior written consent of the Underwriter, the City will not incur any material liabilities, direct or contingent, nor will there

be any adverse change of a material nature in the financial position, results of operations or condition, financial or otherwise, of the City;

(h) No litigation is pending or, to the knowledge of the City, threatened in any court in any way restraining or to enjoining the issuance or delivery of the Bonds, or the security therefore or the proceedings or authority under which they are to be issued;

(i) To the best of your knowledge, there is no litigation pending or, to the City's knowledge, threatened against the City, wherein an unfavorable decision would adversely affect the ability of the City to carry out its obligations under the Ordinance or would have a material adverse impact on the financial position or results of operations of the City;

(j) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter, as the Underwriter reasonably may request to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and to provide for the continuance of such qualifications, but will not subject the City to service of process in jurisdictions other than that to which the City is subject pursuant to the Act; and

(k) If between the date of this Purchase Contract and the date of the Closing an event occurs affecting the City which is materially adverse for the purpose for which the Official Statement is to be used and is not disclosed in the Official Statement, the City shall notify the Underwriter and if in the opinion of the Underwriter and counsel to the Underwriter such event requires a supplement or amendment to the Official Statement, the City will supplement or amend the Official Statement in a form and in a manner approved by the Underwriter and counsel to the Underwriter.

7. At 10:00 A.M., prevailing time, on June 15, 2005, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by you and us, you will deliver to us the Bonds in definitive form, duly executed and authenticated, together with the other documents hereinafter mentioned; and, subject to the terms and conditions hereof, the undersigned will accept such delivery and pay the purchase price of the Bonds as set forth in Paragraph 2 hereof, by making a wire transfer in federal funds payable to the order of the City. Upon payment as aforesaid, the Bonds will be delivered to The Depository Trust Company in New York, New York, using the DTC FAST closing procedure. This payment and delivery is herein called the "Closing." The Bonds will be delivered as fully registered bonds, one for each stated maturity of the Bonds in the aggregate principal amount of such maturity, bearing proper, duly assigned CUSIP numbers, and registered in the name of The Depository Trust Company's nominee, Cede & Co., and, if the Underwriter shall so request, will be made available to the Underwriter at least twenty-four (24) hours before the Closing for inspection and packaging.

8. The Underwriter has entered into this Purchase Contract in reliance upon the representations and warranties of the City contained herein and to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the City of its obligations hereunder, both as of the date hereof and as of the date of Closing. Accordingly, the

Underwriter's obligations under this Purchase Contract to purchase, accept delivery of and to pay for the Bonds shall be subject to the accuracy in all material respects of the representations and warranties of the City contained herein as of the date hereof and the date of Closing, to the performance by the City of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and to the following conditions:

(a) At the time of the Closing (i) the Ordinance shall be in full force and effect and shall not have been amended, modified or supplemented since the date hereof except as may have been agreed to in writing by us, and you shall have duly adopted and there shall be in full force and effect such additional agreements, as shall, in the opinion of Steptoe & Johnson PLLC, Bond Counsel, be necessary in connection with the transactions contemplated hereby; (ii) the City shall perform or have performed all of its obligations required under or specified in this Purchase Contract and the Ordinance to be performed at, simultaneously with or prior to the Closing; and (iii) the Bonds shall have been executed and authenticated in accordance with the Ordinance.

(b) We may terminate this agreement by notification to you if at any time subsequent to the date hereof and at or prior to the Closing, (i) legislation shall be enacted by the Congress or adopted by either House thereof or a decision by a Court of the United States or the Tax Court of the United States shall be rendered, or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made, with respect to Federal taxation upon revenues or other income of the general character expected to be derived by you and pledged under the Ordinance or upon interest received on bonds of the general character of the Bonds or which would have the effect of changing, directly or indirectly, the Federal income tax treatment of interest on bonds of the general character of the Bonds in the hands of the holders thereof, which in our opinion materially affects the market price of the Bonds; or (ii) a stop order, ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds is in violation of any provisions of the Securities Act of 1933, as amended or of the Trust Indenture Act of 1939, as amended; or (iii) legislation shall be enacted by the Congress or adopted by either House, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that securities of the City or any similar public body are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended or the Trust Indenture Act of 1939, as amended; (iv) the United States shall have become engaged in hostilities that have resulted in a declaration of war or a national emergency; (v) other than conflicts underway involving the United States government as of the date hereof, a war involving the United States which shall have been declared, or any conflict involving the armed forces of the United States which shall have escalated, the effect of which on the financial markets of the United States is such as, in the reasonable judgment of the Underwriter, would materially adversely affect the market for the Bonds, or the sale, at the contemplated offering prices by the Underwriter as to the Bonds; (vi) there shall have occurred a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by United States or New York or West Virginia State authorities, which in our opinion materially affects the market price of the

Bonds; (vii) an event described in paragraph 6(k) hereof occurs which in our opinion requires a supplement or amendment to the Official Statement; or (viii) the market for the Bonds or the sale thereof by the Underwriter at the contemplated offering prices shall have been materially and adversely affected, in the opinion of the Underwriter, by reason of the fact that there has occurred a default with respect to the payment of principal of or interest on the debt obligations of, or the institution of proceedings under the Federal bankruptcy laws by or against, any state of the United States or public agency thereof or any city located in the United States with a population of more than 500,000;

(c) At or prior to the Closing, we shall receive the following documents:

(1) The Official Statement of the City, executed on behalf of the City by its Mayor;

(2) Fully authorized Ordinance;

(3) An opinion, dated the date of the Closing and addressed to the City, of Steptoe & Johnson PLLC, Bond Counsel, in substantially the form attached as Appendix C to the Official Statement, and an unqualified opinion of such counsel, dated the date of the Closing and addressed to the Underwriter, to the effect that such opinion addressed to the City may be relied upon by the Underwriter to the same extent as if such opinion were addressed to them;

(4) A supplemental bond counsel opinion, dated the date of the Closing and addressed to the Underwriter, of Steptoe & Johnson PLLC, Bond Counsel, to the effect that (i) this Purchase Contract has been duly authorized, executed and delivered by, and (assuming due authorization, execution and delivery by the other parties and that it is a binding agreement of the other parties in accordance with its terms) constitutes a binding agreement in accordance with its terms of, the City; (ii) the Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Ordinance is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; (iii) the statements contained in the Official Statement under the caption "Tax Matters" are true and accurate in all material respects and presents a fair and accurate summary and description of the matters summarized and described under such caption; and (iv) the statements contained in the Official Statement under the captions "Additional Security for the Series 2005 A Bonds," "The Series 2005 A Bonds" (except for the statements made under the sub-captions "Book-Entry Only System" with respect to The Depository Trust Company), and "Financing Plan," insofar as such statements contained under such captions purport to summarize certain matters set forth therein and certain provisions of the Ordinance, are complete and accurate and present a fair summary of the matters referred to therein;

(5) An opinion, dated the date of Closing and addressed to the Underwriter, of Hoy G. Shingleton, Jr., counsel for the City, to the effect that (i) the City has complied with all requirements of the Act that must be satisfied upon and subsequent to issuance of the Bonds, (ii) any requirement as to legal matters as the Underwriter shall reasonably require, (iii) no litigation is pending, or to their knowledge, threatened in any court in any way affecting the existence of the City or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the issuance or delivery of the Bonds, or the collection of revenues and assets of the City pledged or to

be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Ordinance or this Purchase Contract, or contesting the powers of the State with respect to the Bonds, the Ordinance or this Purchase Contract or any transaction described in or contemplated by the Official Statement, (iv) that the Official Statement, as amended or supplemented to the date of Closing (except as aforesaid) contains no untrue statement regarding the City of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein regarding the City, in light of the circumstances under which they were made, not misleading, and (v) the statements contained in the Official Statement under the caption "The Project," "Financing Plan," and "The System," insofar as such statements contained under such caption purport to summarize certain matters set forth therein and certain provisions of the Ordinance, are complete and accurate and present a fair summary of the matters referred to therein;

(6) Duly authorized and executed copies of the Continuing Disclosure Certificate, in substantially the form attached as Appendix D to the Official Statement and incorporated herein, which complies with the provisions of Rule 15c2-12(b)(5);

(7) Two counterpart originals of a transcript of all proceedings relating to the authorization and issuance of the Bonds;

(8) An opinion, dated the date of the Closing and addressed to the Underwriter, of Goodwin & Goodwin, LLP, Underwriter's Counsel, to the effect that (i) this Purchase Contract has been duly authorized, executed and delivered by, and (assuming due authorization, execution and delivery by the other parties and that it is a binding agreement of the other parties in accordance with its terms) constitutes a binding agreement in accordance with its terms of, the Underwriter; (ii) the Continuing Disclosure Certificate complies as to form in all material respects with the requirements of paragraph (b)(5) of the Rule; and (iii) that nothing has come to our attention that the Official Statement, as amended or supplemented to the date of Closing (except as aforesaid) contains no untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(9) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or their counsel, Goodwin & Goodwin, LLP, reasonably may deem necessary or advisable to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the City's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City on or prior to the date of the Closing of all agreements then to be performed and all conditions then to be satisfied by the City;

All of the opinions, letters, instruments and other documents mentioned above or elsewhere in this Purchase Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter and to Goodwin & Goodwin, LLP, counsel to the Underwriter.

If you shall be unable to satisfy the conditions of the obligations of the Underwriter contained in this Purchase Contract, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor you shall be under further obligation hereunder, and the respective obligations of you and the Underwriter for the payment of expenses, as provided in Paragraph 9 hereof, shall continue in full force and effect.

9. (a) The Issuer will pay or cause to be paid from proceeds of the Bonds or otherwise (i) fees and expenses of bond counsel, counsel to the Issuer, and Underwriter's counsel; (ii) initial fees of the Registrar; (iii) costs of preparing, printing, mailing and delivering the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto; (iv) fees and expenses of the Issuer, and (v) any other costs and expenses of the issue not set forth in (b) below.

(b) The Underwriter will pay (i) sales commissions associated with marketing the Bonds; (ii) costs of qualification of the Bonds for sale under the securities or "Blue Sky" laws of various jurisdictions; (iii) initial fees relating to The Depository Trust Company; and (iv) costs and expenses incurred by the Underwriter in connection with the preparation, offering and distribution of the Bonds, including but not limited to advertising, local and long distance telephone, and travel expenses, as well as management fees in connection with such offering.

10. Any notice or other communication to be given to you under this Purchase Contract may be given by delivering the same in writing at your address set forth above, and any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to Crews & Associates, Inc., 300 Summers Street, Suite 930, Charleston, West Virginia 25301, Attention: Gregory B. Isaacs.

11. This Purchase Contract is made solely for the benefit of you and the Underwriter and no other person shall acquire or have any right hereunder or by virtue hereof. All your representations, warranties and agreements in this Purchase Contract shall remain operative and in full force and effect, regardless of (a) any investigation made by or on behalf of the Underwriter, (b) delivery of, and payment for, the Bonds hereunder, and (c) any termination of this Purchase Contract.

12. All of the City's representations, warranties and agreements shall remain operative and in full force and effect regardless of any investigations made by the Underwriter or on its behalf, and shall survive delivery of the Bonds to the Underwriter.

13. This Purchase Contract shall be construed and enforceable in accordance with the laws of the State of West Virginia and may not be assigned by the parties hereto.

Very truly yours,

CREWS & ASSOCIATES, INC.

By: _____
Vice President

Date: _____

Time: _____

CITY OF CHARLES TOWN

By: J. Randolph Hilton
Mayor

Date: May 27, 2005

Time: 7:06 PM

Very truly yours,

CREWS & ASSOCIATES, INC.

By: _____
Vice President

Date: 5-27-05

Time: 11:35 Am EST

CITY OF CHARLES TOWN

By: _____
Mayor

Date: _____

Time: _____

EXHIBIT A

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
6/01/2010	Term 1 Coupon	5.250%	5.320%	130,000.00	99.695%	129,603.50
6/01/2015	Term 2 Coupon	6.000%	6.100%	205,000.00	99.258%	203,478.90
6/01/2025	Term 3 Coupon	6.750%	6.930%	685,000.00	98.065%	671,745.25
6/01/2030	Term 4 Coupon	7.000%	7.180%	555,000.00	97.919%	543,450.45
6/01/2035	Term 5 Coupon	7.250%	7.430%	780,000.00	97.844%	763,183.20
Total	-	-	-	**$2,355,000.00**	-	**$2,311,461.30**

Extraordinary Redemption*

If any of the following events shall have occurred, the Series 2005 A Bonds shall also be subject to redemption as follows:

(1) If there should occur any damage to or destruction of the System or any condemnation of title to or the use of the System, the applicable Series 2005 A Bonds shall be subject to redemption at any time at the redemption price of 100% of the principal amount thereof plus accrued interest to the Redemption Date from any condemnation awards or insurance proceeds which are not used to repair, rebuild or rearrange the System.

(2) If the Series 2005 A Bonds can be refunded by the issuance of tax-exempt bonds, in whole or in part at any time as provided below under Notice of Redemption, from amounts deposited with the Bond Commission by the City, at a redemption price equal to the 102% principal amount thereof, plus accrued interest to the date fixed for redemption.

(3) The Series 2005 A Bonds are subject to redemption at the option and direction of the City, prior to maturity, in whole or in part on any principal payment date, in inverse order of maturity of the Series 2005 A Bonds, in principal amounts of not less than $50,000, and multiples of $5,000 in excess of $50,000, from amounts deposited with the Paying Agent by the City from funds of the City available therefor (other than from proceeds of refunding bonds) at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

Optional Redemption*

The Series 2005 A Bonds maturing on and after June 1, 2011, are subject to redemption at the option of the City, prior to maturity, on or after June 1, 2010, in whole or in part at any time from amounts deposited with the Bond Commission by the City or from other funds available therefore at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

If fewer than all of the Series 2005 A Bonds shall be called for optional redemption, the particular maturities of the Series 2005 A Bonds to be redeemed shall be selected by the City in such manner as it shall determine. So long as the Series 2005 A Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2005 A Bonds to be credited with any partial redemption shall be made as described herein under "BOOK-ENTRY ONLY SYSTEM" in the Official Statement.

CITY OF CHARLES TOWN (WEST VIRGINIA)
Combined Waterworks and Sewerage System Revenue Bonds
Series 2005 A
(Taxable)

RULE 15c2-12 CERTIFICATE

The undersigned hereby certifies and represents to Crews & Associates, Inc. (the "Underwriter") that he is the duly elected or appointed and acting Mayor of the City of Charles Town (the "City"), authorized to execute and deliver this Certificate and further certifies on behalf of the City to the Underwriter as follows:

(1) This Certificate is delivered to enable the Underwriter to comply with Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") in connection with the offering and sale of the City's Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable) (the "Bonds").

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, dated May 24, 2005, setting forth information concerning the Bonds and the issuer of the Bonds (the "Preliminary Official Statement").

(3) As used herein, "Permitted Omissions" shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings, the identity of the Underwriter and other terms of the Bonds and any underlying obligations depending on such matters, all with respect to the Bonds and any underlying obligations.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, final as of its date, and the information therein is accurate and complete except for the Permitted Omissions.

(5) If, at any time prior to the execution of the final bond purchase agreement, any event occurs as a result of which the Preliminary Official Statement might include an untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the City shall promptly notify the Underwriter thereof.

IN WITNESS WHEREOF, I have hereunto set my hand as of the 15th day of June, 2005.

Mayor

06/10/05
144220.00007

Blanket Issuer Letter of Representations

[To be Completed by Issuer]

CITY OF CHARLES TOWN
[Name of Issuer]

October 24, 2002
[Date]

Underwriting Department—Eligibility
The Depository Trust Company
55 Water Street 19th Floor
New York, NY 10041-0099

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request be made eligible for deposit by The Depository Trust Company ("DTC").

To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that Issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Very truly yours,

City of Charles Town
(Issuer)

By: J. Randolph Hilton
(Authorized Officer's Signature)

J. Randolph Hilton, Mayor
(Print Name)

101 East Washington Street
(Street Address)

Charles Town, WV 25414
(City) (State) (Zip Code)

(304) 725-2311, ext. 221
(Phone Number)

Received and Accepted:

THE DEPOSITORY TRUST COMPANY

By: [illegible]

P-2487 04/99

SCHEDULE A
(To Blanket Issuer Letter of Representations)

SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY-ONLY ISSUANCE

(Prepared by DTC—bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $200 million, one certificate will be issued with respect to each $200 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("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, 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 Securities 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 Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as requested by an authorized representative of DTC. The deposit of Securities 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. 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 the Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue 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.]

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Securities. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal and interest payments on the Securities 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 Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities 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 (nor its nominee), Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of Direct and Indirect Participants.

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

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

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

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

CITY OF CHARLES TOWN (WEST VIRGINIA)

Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A
(Taxable)

REGISTRAR AGREEMENT

THIS AGREEMENT, dated as of June 15, 2005, by and between the CITY OF CHARLES TOWN, a municipal corporation and political subdivision of the State of West Virginia (the "Issuer"), and UNITED BANK, INC., a state banking corporation, as Registrar (the "Bank") under an Ordinance of the Issuer enacted April 4, 2005, as supplemented (collectively, the "Ordinance").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold $2,355,000 aggregate principal amount of Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable) (the "Bonds"), pursuant to the Ordinance;

WHEREAS, capitalized words and terms used in this Agreement and not otherwise defined herein shall have the respective meanings given them in the Ordinance, a copy of which is attached as EXHIBIT A hereto and incorporated herein by reference;

WHEREAS, the Ordinance provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Ordinance and this Agreement does appoint the Bank to act as Registrar under the Ordinance and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Agreement by the Issuer and the Bank and during the term hereof, the Bank does accept and shall have and agrees to perform all of the powers and duties of Registrar as set forth in the Ordinance, such duties including, among

other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the excludability from gross income of interest on the Bonds for purposes of federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Bank agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Bank's authorized officers for the purposes of acting as the Bank and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Bank shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Agreement and the Ordinance, the Issuer hereby agrees to pay to the Bank, from time to time, the compensation for services rendered as provided in the annexed schedule and reimbursement for reasonable expenses incurred in connection therewith.

5. It is intended that this Agreement shall carry out and implement provisions of the Ordinance with respect to the Registrar. In the event of any conflict between the terms of this Agreement and the Ordinance, the terms of the Ordinance shall govern.

6. The Issuer and the Bank each warrants and represents that it is duly authorized and empowered to execute and enter into this Agreement and that neither such execution nor the performance of its duties hereunder or under the Ordinance will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: City of Charles Town
P.O. Box 14
Charles Town, West Virginia 25414
Attention: City Manager

BANK: United Bank, Inc.
500 Virginia Street, East
Charleston, West Virginia 25301
Attention: Corporate Trust

8. The Bank, as Registrar, is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Ordinance.

9. If any one or more of the covenants or agreements provided in this Agreement to be performed on the part of any of the parties hereto shall be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

10. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the CITY OF CHARLES TOWN and UNITED BANK, INC., have caused this Agreement to be signed in their respective names and on their behalf, all as of the date first above-written.

CITY OF CHARLES TOWN

By _____
Its: Mayor

UNITED BANK, INC.

By _____
Its: Vice President and Trust Officer

05/19/05
144220.00007

EXHIBIT A

Ordinance included in bond transcript as Documents No. 1 and No. 2

SCHEDULE OF COMPENSATION

(See Attached)

State of West Virginia

Certificate

I, Betty Ireland, Secretary of State of the State of West Virginia, hereby certify that

THIS IS A TRUE COPY OF CHAPTER 8, ARTICLE 20, OF THE WEST VIRGINIA CODE, AND CHAPTER 8, ARTICLE 20, OF THE 2004 SUPPLEMENT TO THE WEST VIRGINIA CODE, AS INDICATED BY THE RECORDS OF THIS OFFICE.

Given under my hand and the Great Seal of the State of West Virginia on

June 14, 2005

Secretary of State

MICHIE'S™ WEST VIRGINIA CODE ANNOTATED

VOLUME 3

2003 Replacement Volume

2004 SUPPLEMENT

Including Acts passed through the 2004 Regular and First Extraordinary Sessions

Prepared by the Editorial Staff of the Publisher

Place in pocket of corresponding bound volume

LexisNexis®

Start

(c) Municipalities are hereby granted a deferral of filing fees or other fees and costs incidental to the bringing and maintenance of an action in magistrate court for the collection of the delinquent rates and charges. If the municipality collects the delinquent account, plus fees and costs, from its customer or other responsible party, the municipality shall pay to the magistrate court the filing fees or other fees and costs which were previously deferred.

(d) No municipality may foreclose upon the premises served by it for delinquent rates or charges for which a lien is authorized by this section except through the bringing and maintenance of a civil action for such purpose brought in the circuit court of the county wherein the municipality lies. In every such action, the court shall be required to make a finding based upon the evidence and facts presented that the municipality had exhausted all other remedies for the collection of debts with respect to such delinquencies prior to the bringing of such action. In no event shall foreclosure procedures be instituted by any municipality or on its behalf unless such delinquency had been in existence or continued for a period of two years from the date of the first such delinquency for which foreclosure is being sought. (1989, c. 133; 1990, cc. 140, 141; 2004, c. 185.)

Effect of amendment of 2004. — Acts 2004, c. 185, effective June 10, 2004, in the section heading, added "Deposit required for new customers" to the beginning, deleted "notice of delinquency" preceding "failure," and inserted "payment from deposit; reconnecting deposit; return of deposit; liens"; added (a)(2); in (a)(1), in the first sentence, substituted "twenty" for "thirty" and "property and the owner thereof, as well as the" for "owner" preceding the second occurrence of "user," and "and property" following the second occurrence of "user," and added the last two sentences; and deleted "as provided by ordinance of the municipality" following the first occurrence of "delinquent" in (b).

ARTICLE 20.

COMBINED WATERWORKS AND SEWERAGE SYSTEMS.

Part III. Revenue Bond Financing.

Sec.
8-20-10. Power and authority of municipality to enact ordinances and make rules and fix rates, fees or charges; deposit required for new customers; change in rates, fees or charges; failure to cure delinquency; delinquent rates, discontinuance of service; reconnecting deposit; return of deposit; fees or charges as liens; civil action for recovery thereof; deferral of filing fees and costs in magistrate court action; limitations with respect to foreclosure.

Effect of amendment of 2004. — Acts 2004, c. 185, effective June 10, 2004, inserted "Waterworks and Sewerage" in the article heading.

§ 8-20-10. Power and authority of municipality to enact ordinances and make rules and fix rates, fees or charges; deposit required for new customers; change in rates, fees or charges; failure to cure delinquency; delinquent rates, discontinuance of service; reconnecting deposit; return of deposit; fees or charges as liens; civil action for recovery thereof; deferral of filing fees and costs in magistrate court action; limitations with respect to foreclosure.

(a)(1) The governing body of any municipality availing itself of the provisions of this article shall have plenary power and authority to make, enact and enforce all needful rules for the repair, maintenance and operation and management of the combined system of such municipality and for the use thereof, and shall also have plenary power and authority to make, enact and enforce all needful rules and ordinances for the care and protection of any such system, which may be conducive to the preservation of the public health, comfort and convenience and to rendering the water supply of such municipality pure, the sewerage harmless insofar as it is reasonably possible so to do, and if applicable properly collecting and controlling the stormwater as is reasonably possible so to do: Provided, That no municipality may make, enact or enforce any rule, regulation or ordinance regulating any highways, road or drainage easements or stormwater facilities constructed, owned or operated by the West Virginia division of highways except in accordance with chapter twenty-nine-a [§§ 29A-1-1 et seq.] of this code.

(2) Any municipality shall have plenary power and authority to charge the users for the use and service of combined system and to establish required deposits, rates, fees or charges for such purpose. Separate deposits, rates, fees or charges may be fixed for the water and sewer services respectively, and, if applicable, the stormwater services, or combined rates, fees or for the combined water and sewer services, and, if applicable, the stormwater services. Such deposits, rates, fees or charges, whether separate or combined, shall be sufficient at all times to pay the cost of repair, maintenance and operation of the combined system, provide an adequate reserve fund and adequate depreciation fund and pay the principal of and interest upon all revenue bonds issued under this article. Deposits, rates, fees or charges shall be established, revised and maintained by ordinance and become payable as the governing body may determine by ordinance, and such rates, fees or charges shall be changed from time to time as needful, consistent with the provisions of this article.

(3) All new applicants for service shall indicate to the municipality or governing body whether they are an owner or tenant with respect to the service location.

(4) The municipality or governing body, but only one of them, may collect from all new applicants for service a deposit of one hundred dollars or two twelfths of the average annual usage of the applicant's specific customer class, whichever is greater, to secure the payment of water and sewage service rates, fees and charges in the event they become delinquent as provided in this section. In any case where a deposit is forfeited to pay service rates, fees and charges which were delinquent and the user's service is disconnected or terminated, no reconnecting or reinstatement of service may be made by the municipality or governing body until another deposit equal to one hundred dollars or a sum equal to two twelfths of the average usage for the applicant's specific customer class, whichever is greater, is remitted to the municipality or governing body. After twelve months of prompt payment history, the municipality or governing body shall return the deposit to the customer or credit the customer's account with interest at a rate as the public service commission may prescribe: Provided, That where the customer is a tenant, the municipality or governing body is not required to return the deposit until the time the tenant discontinues service with the municipality or governing body. Whenever any rates, fees, rentals or charges for services or facilities furnished remain unpaid for a period of twenty days after the same become due and payable, the user of the services and facilities provided is delinquent and the user is liable at law until all rates, fees and charges are fully paid. The municipality or governing body may, under reasonable rules promulgated by the public service commission, shut off and discontinue water services to a delinquent user of either water or sewage facilities, or both, ten days after the water or sewage services become delinquent regardless of whether the governing body utilizes the security deposit to satisfy any delinquent payments.

(b) Whenever any rates, fees or charges for services or facilities furnished remain unpaid for a period of twenty days after the same become due and payable, the user of the services and facilities provided shall be delinquent and the municipality or governing body may apply any deposit against any delinquent fee and the user shall be held liable at law until such time as all rates, fees and charges are fully paid.

(c) All rates, fees or charges for water service, sewer service, and, if applicable, stormwater service, whenever delinquent, as provided by ordinance of the municipality, shall be liens of equal dignity, rank and priority with the lien on such premises of state, county, school and municipal taxes for the amount thereof upon the real property served, and the municipality shall have plenary power and authority from time to time to enforce such lien in a civil action to recover the money due for services rendered plus court fees and costs and a reasonable attorney's fee: Provided, That an owner of real property may not be held liable for the delinquent rates, fees or charges for services or facilities of a tenant, nor shall any lien attach to real property for the reason of delinquent rates, fees or charges for services or facilities of a tenant of the real property, unless the owner has contracted directly with the municipality to purchase such services or facilities.

sources for each hydrant or group of hydrants installed in compliance with section nine [§ 16-1-9], article one, chapter sixteen of the West Virginia code as amended: Provided, That all newly constructed water distribution systems transferred to a public or private utility shall have mains at least six inches in diameter where fire flows are desired or required by the public or private utility: Provided, however, That the utility providing service has sufficient hydraulic capacity as determined by the department of health and human resources. (1994, c. 31.)

ARTICLE 20.

COMBINED SYSTEMS.

Part I. Combined Waterworks and Sewerage Systems Authorized; Definitions.

Sec.
8-20-1. Acquisition and operation of combined waterworks and sewerage systems; extension beyond corporate limits; definitions.
8-20-1a. Acquisition and operation of combined systems; extension beyond corporate limits; definitions.
8-20-1b. Cooperation with other governmental units.
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Part II. Right of Eminent Domain.

8-20-2. Right of eminent domain; limitations.

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8-20-11. Discontinuance of water service for nonpayment of rates or charges.
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8-20-12. Use of revenues; sinking fund.
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Part IV. Grants, Loans and Advances; Cumulative Authority.

8-20-16. Grants, loans and advances.
8-20-17. Additional and alternative method for constructing, etc., and financing combined system; cumulative authority.

Part V. Operation by Board; Construction.

8-20-18. Alternative procedure for acquisition, construction, etc., of combined system.
8-20-19. Article to be liberally construed.

Revision of chapter. — See note under the same catchline at the beginning of this chapter.

Legislative intent. — It appears clear that the legislature recognized the need for municipal utility systems; however, it did not wish the municipality to become generally obligated for the building or acquisition of the system. Financing is provided for primarily by revenue bonds, and bondholders are assured of a safe investment through the collection of sufficient

user charges to service the bonds and maintain the assets of the system. Op. Att'y Gen., April 3, 1979.

PART I. COMBINED WATERWORKS AND SEWERAGE SYSTEMS AUTHORIZED; DEFINITIONS.

§ 8-20-1. Acquisition and operation of combined waterworks and sewerage systems; extension beyond corporate limits; definitions.

Any municipality may acquire, construct, establish and equip and thereafter repair, maintain and operate a combined waterworks and sewerage system either wholly within or partly within and partly without the corporate limits thereof, under the provisions of this article, and any municipality owning and operating either a waterworks or a sewerage system, but not both, may acquire, construct, establish and equip the waterworks or sewerage system which it does not then own and operate, and in either of such cases such municipality may provide by ordinance that when such waterworks or sewerage system, or both, shall have been acquired, constructed, established and equipped, the same shall thereafter be owned, repaired, maintained and operated as a combined undertaking under the provisions of this article, and any municipality already owning and operating an existing waterworks system and an existing sewerage system may by ordinance combine the same into a single undertaking under the provisions of this article.

Any municipality which has combined its waterworks and sewerage system under the provisions of this article, or pursuant to provisions of any other law, may hereafter construct extensions, additions, betterments and improvements to either the waterworks system or the sewerage system of said combined waterworks and sewerage system, or both, and may finance the acquisition, construction, establishment and equipment of any such waterworks or sewerage system, or both, or the construction of extensions, additions, betterments and improvements to either the waterworks system or the sewerage system of such combined waterworks and sewerage system, or both, by the issuance of revenue bonds under the provisions of this article.

Notwithstanding the provisions of any other law or charter to the contrary, any such municipality may serve and supply the area included within twenty miles outside its corporate limits with the water or sewer services and facilities, or both, of its combined waterworks and sewerage system: Provided, That such water or sewer services and facilities shall not be served or supplied within the corporate limits of any other municipality without the consent of the governing body of such other municipality.

When used in this article, the term "waterworks system" shall be construed to mean and include a waterworks system in its entirety or any integral part thereof, including mains, hydrants, meters, valves, standpipes, storage tanks, pump tanks, pumping stations, intakes, wells, impounding reservoirs, pumps, machinery, purification plants, softening apparatus, and all other facilities necessary, appropriate, useful, convenient or incidental in connection with or

to a water supply system; the term "sewerage system" shall be construed to mean and include any or all of the following: A sewage treatment plant or plants, collecting, intercepting and outlet sewers, lateral sewers, drains, force mains, conduits, pumping stations, ejector stations and all other appurtenances, extensions, additions and improvements necessary, appropriate, useful, convenient or incidental for the collection, treatment and disposal in a sanitary manner of sewage and industrial wastes; and the term "combined waterworks and sewerage system" shall be construed to mean and include a waterworks and sewerage system, which a municipality determines by ordinance to operate in combination. (1939, c. 98, §§ 1, 2; 1947, c. 112; 1955, c. 131; 1969, c. 86.)

Eminent domain. — Municipalities that operate sewer systems may exercise the power of eminent domain. When such a municipality is obliged to exercise that power in furtherance of its public responsibility, but refuses to do so, the public service commission may require the exercise of the power by appropriate order. Broadmoor/Timberline Apts. v. Public Serv. Comm'n, 180 W. Va. 387, 376 S.E.2d 593 (1988).

Plant expansion or repair. — Considering the general grant of authority provided by § 8-12-5(32) there is no language in this article that would prevent a municipality from granting funds to its combined waterworks and sewerage system to be used for plant expansion or repair. What this section does say, however, is that if the municipality wishes to finance any of the activities governed by the article, it must do so by revenue bonds or by loans or advances under § 8-20-16. Op. Att'y Gen., April 3, 1979.

Stated in Berkeley County Pub. Serv. Sewer Dist. v. West Va. Pub. Serv. Comm'n, 204 W. Va. 279, 512 S.E.2d 201 (1998).

§ 8-20-1a. Acquisition and operation of combined systems; extension beyond corporate limits; definitions.

(a) Any municipality may acquire, construct, establish and equip and thereafter repair, maintain and operate a combined waterworks, sewerage and stormwater system either wholly within or partly within and partly without the corporate limits thereof under the provisions of this article, and any municipality owning and operating a waterworks and sewerage system, but not a stormwater system, may acquire, construct, establish and equip the stormwater system which it does not then own and operate, and such municipality may provide by ordinance that when such stormwater system shall have been acquired, constructed, established and equipped, the same shall thereafter be owned, repaired, maintained and operated as a combined undertaking under the provisions of this article, and any municipality already owning and operating an existing waterworks system, sewerage system, and stormwater system, may by ordinance combine the same into a single undertaking under the provisions of this article. However, no municipality may acquire, construct, establish and equip or thereafter repair, maintain and operate a combined waterworks, sewerage and stormwater system which includes highways, road and drainage easements, and/or stormwater facilities constructed, owned and/or operated by the West Virginia division of highways without the express agreement of the commissioner of highways.

(b) Any municipality which has combined its waterworks, sewerage system and stormwater systems under the provisions of this article, or pursuant to the provisions of any other law, may hereafter construct extensions, additions, betterments and improvements to any of the systems, any combination

thereof, or all of the waterworks, sewerage and stormwater systems of said combined waterworks, sewerage and stormwater system, and may finance the acquisition, construction, establishment and equipment thereof, or the construction or extensions, additions, betterments and improvements thereof by the issuance of revenue bonds under the provisions of this article.

(c) Notwithstanding the provisions of any other law or charter to the contrary, any such municipality may serve and supply the area included within twenty miles outside its corporate limits with either the water, sewer or stormwater services, any combination of such services or all such services, of its combined waterworks, sewerage and stormwater system; provided that such water, sewer or stormwater services and facilities shall not be served or supplied within the corporate limits of any municipality without the consent of the governing body of such municipality: Provided, That for stormwater systems, within the twenty miles beyond the municipality's corporate limits the only areas the municipality may serve and supply shall be those areas from which stormwater affects or drains into the municipality.

(d) As used in this article, the following terms shall have the following meanings unless the text clearly indicates otherwise.

(1) "Stormwater system" means a stormwater system in its entirety or any integral part thereof used to collect and dispose of stormwater and an associated stormwater management program. It includes all facilities, structures and natural water courses used for collecting and conducting stormwater to, through and from drainage areas to the points of final outlet, including, but not limited to, any and all of the following: Inlets, conduits, outlets, channels, ponds, drainage ways, easements, water quality facilities, catch basins, ditches, streams, gulches, flumes, culverts, siphons, retention or detention basins, dams, floodwalls, pipes, flood control systems, levies and pumping stations. The term "stormwater system" shall not include highways, road and drainage easements, and/or stormwater facilities constructed, owned and/or operated by the West Virginia division of highways.

(2) "Combined waterworks, sewerage and stormwater system" means a waterworks, sewerage and stormwater system which a municipality determines by ordinance to operate in combination.

(3) "Combined system" means either a combined waterworks, sewerage and stormwater system, or a combined waterworks and sewerage system.

(4) "Stormwater management program" means those activities associated with the management, operation and maintenance and control of stormwater and stormwater systems, and shall include and not be limited to public education, stormwater and surface runoff water quality improvement, mapping, planning, flood control, inspection, enforcement and any other activities required by state and federal law. The term "stormwater management program" shall not include those activities associated with the management, operation, maintenance and control of highways, road and drainage easements, and/or stormwater facilities constructed, owned and/or operated by the West Virginia division of highways without the express agreement of the commissioner of highways. (1976, c. 83; 2001, c. 212.)

§ 8-20-1b. Cooperation with other governmental units.

In carrying out any lawful purpose prescribed by this article, any municipality may, in the exercise of its powers, duties and responsibilities, cooperate or join with the state of West Virginia or any political subdivision, agency, board, commission, office or department thereof, however designated, or with the United States of America or any agency or department thereof. (1986, c. 118; 2001, c. 212.)

§ 8-20-1c. Severance of combined system.

Any municipality which has combined its waterworks and sewerage systems or waterworks, sewerage and stormwater systems, under the provisions of this article, or pursuant to provisions of any other law, may hereafter sever said combined system if the following conditions are met:

(a) An ordinance is enacted by the governing body of the municipality severing the combined system into separate systems.

(b) If revenue bonds or notes or other obligations with a lien on or pledge of the revenues of said combined system, or any part thereof, are outstanding, then the municipality must provide in said ordinance that the severance of the combined system is not effective until all such outstanding revenue bonds or notes or other obligations with a lien on or pledge of the revenues of the system, or any part thereof, are paid and the method for paying said outstanding revenue bonds or notes or other obligations. For the purposes of this section, said municipality may provide for payment of said outstanding revenue bonds or notes or other obligations by:

(1) Depositing moneys and funds with the West Virginia municipal bond commission or in escrow with a corporate trustee, which may be a trust company or bank having powers of a trust company within or without the state of West Virginia selected by the issuer to pay interest when due and to pay principal when due, whether at maturity or earlier redemption;

(2) Depositing securities with the municipal bond commission or said escrow trustee, the principal of and earnings on which will provide moneys sufficient to pay interest when due and to pay principal when due, whether at maturity or earlier redemption; or

(3) Depositing with the municipal bond commission or said escrow trustee any combination of the foregoing sufficient to pay interest when due and to pay principal when due, whether at maturity or earlier redemption.

(c) If the combined system is under the supervision and control of a separate committee, board or commission, then the governing body of the municipality must provide for the dissolution of the committee, board or commission, and the creation of other committees, boards or commissions as may be required by law. (2001, c. 212.)

Part II. Right of Eminent Domain.

§ 8-20-2. Right of eminent domain; limitations.

For the purpose of acquiring, constructing, establishing or extending any system within a combined system, or a combined system, or for the purpose of

constructing any additions, betterments or improvements to any system within a combined system, or a combined system, or for the purpose of acquiring any property necessary, appropriate, useful, convenient or incidental for or to any system within a combined system, or combined system, under the provisions of this article, the municipality shall have the right of eminent domain as provided in chapter fifty-four [§§ 54-1-1 et seq.] of this code: Provided, That such right of eminent domain for the acquisition of a complete privately owned waterworks system may not be exercised without prior approval of the public service commission, and in no event shall any municipality construct, establish or extend beyond the corporate limits of the municipality a municipal waterworks system or a combined system under the provisions of this article to supply service in competition with an existing privately or municipally owned waterworks system or combined system in the municipality or within the proposed extension of the system, unless, except in the case of a stormwater system, a certificate of public convenience and necessity therefor shall have been issued by the public service commission: Provided, however, that the power of eminent domain provided in this section shall not extend to highways, road and drainage easements, and/or stormwater facilities constructed, owned and/or operated by the West Virginia division of highways without the express agreement of the commissioner of highways. (1947, c. 112; 1969, c. 86; 2001, c. 212.)

Applied in Cincinnati Ins. Co. v. Mills, 208 W. Va. 723, 542 S.E.2d 886 (W. Va. 2000).

PART III. REVENUE BOND FINANCING.

§ 8-20-3. Ordinance describing project; contents.

The governing body of any municipality availing itself of the provisions of this article shall adopt an ordinance describing in a general way the contemplated project. If it is intended to include in the combined system any existing waterworks system or any existing sewerage system, or both, or if applicable, any existing stormwater system, or any of them, or all of them, the ordinance shall provide that it or they be so included in the combined system and shall describe in a general way such existing waterworks or sewerage system or both, or, if applicable, any existing stormwater system, or any of them, or all of them, to be included in the combined system. The ordinance shall state the means provided for refunding any obligations unpaid and outstanding payable solely from the revenues of any such waterworks or sewerage system, or both, or if applicable, any existing stormwater system, or any of them, or all of them. The ordinance shall determine the period of usefulness of the contemplated project.

If it is intended to acquire, construct, establish and equip a combined system or any part thereof, or to construct extensions, additions, betterments and improvements to either the waterworks system or the sewerage system of the combined system, or both, or if applicable, any existing stormwater system, or any of them, or all of them, the ordinance shall describe in a general way the

works or property or system to be acquired, constructed, established or equipped or the extensions, additions, betterments and improvements to be constructed.

The ordinance shall fix the amount of revenue bonds proposed to be issued, the interest rate or rates, and any other details in connection with the bonds considered advisable. The ordinance may state that the bonds, or such ones thereof as may be specified, shall, to the extent and in the manner prescribed, be subordinated and be junior in standing, with respect to principal and interest and the security thereof, to such other bonds as are designated in the ordinance. (1939, c. 98, § 4; 1947, c. 112; 1949, c. 91; 1969, c. 86; 2001, c. 212.)

§ 8-20-4. Publication of abstract of ordinance and notice; hearing.

After the ordinance for any project under the provisions of this article has been adopted, an abstract of the ordinance, determined by the governing body to contain sufficient information as to give notice of the contents of such ordinance, together with the following described notice, shall be published as a Class II legal advertisement in compliance with the provisions of article three [§§ 59-3-1 et seq.], chapter fifty-nine of this code, and the publication area for such publication shall be such municipality. The notice to be published with said abstract of the ordinance shall state that said ordinance has been adopted, that the municipality contemplates the issuance of the bonds described in the ordinance, that any person interested may appear before the governing body upon a certain date, which shall not be less than ten days subsequent to the date of the first publication of such abstract and notice and which shall not be prior to the date of the last publication of such abstract and notice, and present protests and that a certified copy of the ordinance is on file with the governing body for review by interested parties during the office hours of the governing body. At such hearing all protests and suggestions shall be heard and the governing body shall take such action as it shall deem proper in the premises: Provided, That if at such hearing written protest is filed by thirty percent or more of the freeholders of the municipality, then the governing body of said municipality shall not take further action unless four fifths of the qualified members of said governing body assent thereto. (1939, c. 98, § 5; 1947, c. 112; 1967, c. 105; 1969, c. 86; 1971, c. 103; 1981, 1st Ex. Sess., c. 2.)

§ 8-20-5. Amount, negotiability and execution of bonds; refund of outstanding obligations or securities by sale or exchange of bonds.

For the purpose of defraying the cost of acquisition, construction, establishment or equipment of any system within a combined system, or a combined system, and for the purpose of paying the cost of constructing any extensions, additions, betterments or improvements to any of the systems of said combined system, or all of them, any such municipality may issue revenue bonds under the provisions of this article.

All such bonds may be authorized, issued and sold pursuant to ordinance in installments at different times or an entire issue or series may be sold at one time. Such bonds shall bear interest at a rate not to exceed twelve percent per annum, payable at such times, and shall mature within the period of usefulness of the project involved, to be determined by the governing body and in any event within a period of not more than forty years. The bonds may be in denomination or denominations, may be in such form, either coupon or registered, may carry registration and conversion privileges, may be executed in such manner, may be payable in such medium of payment, at such place or places, may be subject to terms of redemption, with or without a premium, may be declared to become due before the maturity date thereof, may provide for the replacement of mutilated, destroyed, stolen or lost bonds, may be authenticated in such manner and upon compliance with such conditions, and may contain other terms and covenants, as may be provided by ordinance of the governing body of the municipality. Notwithstanding the form or tenor thereof, and in the absence of an express recital on the face thereof that the bond is nonnegotiable, all bonds shall at all times be, and shall be treated as, negotiable instruments for all purposes.

The bonds and the interest thereon, together with all properties and facilities of the municipality owned or used in connection with the combined system, and all the moneys, revenues and other income of such municipality derived from the combined system shall be exempt from all taxation by this state or any county, municipality, political subdivision or agency thereof. Bonds may be sold in such manner as the governing body shall determine. If any bonds shall be issued to bear interest at a rate of twelve percent per annum, the price at which they may be sold shall be such that the interest cost to the municipality of the proceeds of the bonds may not exceed thirteen percent per annum computed to maturity according to the standard table of bond values.

If the governing body of the municipality determines to sell any revenue bonds of such combined system for refunding purposes, the proceeds of the bonds shall be deposited at the place of payment of the bonds, obligations or securities being refunded thereby.

In case any officer whose signature appears on the bonds or coupons attached thereto shall cease to be such officer before the delivery of the bonds to the purchaser, such signature shall nevertheless be valid and sufficient for all purposes, with the same effect as if he or she had remained in office until the delivery of the bonds. All signatures on the bonds or coupons and the corporate seal may be mechanically reproduced if authorized in the ordinance authorizing the issuance of the bonds. The bonds shall have all the qualities of negotiable instruments under the laws of this state.

Whenever a waterworks and sewerage system or stormwater system, if applicable, is included in a combined system under the provisions of this article and there are unpaid and outstanding revenue bonds or any other obligations or securities previously issued which are payable solely from the revenues of the waterworks or the sewerage system or stormwater system, if applicable, or any part thereof, such outstanding bonds, obligations or securities may be refunded by the issuance and sale or exchange therefor of revenue bonds to be issued under the provisions of this article.

Whenever any outstanding bonds, obligations or securities previously issued which are payable solely from the revenues of any waterworks or sewerage system, or stormwater system, if applicable, included in a combined system under the provisions of this article are refunded and the refunding is to be accomplished by exchange, such outstanding bonds, obligations or securities shall be surrendered and exchanged for revenue bonds of such combined system of a total principal amount which shall not be more and may be less than the principal amount of the bonds, obligations or securities surrendered and exchanged plus the interest to accrue thereon to the date of surrender and exchange, and if the refunding is to be accomplished through the sale of revenue bonds of such combined system the total principal amount of such revenue bonds which may be sold for refunding purposes shall not exceed the principal amount of the bonds, obligations or securities being refunded plus the interest to accrue thereon to the retirement date or the next succeeding interest payment date, whichever date may be earlier.

Provision may be made that each bond to be exchanged for refunding bonds shall be kept intact and shall not be canceled or destroyed until the refunding bonds, and interest thereon, have been finally paid and discharged, but each bond shall be stamped with a legend to the effect that the same has been refunded pursuant to the provisions of this article. (1939, c. 98, § 3; 1947, c. 112; 1957, c. 123; 1969, c. 86; 1970, c. 7; 1980, c. 33; 1981, 1st Ex. Sess., c. 2; 2001, c. 212.)

§ 8-20-6. Bonds payable solely from revenues; not to constitute municipal indebtedness.

Bonds issued under the provisions of this article shall be payable solely from the revenues derived from the combined system, and the bonds may not in any event constitute an indebtedness of such municipality within the meaning of any constitutional or statutory provision or limitation and it shall be plainly stated on the face of each bond that the same has been issued under the provisions of this article, and that it does not constitute an indebtedness of the municipality within any constitutional or statutory provision or limitation. The ordinance authorizing the issuance of the bonds may contain such covenants and restrictions upon the issuance of additional revenue bonds thereafter as may be considered necessary or advisable for the assurance of payment of the bonds thereby authorized and as may thereafter be issued. (1939, c. 98, § 6; 1969, c. 86; 2001, c. 212.)

§ 8-20-7. Lien of bondholders.

There shall be and there is hereby created and granted a statutory mortgage lien upon such combined system which shall exist in favor of the holder of bonds hereby authorized to be issued, and each of them, and to and in favor of the holder of the coupons attached to said bonds, and such combined system shall remain subject to such statutory mortgage lien until payment in full of the principal of and interest upon said bonds. However, no lien may attach to

any portion of any highways, road or drainage easements or stormwater facilities constructed, owned or operated by the West Virginia division of highways.

Any municipality in acquiring an existing waterworks system may provide that payment therefor shall be made by issuing revenue bonds and delivering the same at such prices as may be agreed upon within the limitations prescribed in section five [§ 8-20-5] hereof. Any revenue bonds so issued in payment for an existing waterworks system shall for all purposes be regarded as partaking of the nature of and as being secured by a purchase money mortgage upon the property so acquired; and the holders thereof shall have, in addition to any other remedies and rights prescribed by this article, remedies and rights as may now or hereafter exist in law in the case of purchase money mortgages. (1939, c. 98, § 8; 1947, c. 112; 1969, c. 86; 2001, c. 212.)

§ 8-20-8. Covenants with bondholders.

Any ordinance authorizing the issuance of bonds hereunder, or any trust indenture with any banking institution or trust company, within or without the state, for the security of said bonds, which any municipality is hereby empowered and authorized to enter into and execute, may contain covenants with the holders of the bonds as to:

(a) The purpose or purposes to which the proceeds of sale of bonds or the revenues derived from said combined system may be applied and the securing, use and disposition thereof, including, if considered desirable, the appointment of a trustee or depository for any of the funds;

(b) The pledging of all or any part of the revenues derived from the ownership, control or operation of such combined system, including any part thereof heretofore or hereafter acquired, constructed, established, extended, equipped, added to, bettered or improved or derived from any other sources, to the payment of the principal of or interest thereon of bonds issued hereunder and for reserve or other funds as may be considered necessary or desirable;

(c) The fixing, establishing and collecting of rates, fees or charges for the use of the services and facilities of the combined system, including the parts thereof heretofore or hereafter acquired, constructed, established, extended, equipped, added to, bettered or improved and the revision of same from time to time, as will always provide revenues at least sufficient to provide for all expenses of repair, maintenance and operation of such combined system, the payment of the principal of and interest upon all bonds or other obligations payable from the revenues of such combined system, and all reserve and other funds required by the terms of the ordinance authorizing the issuance of bonds;

(d) The transfer from the general funds of the municipality to the account or accounts of the combined system of an amount equal to the cost of furnishing the municipality or any of its departments, boards or agencies with the services and facilities of such combined system;

(e) Limitations or restrictions upon the issuance of additional bonds or other obligations payable from the revenues of such combined system, and the rank

or priority, as to lien and source and security for payment from the revenues of such combined system, between bonds payable from the revenues;

(f) The manner and terms upon which all bonds and other obligations issued hereunder may be declared immediately due and payable upon the happening of a default in the payment of the principal of or interest thereon, or in the performance of any covenant or agreement with bondholders, and the manner and terms upon which defaults may be declared cured and the acceleration of the maturity of the bonds rescinded and repealed;

(g) Budgets for the annual repair, maintenance and operation of such combined system and restrictions and limitations upon expenditures for the purposes, and the manner of adoption, modification, repeal or amendment thereof, including the approval of the budgets by consulting engineers designated by holders of bonds issued hereunder;

(h) The amounts of insurance to be maintained upon the combined system, or any part thereof, and the use and disposition of the proceeds of any insurance; and

(i) The keeping of books of account, relating to such undertaking and the audit and inspection thereof, and the furnishing to the holders of bonds issued hereunder or their representatives, reports prepared, certified or approved by accountants designated or approved by the holders of bonds issued hereunder.

Any ordinance or trust indenture may also contain other additional covenants as shall be considered necessary or desirable for the security of the holders of bonds issued under the provisions of this article, notwithstanding that other covenants are not expressly enumerated above, it being the intention hereof to grant to municipalities plenary power and authority to make any and all covenants or agreements necessary in order to secure greater marketability for bonds issued hereunder as fully and to the same extent as covenants or agreements could be made by a private corporation rendering similar services and facilities and to grant to municipalities full and complete power and authority to enter into any contracts, covenants or agreements with holders of bonds issued hereunder not inconsistent with the constitution of this state. (1955, c. 131; 1969, c. 86; 2001, c. 212.)

§ 8-20-9. Operating contract.

Any municipality may enter into contracts or agreements with any persons for: (1) The repair, maintenance and operation and management of the facilities and properties of the combined system, or any part thereof; or (2) the collection and disbursement of the income and revenues thereof, or for both (1) and (2), for the period of time and under terms and conditions as shall be agreed upon between the municipality and such persons. Any municipality shall have plenary power and authority to provide in the ordinance authorizing the issuance of bonds hereunder, or in any trust indenture securing the bonds, that the contracts or agreements shall be valid and binding upon the municipality as long as any of the bonds, or interest thereon, is outstanding and unpaid. (1955, c. 131; 1969, c. 86; 2001, c. 212.)

§ 8-20-10. Power and authority of municipality to enact ordinances and make rules and regulations and fix rates, fees or charges; change in rates, fees or charges; failure to cure delinquency; delinquent rates, fees or charges as liens; civil action for recovery thereof; deferral of filing fees and costs in magistrate court action; limitations with respect to foreclosure.

(a) The governing body of any municipality availing itself of the provisions of this article shall have plenary power and authority to make, enact and enforce all needful rules and regulations for the repair, maintenance and operation and management of the combined system of such municipality and for the use thereof, and shall also have plenary power and authority to make, enact and enforce all needful rules and regulations and ordinances for the care and protection of any such system, which may be conducive to the preservation of the public health, comfort and convenience and to rendering the water supply of such municipality pure, the sewerage harmless insofar as it is reasonably possible so to do, and if applicable properly collecting and controlling the stormwater as is reasonably possible so to do: Provided, That no municipality may make, enact or enforce any rule, regulation or ordinance regulating any highways, road or drainage easements or stormwater facilities constructed, owned or operated by the West Virginia Division of Highways except in accordance with chapter twenty-nine-a [§§ 29A-1-1 et seq.] of this code.

Any municipality shall have plenary power and authority to charge the users for the use and service of combined system and to establish rates, fees or charges for such purpose. Separate rates, fees or charges may be fixed for the water and sewer services respectively, and, if applicable, the stormwater services, or combined rates, fees or charges for the combined water and sewer services, and, if applicable, the stormwater services. Such rates, fees or charges, whether separate or combined, shall be sufficient at all times to pay the cost of repair, maintenance and operation of the combined system, provide an adequate reserve fund and adequate depreciation fund and pay the principal of and interest upon all revenue bonds issued under this article. Rates, fees or charges shall be established, revised and maintained by ordinance and become payable as the governing body may determine by ordinance, and such rates, fees or charges shall be changed from time to time as needful, consistent with the provisions of this article.

(b) Whenever any rates, fees or charges for services or facilities furnished remain unpaid for a period of thirty days after the same become due and payable, the user of the services and facilities provided shall be delinquent and the user shall be held liable at law until such time as all rates, fees and charges are fully paid.

(c) All rates, fees or charges for water service, sewer service, and, if applicable, stormwater service, whenever delinquent, as provided by ordinance

of the municipality, shall be liens of equal dignity, rank and priority with the lien on such premises of state, county, school and municipal taxes for the amount thereof upon the real property served, and the municipality shall have plenary power and authority from time to time to enforce such lien in a civil action to recover the money due for services rendered plus court fees and costs and a reasonable attorney's fee: Provided, That an owner of real property may not be held liable for the delinquent rates, fees or charges for services or facilities of a tenant, nor shall any lien attach to real property for the reason of delinquent rates, fees or charges for services or facilities of a tenant of the real property, unless the owner has contracted directly with the municipality to purchase such services or facilities.

(d) Municipalities are hereby granted a deferral of filing fees or other fees and costs incidental to the bringing and maintenance of an action in magistrate court for the collection of the delinquent rates and charges. If the municipality collects the delinquent account, plus fees and costs, from its customer or other responsible party, the municipality shall pay to the magistrate court the filing fees or other fees and costs which were previously deferred.

(e) No municipality may foreclose upon the premises served by it for delinquent rates, fees or charges for which a lien is authorized by this section except through the bringing and maintenance of a civil action for the purpose brought in the circuit court of the county wherein the municipality lies. In every such action, the court shall be required to make a finding based upon the evidence and facts presented that the municipality had exhausted all other remedies for the collection of debts with respect to such delinquencies prior to the bringing of the action. In no event shall foreclosure procedures be instituted by any municipality or on its behalf unless the delinquency had been in existence or continued for a period of two years from the date of the first delinquency for which foreclosure is being sought. (1939, c. 98, § 7; 1947, c. 112; 1969, c. 86; 1989, c. 133; 1990, c. 140; 2001, c. 212.)

Municipalities not granted authority to limit, modify or eliminate tort liability. — A municipal ordinance that is enacted pursuant to the power granted municipalities in this section to operate and maintain sewer systems that purports to limit, modify or eliminate tort liabilities and immunities related to such a sewer system in a fashion that conflicts with the general law of the state, is unenforceable and void, to the extent of such conflict. Calabrese v. City of Charleston, 515 S.E.2d 814 (W. Va. 1999).

Municipality cannot compel landlord liability. — While a landlord may choose to contract directly with the municipality if he seeks to furnish utilities as an element of the rental package, W.Va. Code § 8-20-10 is not an instrument through which municipalities can compel a landlord to contract with the municipality and to assume responsibility for the tenant's delinquencies. State ex rel. Pub. Serv. Comm'n v. Town of Fayetteville, 212 W. Va.427, 573 S.E.2d 338 (2002), *this is a per curiam opinion*.

§ 8-20-11. Discontinuance of water service for nonpayment of rates or charges.

Any municipality shall also have plenary power and authority, and may covenant with the holders of any bonds issued hereunder, to shut off and discontinue the supplying of the water service of the combined system for the

nonpayment of the rates, fees or charges for said water service or sewer service, or both, or, if applicable, stormwater service, or any combination thereof, or all of them. (1955, c. 133; 1969, c. 86; 2001, c. 212.)

§ 8-20-11a. Governmental entities subject to established rates.

The municipality and any county government, state government and federal government served by the services of the combined system shall be subject to the same rates, fees or charges established in this article or to rates, fees or charges established in harmony therewith, for service rendered to the governmental entity, and shall pay such rates, fees or charges when due from corporate funds and the same shall be considered to be part of the revenue of the combined system as defined in this article, and be applied as provided in this article, for the application of such revenues. However, no rates, fees or charges for combined services or stormwater services may be assessed against highways, road and drainage easements, and/or stormwater facilities constructed, owned and/or operated by the West Virginia Division of Highways. (2001, c. 212.)

§ 8-20-12. Use of revenues; sinking fund.

All revenues derived from the operation of any combined system under the provisions of this article shall be set aside as collected and used only for the purpose of paying the cost of repairing, maintaining and operating such system, providing an adequate reserve fund, an adequate depreciation fund, and paying the principal of and interest upon the revenue bonds issued by the municipality under the provisions of this article. The ordinance pursuant to which any bonds are issued shall pledge the revenues derived from the combined system to the purposes aforesaid and shall definitely fix and determine the amount of revenues which shall be necessary and set apart in a special fund for the bond requirements. The amounts so set apart into said special fund for the bond requirements shall be remitted to the West Virginia municipal bond commission to be retained and paid out by said commission consistent with the provisions of this article and the ordinance pursuant to which the bonds have been issued: Provided, That payments of principal of and interest on any bonds owned by the United States of America or any agency or department thereof may be made by the municipality directly to the United States of America or said agency or department thereof. (1939, c. 98, § 9; 1969, c. 86; 1986, c. 118; 2001, c. 212.)

§ 8-20-13. System of accounts; audit.

Any municipality operating a combined system under the provisions of this article shall set up and maintain a proper system of accounts in accordance with the requirements of the public service commission, showing the amount of revenues received from the combined system and the application of the same. At least once each year the municipality shall cause the accounts to be

properly audited, and a report of the audit shall be open to the public for inspection at all reasonable times. (1939, c. 98, § 10; 1969, c. 86; 2001, c. 212.)

§ 8-20-14. Repair and maintenance of municipal sewerage system outside corporate limits.

Whenever a municipality collects rates or charges from users of any part of a sewerage system located outside the corporate limits of such municipality for sewerage service rendered to such users, pursuant to the provisions of this article or other act or law, such municipality shall be responsible for the repair and maintenance of such sewerage system and the county court [county commission] of the county or counties in which such sewerage system is located shall not be liable or responsible for the repair and maintenance of such sewerage system. (1957, c. 127; 1969, c. 86.)

Editor's notes. — For construction of the county court as county commission, see W.Va. Const. art. IX, § 9.

§ 8-20-15. Protection and enforcement of rights of bondholders, etc.; receivership.

Any holder of any bonds issued under the provisions of this article or of any coupons representing interest accrued thereon may by civil action, mandamus or other proper proceeding enforce the statutory mortgage lien created and granted in section seven [§ 8-20-7] of this article, protect and enforce any and all rights granted hereunder or under any such ordinance or trust indenture, and may enforce and compel performance of all duties required by the provisions of this article or by any ordinance or trust indenture to be performed by the municipality or by the governing body or any officer, including the making and collecting of reasonable and sufficient rates, fees or charges for services rendered by the combined system.

If there be default in the payment of the principal of or interest upon any of bonds, or of both principal and interest, any court having jurisdiction shall appoint a receiver to administer said combined system on behalf of the municipality, and the bondholders or trustee, or both, with power to charge and collect rates, fees or charges sufficient to provide for the retirement of the bonds and pay the interest thereon, and for the payment of the repair, maintenance and operation expenses, and the receiver shall apply the revenues in conformity with the provisions of this article and the ordinance pursuant to which the bonds have been issued or trust indenture, or both. (1939, c. 98, § 8; 1947, c. 112; 1969, c. 86; 2001, c. 212.)

PART IV. GRANTS, LOANS AND ADVANCES; CUMULATIVE AUTHORITY.

§ 8-20-16. Grants, loans and advances.

Any municipality is hereby empowered and authorized to accept loans or grants and procure loans or temporary advances evidenced by notes or other

negotiable instruments issued in the manner, and subject to the privileges and limitations, set forth with respect to bonds authorized to be issued under the provisions of this article, for the purpose of paying part or all of the cost of acquisition, construction, establishment, extension or equipment of combined systems and the construction of additions, betterments and improvements thereto, and for the other purposes herein authorized, from any authorized agency of the state or from the United States of America or any federal or public agency or department of the United States or any private agency, corporation or individual, which loans or temporary advances, including the interest thereon, may be repaid out of the proceeds of bonds authorized to be issued under the provisions of this article, the revenues of the said combined system or grants to the municipality from any agency of the state or from the United States of America or any federal or public agency or department of the United States or any private agency, corporation or individual or from any combination of such sources of payment, and to enter into the necessary contracts and agreements to carry out the purposes hereof with any agency of the state, the United States of America or any federal or public agency or department of the United States, or with any private agency, corporation or individual. Any other provisions of this article notwithstanding, interest on any loans or temporary advances may be paid from the proceeds thereof until the maturity of the notes or other negotiable instrument.

In no event shall any loan or temporary advance be a general obligation of the municipality and the loans or temporary advances, including the interest thereon, shall be paid solely from the sources specified in this section. (1961, c. 106; 1969, c. 86; 1981, lst Ex. Sess., c. 2; 1986, c. 118; 2001, c. 212.)

§ 8-20-17. Additional and alternative method for constructing, etc., and financing combined system; cumulative authority.

This article is, without reference to any other statute or charter provision, full authority for the acquisition, construction, establishment, extension, equipment, additions, betterment, improvement, repair, maintenance and operation of or to the combined system herein provided for and for the issuance and sale of the bonds by this article authorized, and is an additional and alternative method therefor and for the financing thereof, and no petition, referendum or election or other or further proceeding with respect to any undertaking or to the issuance or sale of bonds under this article and no publication of any resolution, ordinance, notice or proceeding relating to any undertaking or to the issuance or sale of such bonds is required, except as prescribed by this article, any provisions of other statutes of the state to the contrary notwithstanding: Provided, That all functions, powers and duties of the bureau of public health and the division of environmental protection remain unaffected by this article: Provided, however, that no municipality may acquire, construct, establish, extend, repair or equip or thereafter repair, maintain and operate a combined waterworks, sewerage or stormwater system which includes highways, road and drainage easements, and/or stormwater

facilities constructed, owned and/or operated by the West Virginia division of highways without the express agreement of the commissioner of highways.

This article is cumulative authority for any undertaking herein authorized, and does not repeal any existing laws with respect thereto. (1933, Ex. Sess., c. 26, § 13; 1969, c. 86; 1994, c. 61; 2001, c. 212.)

PART V. OPERATION BY BOARD; CONSTRUCTION.

§ 8-20-18. Alternative procedure for acquisition, construction, etc., of combined system.

(a) As an alternative to the procedure provided in this article, any municipality is hereby empowered and authorized to acquire, construct, establish, extend, equip, repair, maintain and operate a combined system or to construct, maintain and operate additions, betterments and improvements thereto, whether acquired, constructed, established, extended or equipped under the provisions of this article or not, and to collect the revenues therefrom for the services rendered thereby, through the supervision and control of a committee, by whatever name called, composed of all or of a portion of the governing body, or of a board or commission appointed by the governing body, as may be provided by the governing body, and if such alternative is followed, said committee, board or commission shall have and be limited to all the powers, authority and duties granted to and imposed upon a board as provided in article sixteen [§§ 8-16-1 et seq.] of this chapter.

However, no municipality may acquire, construct, establish, extend, repair or equip or thereafter repair, maintain and operate a combined waterworks, sewerage or stormwater system, which includes highways, road and drainage easements, and/or stormwater facilities constructed, owned and/or operated by the West Virginia Division of Highways without the express agreement of the commissioner of highways.

(b) In the event that the waterworks or sewerage system or both, or if applicable, stormwater services, are in existence prior to the creation of the combined system, and the waterworks or sewerage system or both, and if applicable, stormwater services, are supervised and controlled by a committee, board or commission, and the alternative provided for in subsection (a) of this section is to be followed with respect to the supervision and control of the combined system, the governing body may by ordinance, after the creation of the combined system, provide:

(1) The manner of and procedure for transferring supervision and control from each separate committee, board or commission to the committee, board or commission which is supervising and controlling the combined system; or

(2) The manner of and procedure for combining each separate committee, board or commission into one committee, board or commission and transferring thereto supervision and control as aforesaid. (1961, c. 104; 1969, c. 86; 2001, c. 212.)

§ 8-20-19. Article to be liberally construed.

This article is necessary for the public health, safety and welfare and shall be liberally construed to effectuate its purposes. (1933, Ex. Sess., c. 26, § 14; 1969, c. 86.)

ARTICLE 20A.

NEIGHBORHOOD REHABILITATION.

Sec.
8-20A-1. Legislative findings and purpose.
8-20A-2. Definitions.
8-20A-3. Neighborhood rehabilitation fund.
8-20A-4. Inspection and technical assistance.
8-20A-5. Deferral of repayment.

§ 8-20A-1. Legislative findings and purpose.

(a) The legislature hereby finds and declares that the lack of safe, decent, sanitary and affordable owner-occupied and rental dwellings is one of the most serious problems facing this State and that a major contributing factor to this problem is the deterioration of the State's existing housing stock; that these deteriorating dwellings exist in both the urban and rural areas of the State; that a disproportionate number of owners of these deteriorating dwellings are older, less affluent and otherwise less able to afford the expense of the remodeling, repairing and rehabilitating of their residences necessary to maintain such residences in a sanitary, safe and decent condition; that because of the lack of acceptable loan collateral, the age of their residences and the location and age of the neighborhoods in which their residences are located, many of such owners have not been able to borrow funds necessary to effect such remodeling, repair and rehabilitation; and that some of such homeowners who have been able to obtain funds for such purposes have been able to do so only upon rates of interest and upon other terms and conditions which are particularly onerous and disadvantageous to such owners.

(b) The legislature further finds and declares that the assistance authorized in this article will provide, and will encourage private lenders to provide, to such owners, more readily and at rates of interest and upon other terms and conditions significantly more favorable to such owners, the loans necessary to finance the cost of such remodeling, repair and rehabilitation.

(c) The legislature further finds and declares that the powers granted to municipalities and counties in this article will enable them to maximize the use of federal programs for housing rehabilitation.

(d) The legislature further finds and declares that it is manifestly in the public interest to foster the pride, self-respect and esteem incident to home ownership and to encourage and assist in the maintenance of residences, both owner occupied and rental, in a safe, decent and sanitary condition; that without the assistance authorized in this article, there will be continued deterioration of housing with the resultant proliferation of slums, higher crime rates and general decline in civic pride, public spirit and the quality of life, with all of the public cost, direct and indirect, attendant thereon; and that

WV MUNICIPAL BOND COMMISSION
8 Capitol Street
Suite 500, Terminal Building
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: June 15, 2005

(See Reverse for Instructions)

ISSUE: City of Charles Town (West Virginia) Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable)

ADDRESS: 101 East Washington Street (P.O. Box 14), Charles Town, WV 25414 COUNTY: Jefferson

PURPOSE OF ISSUE: New Money: x
Refunding: _____

REFUNDS ISSUE(S) DATED: N/A

ISSUE DATE: June 1, 2005

CLOSING DATE: June 15, 2005

ISSUE AMOUNT: $2,355,000

RATE: Various

1ST DEBT SERVICE DUE: December 1, 2005

1ST PRINCIPAL DUE: June 1, 2007

1ST DEBT SERVICE AMOUNT: $80,381.25

PAYING AGENT: WV Municipal Bond Commission

BOND COUNSEL: Steptoe & Johnson PLLC
Contact Person: John C. Stump, Esquire
Phone: 304.353.8196

UNDERWRITERS COUNSEL: Goodwin & Goodwin LLP
Contact Person: William Bragg
Phone: 304.346.7000

CLOSING BANK: United Bank, Inc.
Contact Person: Carlene Watson
Phone: (304) 742-3904

ESCROW TRUSTEE: N/A
Contact Person: _____
Phone: _____

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Jane Arnett, CPA
Position: City Manager
Phone: 304.725.2311 ext. 10

OTHER: Underwriter - Crews & Associates, Inc.
Contact Person: Greg Isaacs
Function: Vice President
Phone: 304.344.1733

DEPOSITS TO MBC AT CLOSE:

By: X Wire
_____ Check

X Accrued Interest: $ 6,251.88
X Capitalized Interest: $ 152,253.56
X Reserve Account: $ 193,750.00
____ Other: _____ $_____

REFUNDS & TRANSFERS BY MBC AT CLOSE

By: _____ Wire
_____ Check
_____ IGT

____ To Escrow Trustee: $_____
____ To Issuer $_____
____ To Cons. Invest. Fund $_____
____ To Other: _____ $_____

NOTES: _____

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS REQUIRED: _____
TRANSFERS REQUIRED: _____

CH752408.1

The purpose of the NEW ISSUE REPORT FORM is to provide the WV Municipal Bond Commission with an early warning of three basic facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

The commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specificed by the West Virginia Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all supplements, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes."

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at closing are required, please submit this form before closing. If no significant facts change by closing, no resubmission at closing is required. If, however, there are changes, please submit an updated form, with changes noted, at closing.

If you should have any questions concerning this form, please call the Commission.

CITY OF CHARLES TOWN, WV
Combined Waterworks and Sewerage System Bonds (Taxable)
Series 2005 A

Closing Date: June 15, 2005
DTC FAST CLOSING

SOURCES:		
Par Amount of Bonds		2,355,000.00
Original Issue Discount		(43,538.70)
Accrued Interest from 6/01/05 to 6/15/05		6,251.88
TOTAL SOURCES OF FUNDS		**2,317,713.18**
USES:		
Deposit to Construction Fund		1,835,110.00
Deposit to Debt Service Reserve Fund		193,750.00
Underwriters Discount		70,650.00
Capitalized Interest Fund		152,253.56
Costs of Issuance:		
Bond Counsel - Steptoe & Johnson	30,000.00	
Underwriter's Counsel - Goodwin & Goodwin	25,000.00	
Registrar Fees	600.00	
Printing and Shipping	2,834.82	
Underwriting Expenses - Crews		
PSA	NA	
MSRB	NA	
DTC	NA	
CUSIP	NA	
Total Costs of Issuance		58,434.82
Deposit to Bond Fund (Debt Service)		6,251.88
Rounding		1,262.92
TOTAL USES OF FUNDS		**2,317,713.18**
		0.00

CONTACTS:

United Bank, Inc. (Registrar #2719)
Kathy.Smith@ubsi-wv.com
304-348-8427 Tel

City of Charles Town, WV
Jane Arnett
304-725-2311 Tel

DTC
212-855-3753 Tel
212-855-3704 Tel

United Bank, Inc. (Depository Bank
Carlene.Watson@ubsi-wv.com
304-724-3904 Tel
304-728-0301 Fax

Crews BD# **5158**

WIRE INSTRUCTIONS:

From: Crews & Associates, Inc. → **To: Depository Bank**

Construction Funds	1,835,110.00	Bank:	United Bank, Inc.
Costs of Issuance	58,434.82	City:	Charles Town, WV
Rounding Amount	1,262.92	ABA#:	051 9003 95
		Acct. Name:	Construction Fund
		Account No.:	6948 6074
Total Wire	1,894,807.74	F/B/O:	Charles Town Series 2005 A

From: Crews & Associates, Inc. → **To: WV Municipal Bond Commission**

Debt Service Reserve Fund	193,750.00	Bank:	Branch Banking & Trust
Capitialized Interest Fund	152,253.56	City:	Charleston, WV
Debt Service Fund	6,251.88	ABA#:	051 5033 94
		Acct. Name:	State of West Virginia
		Account No.:	5270517317
Total Wire	352,255.44	F/B/O:	City of Charles Town, WV

ON FILE WITH ISSUER

WEST VIRGINIA
Water Development Authority
Celebrating 31 Years of Service ***1974 - 2005***

June 15, 2005

City of Charles Town (West Virginia)
Combined Waterworks and
Sewerage System Revenue Bonds, Series 2005 A
(Taxable)

TO WHOM IT MAY CONCERN:

In reliance upon the certificate of the certified public accountant of the Issuer stating that the coverage and parity requirements have been met, the undersigned duly authorized representative for the West Virginia Water Development Authority, the registered owner of the Prior Bonds, hereinafter defined and described, hereby consents to the issuance of the Combined Waterworks and Sewerage System Revenue Bonds, Series 2005 A (Taxable), in the original aggregate principal amount of $2,355,000 (the "Bonds") by the City of Charles Town (the "Issuer"), under the terms of the bond ordinance authorizing the Bonds, on a parity, with respect to liens, pledge and source of and security for payment, with the Issuer's outstanding (1) Combined Waterworks and Sewerage System Revenue Bonds, Series 1987 B, dated November 18, 1987, issued in the original aggregate principal amount of $413,629, (2) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-1, dated May 4, 1988, issued in the original aggregate principal amount of $295,916, (3) Combined Waterworks and Sewerage System Revenue Bonds, Series 1988 B-2, dated May 20, 1988, issued in the original aggregate principal amount of $558,000, (4) Combined Waterworks and Sewerage System Revenue Bonds, Series 1989 B, dated April 13, 1989, issued in the original aggregate principal amount of $117,480; (5) Combined Waterworks and Sewerage System Design Revenue Bonds, Series 1998 (West Virginia SRF Program), dated September 29, 1998, issued in the original aggregate principal amount of $437,601; (6) Combined Waterworks and Sewerage System Revenue Bonds, Series 2000 A (West Virginia SRF Program), dated June 22, 2000, issued in the original aggregate principal amount of $3,163,781; (7) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 A (West Virginia Water Development Authority), dated August 22, 2002, issued in the original aggregate principal amount of $1,100,000; and (8) Combined Waterworks and Sewerage System Revenue Bonds, Series 2002 B (West Virginia Infrastructure Fund), dated August 22, 2000, issued in the original aggregate principal amount of $3,600,000 (collectively, the "Prior Bonds").

Authorized Representative

180 Association Drive, Charleston, WV 25311-1217
phone (304) 558-3612 / fax (304) 558-0299
www.wwda.org

ON FILE WITH ISSUER

ON FILE WITH ISSUER

Final

$2,355,000

Charles Town, WV

Taxable Revenue Bonds (Waste Water Treatment Plant Upgrade)

Series 2005

Project Summary

Dated 06/01/2005 | Delivered 06/15/2005

Sources Of Funds	
Par Amount of Bonds	$2,355,000.00
Accrued Interest from 06/01/2005 to 06/15/2005	6,251.88
Original Issue Discount (OID)	(43,538.70)
Total Sources	**$2,317,713.18**

Uses Of Funds	
Deposit to Project Construction Fund	1,835,110.00
Deposit to Debt Service Reserve Fund (DSRF)	193,750.00
Deposit to Capitalized Interest (CIF) Fund	152,253.56
Total Underwriter's Discount (3.000%)	70,650.00
Costs of Issuance	58,100.00
Deposit to Debt Service Fund	6,251.88
Rounding Amount	1,597.74
Total Uses	**$2,317,713.18**

Flow of Funds Detail

State and Local Government Series (SLGS) rates for	
Date of OMP Candidates	
Project Construction Fund Solution Method	Net Funded
Total Cost of Investments	$1,835,110.00
Total Draws	$1,835,110.00
Capitalized Interest Fund Solution Method	Net Funded
Original Bond Proceeds	152,253.56
Accrued Interest	6,251.88
Interest Earnings @ 2.000%	2,257.06
Total Draws	$160,762.50
Debt Service Reserve Fund Solution Method	Gross Funded
Total Cost of Investments	$193,750.00
Total Draws	$193,750.00

Bond Statistics

Average Life	20.344 Years
Average Coupon	7.0054529%
Net Interest Cost (NIC)	7.2437929%
Bond Yield for Arbitrage Purposes	7.1336143%
True Interest Cost (TIC)	7.4420784%
All Inclusive Cost (AIC)	7.7077184%

Crews & Associates, Inc.
Public Finance

Final

$2,355,000

Charles Town, WV

Taxable Revenue Bonds (Waste Water Treatment Plant Upgrade)

Series 2005

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	DSR	CIF	Net New D/S	Fiscal Total
06/15/2005	-	-	-	-	-	-	-	-
12/01/2005	-	-	80,381.25	80,381.25	-	(80,381.25)	-	-
06/01/2006	-	-	80,381.25	80,381.25	-	(80,381.25)	-	-
12/01/2006	-	-	80,381.25	80,381.25	-	-	80,381.25	-
06/01/2007	30,000.00	5.250%	80,381.25	110,381.25	-	-	110,381.25	190,762.50
12/01/2007	-	-	79,593.75	79,593.75	-	-	79,593.75	-
06/01/2008	30,000.00	5.250%	79,593.75	109,593.75	-	-	109,593.75	189,187.50
12/01/2008	-	-	78,806.25	78,806.25	-	-	78,806.25	-
06/01/2009	35,000.00	5.250%	78,806.25	113,806.25	-	-	113,806.25	192,612.50
12/01/2009	-	-	77,887.50	77,887.50	-	-	77,887.50	-
06/01/2010	35,000.00	5.250%	77,887.50	112,887.50	-	-	112,887.50	190,775.00
12/01/2010	-	-	76,968.75	76,968.75	-	-	76,968.75	-
06/01/2011	35,000.00	6.000%	76,968.75	111,968.75	-	-	111,968.75	188,937.50
12/01/2011	-	-	75,918.75	75,918.75	-	-	75,918.75	-
06/01/2012	40,000.00	6.000%	75,918.75	115,918.75	-	-	115,918.75	191,837.50
12/01/2012	-	-	74,718.75	74,718.75	-	-	74,718.75	-
06/01/2013	40,000.00	6.000%	74,718.75	114,718.75	-	-	114,718.75	189,437.50
12/01/2013	-	-	73,518.75	73,518.75	-	-	73,518.75	-
06/01/2014	45,000.00	6.000%	73,518.75	118,518.75	-	-	118,518.75	192,037.50
12/01/2014	-	-	72,168.75	72,168.75	-	-	72,168.75	-
06/01/2015	45,000.00	6.000%	72,168.75	117,168.75	-	-	117,168.75	189,337.50
12/01/2015	-	-	70,818.75	70,818.75	-	-	70,818.75	-
06/01/2016	50,000.00	6.750%	70,818.75	120,818.75	-	-	120,818.75	191,637.50
12/01/2016	-	-	69,131.25	69,131.25	-	-	69,131.25	-
06/01/2017	55,000.00	6.750%	69,131.25	124,131.25	-	-	124,131.25	193,262.50
12/01/2017	-	-	67,275.00	67,275.00	-	-	67,275.00	-
06/01/2018	55,000.00	6.750%	67,275.00	122,275.00	-	-	122,275.00	189,550.00
12/01/2018	-	-	65,418.75	65,418.75	-	-	65,418.75	-
06/01/2019	60,000.00	6.750%	65,418.75	125,418.75	-	-	125,418.75	190,837.50
12/01/2019	-	-	63,393.75	63,393.75	-	-	63,393.75	-
06/01/2020	65,000.00	6.750%	63,393.75	128,393.75	-	-	128,393.75	191,787.50
12/01/2020	-	-	61,200.00	61,200.00	-	-	61,200.00	-
06/01/2021	70,000.00	6.750%	61,200.00	131,200.00	-	-	131,200.00	192,400.00
12/01/2021	-	-	58,837.50	58,837.50	-	-	58,837.50	-
06/01/2022	75,000.00	6.750%	58,837.50	133,837.50	-	-	133,837.50	192,675.00
12/01/2022	-	-	56,306.25	56,306.25	-	-	56,306.25	-
06/01/2023	80,000.00	6.750%	56,306.25	136,306.25	-	-	136,306.25	192,612.50
12/01/2023	-	-	53,606.25	53,606.25	-	-	53,606.25	-
06/01/2024	85,000.00	6.750%	53,606.25	138,606.25	-	-	138,606.25	192,212.50
12/01/2024	-	-	50,737.50	50,737.50	-	-	50,737.50	-
06/01/2025	90,000.00	6.750%	50,737.50	140,737.50	-	-	140,737.50	191,475.00
12/01/2025	-	-	47,700.00	47,700.00	-	-	47,700.00	-
06/01/2026	95,000.00	7.000%	47,700.00	142,700.00	-	-	142,700.00	190,400.00
12/01/2026	-	-	44,375.00	44,375.00	-	-	44,375.00	-
06/01/2027	105,000.00	7.000%	44,375.00	149,375.00	-	-	149,375.00	193,750.00
12/01/2027	-	-	40,700.00	40,700.00	-	-	40,700.00	-
06/01/2028	110,000.00	7.000%	40,700.00	150,700.00	-	-	150,700.00	191,400.00
12/01/2028	-	-	36,850.00	36,850.00	-	-	36,850.00	-
06/01/2029	120,000.00	7.000%	36,850.00	156,850.00	-	-	156,850.00	193,700.00
12/01/2029	-	-	32,650.00	32,650.00	-	-	32,650.00	-
06/01/2030	125,000.00	7.000%	32,650.00	157,650.00	-	-	157,650.00	190,300.00
12/01/2030	-	-	28,275.00	28,275.00	-	-	28,275.00	-
06/01/2031	135,000.00	7.250%	28,275.00	163,275.00	-	-	163,275.00	191,550.00
12/01/2031	-	-	23,381.25	23,381.25	-	-	23,381.25	-
06/01/2032	145,000.00	7.250%	23,381.25	168,381.25	-	-	168,381.25	191,762.50
12/01/2032	-	-	18,125.00	18,125.00	-	-	18,125.00	-
06/01/2033	155,000.00	7.250%	18,125.00	173,125.00	-	-	173,125.00	191,250.00
12/01/2033	-	-	12,506.25	12,506.25	-	-	12,506.25	-
06/01/2034	165,000.00	7.250%	12,506.25	177,506.25	-	-	177,506.25	190,012.50
12/01/2034	-	-	6,525.00	6,525.00	-	-	6,525.00	-
06/01/2035	180,000.00	7.250%	6,525.00	186,525.00	(193,750.00)	-	(7,225.00)	(700.00)
Total	**$2,355,000.00**	**-**	**$3,356,312.50**	**$5,711,312.50**	**(193,750.00)**	**(160,762.50)**	**$5,356,800.00**	**-**

Series 2005 (FINAL) | SINGLE PURPOSE | 5/26/2005 | 11:15 AM

Final

$2,355,000

Charles Town, WV

Taxable Revenue Bonds (Waste Water Treatment Plant Upgrade)

Series 2005

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
12/01/2005	-	-	80,381.25	80,381.25
06/01/2006	-	-	80,381.25	80,381.25
12/01/2006	-	-	80,381.25	80,381.25
06/01/2007	30,000.00	5.250%	80,381.25	110,381.25
12/01/2007	-	-	79,593.75	79,593.75
06/01/2008	30,000.00	5.250%	79,593.75	109,593.75
12/01/2008	-	-	78,806.25	78,806.25
06/01/2009	35,000.00	5.250%	78,806.25	113,806.25
12/01/2009	-	-	77,887.50	77,887.50
06/01/2010	35,000.00	5.250%	77,887.50	112,887.50
12/01/2010	-	-	76,968.75	76,968.75
06/01/2011	35,000.00	6.000%	76,968.75	111,968.75
12/01/2011	-	-	75,918.75	75,918.75
06/01/2012	40,000.00	6.000%	75,918.75	115,918.75
12/01/2012	-	-	74,718.75	74,718.75
06/01/2013	40,000.00	6.000%	74,718.75	114,718.75
12/01/2013	-	-	73,518.75	73,518.75
06/01/2014	45,000.00	6.000%	73,518.75	118,518.75
12/01/2014	-	-	72,168.75	72,168.75
06/01/2015	45,000.00	6.000%	72,168.75	117,168.75
12/01/2015	-	-	70,818.75	70,818.75
06/01/2016	50,000.00	6.750%	70,818.75	120,818.75
12/01/2016	-	-	69,131.25	69,131.25
06/01/2017	55,000.00	6.750%	69,131.25	124,131.25
12/01/2017	-	-	67,275.00	67,275.00
06/01/2018	55,000.00	6.750%	67,275.00	122,275.00
12/01/2018	-	-	65,418.75	65,418.75
06/01/2019	60,000.00	6.750%	65,418.75	125,418.75
12/01/2019	-	-	63,393.75	63,393.75
06/01/2020	65,000.00	6.750%	63,393.75	128,393.75
12/01/2020	-	-	61,200.00	61,200.00
06/01/2021	70,000.00	6.750%	61,200.00	131,200.00
12/01/2021	-	-	58,837.50	58,837.50
06/01/2022	75,000.00	6.750%	58,837.50	133,837.50
12/01/2022	-	-	56,306.25	56,306.25
06/01/2023	80,000.00	6.750%	56,306.25	136,306.25
12/01/2023	-	-	53,606.25	53,606.25
06/01/2024	85,000.00	6.750%	53,606.25	138,606.25
12/01/2024	-	-	50,737.50	50,737.50
06/01/2025	90,000.00	6.750%	50,737.50	140,737.50
12/01/2025	-	-	47,700.00	47,700.00
06/01/2026	95,000.00	7.000%	47,700.00	142,700.00
12/01/2026	-	-	44,375.00	44,375.00
06/01/2027	105,000.00	7.000%	44,375.00	149,375.00

Crews & Associates, Inc.
Public Finance

Final

$2,355,000

Charles Town, WV

Taxable Revenue Bonds (Waste Water Treatment Plant Upgrade)

Series 2005

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
12/01/2027	-	-	40,700.00	40,700.00
06/01/2028	110,000.00	7.000%	40,700.00	150,700.00
12/01/2028	-	-	36,850.00	36,850.00
06/01/2029	120,000.00	7.000%	36,850.00	156,850.00
12/01/2029	-	-	32,650.00	32,650.00
06/01/2030	125,000.00	7.000%	32,650.00	157,650.00
12/01/2030	-	-	28,275.00	28,275.00
06/01/2031	135,000.00	7.250%	28,275.00	163,275.00
12/01/2031	-	-	23,381.25	23,381.25
06/01/2032	145,000.00	7.250%	23,381.25	168,381.25
12/01/2032	-	-	18,125.00	18,125.00
06/01/2033	155,000.00	7.250%	18,125.00	173,125.00
12/01/2033	-	-	12,506.25	12,506.25
06/01/2034	165,000.00	7.250%	12,506.25	177,506.25
12/01/2034	-	-	6,525.00	6,525.00
06/01/2035	180,000.00	7.250%	6,525.00	186,525.00
Total	**$2,355,000.00**	-	**$3,356,312.50**	**$5,711,312.50**

Yield Statistics

Accrued Interest from 06/01/2005 to 06/15/2005	6,251.88
Bond Year Dollars	$47,910.00
Average Life	20.344 Years
Average Coupon	7.0054529%
Net Interest Cost (NIC)	7.2437929%
True Interest Cost (TIC)	7.4420784%
Bond Yield for Arbitrage Purposes	7.1336143%
All Inclusive Cost (AIC)	7.7077184%

IRS Form 8038

Net Interest Cost	7.2430411%
Weighted Average Maturity	20.270 Years

Crews & Associates, Inc.
Public Finance

Final

$2,355,000

Charles Town, WV

Taxable Revenue Bonds (Waste Water Treatment Plant Upgrade)

Series 2005

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
06/01/2010	Term 1 Coupon	5.250%	5.320%	130,000.00	99.695%	129,603.50
06/01/2015	Term 2 Coupon	6.000%	6.100%	205,000.00	99.258%	203,478.90
06/01/2025	Term 3 Coupon	6.750%	6.930%	685,000.00	98.065%	671,745.25
06/01/2030	Term 4 Coupon	7.000%	7.180%	555,000.00	97.919%	543,450.45
06/01/2035	Term 5 Coupon	7.250%	7.430%	780,000.00	97.844%	763,183.20
Total	-	-	-	**$2,355,000.00**	-	**$2,311,461.30**

Bid Information

Par Amount of Bonds	$2,355,000.00
Reoffering Premium or (Discount)	(43,538.70)
Gross Production	$2,311,461.30
Total Underwriter's Discount (3.000%)	$(70,650.00)
Bid (95.151%)	2,240,811.30
Accrued Interest from 06/01/2005 to 06/15/2005	6,251.88
Total Purchase Price	$2,247,063.18
Bond Year Dollars	$47,910.00
Average Life	20.344 Years
Average Coupon	7.0054529%
Net Interest Cost (NIC)	7.2437929%
True Interest Cost (TIC)	7.4420784%

Crews & Associates, Inc.
Public Finance

Final

$2,355,000

Charles Town, WV

Taxable Revenue Bonds (Waste Water Treatment Plant Upgrade)

Series 2005

Operation Of Project Construction Fund

Date	Principal	Rate	Receipts	Disbursements	Cash Balance
06/15/2005	1,835,110.00	-	1,835,110.00	1,835,110.00	-
Total	**$1,835,110.00**	-	**$1,835,110.00**	**$1,835,110.00**	-

Investment Parameters

Investment Model [PV, GIC, or Securities]	GIC
Default investment yield target	User Defined
Cost of Investments Purchased with Bond Proceeds	1,835,110.00
Total Cost of Investments	$1,835,110.00
Target Cost of Investments at bond yield	$1,835,110.00
Yield to Receipt	-
Yield for Arbitrage Purposes	7.1336143%