

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 6, 2003

NEW ISSUE
(Bank Qualified)

NO RATING REQUESTED

In the opinion of Bond Counsel, under existing law (i) interest on the Series 2003 Bonds will be excludible from gross income of the holders thereof for purposes of federal income taxation and (ii) interest on the Series 2003 Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, all subject to the qualifications described herein under the heading "TAX EXEMPTION." Interest on the Series 2003 Bonds is also exempt from income taxation and the Series 2003 Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky.

\$1,075,000*
CITY OF WILLIAMSTOWN, KENTUCKY
UTILITY SYSTEM REVENUE REFUNDING BONDS
SERIES 2003

Dated: February 1, 2003

Interest on the captioned bonds, (the "Series 2003 Bonds") will be payable, from the date of issuance, on June 1 and December 1, commencing June 1, 2003. The Series 2003 Bonds shall mature on June 1, as shown below:

SCHEDULE OF MATURITIES

<u>Due</u>	<u>Cusip #</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Due</u>	<u>Cusip #</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>
6/1/03		\$ 80,000			6/1/09		\$100,000		
6/1/04		85,000			6/1/10		105,000		
6/1/05		90,000			6/1/11		105,000		
6/1/06		95,000			6/1/12		110,000		
6/1/07		95,000			6/1/13		115,000		
6/1/08		95,000							

(Plus accrued interest-when issued)

The Series 2003 Bonds will be issuable under a book entry system, registered in the name of The Depository Trust Company ("DTC") or its nominee. There will be no distribution of the Series 2003 Bonds to the ultimate purchasers. See "Book Entry" herein. Principal and interest on the Series 2003 Bonds is payable at the principal office of Central Bank & Trust Co., Lexington, Kentucky, as Paying Agent and Bond Registrar. The Series 2003 Bonds are not subject to optional redemption prior to maturity.

The Series 2003 Bonds are being issued as fully registered bonds in denominations of \$5,000 and integral multiples thereof. Interest payments will be mailed by the Paying Agent to each holder of record as of the fifteenth day of the month preceding the date for such interest payment.

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

The Series 2003 Bonds are offered when, as and if issued, subject to the approval of legality and tax exemption by Peck, Shaffer & Williams LLP, Bond Counsel, Covington, Kentucky. Certain legal matters have been passed upon for the City by Jeffrey Shipp, Esq., City Attorney. The Series 2003 Bonds are expected to be available for delivery on or about March 4, 2003.

THE CITY HAS DESIGNATED THE SERIES 2003 BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" (BANK QUALIFIED) UNDER SECTION 265 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

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

FIRST KENTUCKY SECURITIES CORPORATION
Financial Advisor

*Preliminary; subject to change.

This Preliminary Official Statement and information contained herein are subject to change, completion or amendment without notice. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of any 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.

REGARDING THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page, has been prepared by officials of the City of Williamstown, Kentucky (the "City") in connection with the sale by the City of \$1,075,000* aggregate principal amount of Utility System Revenue Refunding Bonds, Series 2003 of the City. Certain information concerning the authorization, purpose, terms, conditions of sale and sources of payment of, and security for, the Series 2003 Bonds is described herein. Insofar as such information embodies statements of opinion, or estimates, even if not so labeled, it should be regarded as suggesting independent investigation or consultation of other sources prior to making investment decisions. Certain information may not be the most current that is available; however, attempts were made to date and document sources of information.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been given by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2003 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, 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 since the date hereof.

Neither this Official Statement nor any verbal or written representations by or on behalf of the City before sale of the Series 2003 Bonds should be regarded as part of the contract with the holders from time to time of the City's Series 2003 Bonds.

All financial and other information presented herein has been provided by the City from its records, except for information expressly attributed to other sources. It is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as might be shown by such financial and other information, will necessarily continue or be repeated in the future.

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

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

*Preliminary; subject to change.

TABLE OF CONTENTS

Page

REGARDING THIS OFFICIAL STATEMENT	i
TABLE OF CONTENTS.....	ii
INTRODUCTION.....	1
The Issuer	1
Sources of Payment and Security for the Series 2003 Bonds	1
Purpose of the Series 2003 Bonds	1
Description of the Series 2003 Bonds.....	1
Tax Exemption	2
Parties to the Issuance of the Series 2003 Bonds	2
Authority for Issuance.....	2
Offering and Delivery of the Series 2003 Bonds	3
Disclosure Information.....	3
Additional Information.....	3
THE SERIES 2003 BONDS.....	3
General.....	3
Redemption.....	4
BOOK ENTRY SYSTEM.....	4
SECURITY FOR THE BONDS.....	7
Pledge of Revenues and Funds	8
Debt Service Reserve	8
Statutory Mortgage.....	8
Rate Covenant	8
Parity Bonds	9
GENERAL INFORMATION CONCERNING THE CITY AND THE SYSTEM	9
Existing System.....	9
Outstanding Indebtedness	9
Management of the System.....	9
PLAN OF REFUNDING.....	9
SOURCES AND USES OF FUNDS	10
SUMMARY OF THE GENERAL BOND ORDINANCE.....	10
General Application of Bond Proceeds Fund	10
Other Funds and Accounts	11
Utility Revenue Fund	11
Debt Service Fund.....	12
Debt Service Reserve	13
Operation and Maintenance Fund.....	13
Depreciation Fund	13
Surplus Fund.....	14
Investment of Funds.....	14
Issuance of Notes, Additional Bonds and Subordinated Debt	15
Issuance of Parity Bonds.....	16
Issuance of Refunding Bonds	17
Issuance of Subordinated Debt	17
Modifications of Ordinance, Adoption of Series Ordinances and Requirement for Consent of Holders of Outstanding Bonds.....	18
Certain Covenants of the City.....	19
Defaults and Remedies.....	20
No Individual Liability.....	21
Defeasance.....	21
GENERAL LEGAL MATTERS.....	22
LITIGATION INVOLVING CITY.....	22
TAX EXEMPTION	22
FINANCIAL ADVISOR	23
CONTINUING DISCLOSURE	24
CONCLUDING STATEMENT	25

Appendices

Appendix A Estimated Aggregate Debt Service Schedule A-1
Appendix B Additional Information Regarding the City and the System B-1
Appendix C Financial Statements of the City C-1
Appendix D Form of Bond Counsel Opinion D-1

OFFICIAL BID FORM

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information with respect to the issuance of the Series 2003 Bonds.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2003 Bonds to potential investors is made only by means of the entire Official Statement.

The Issuer

The Series 2003 Bonds are being issued by the City of Williamstown, Kentucky, a municipal corporation and political subdivision of the Commonwealth of Kentucky.

Sources of Payment and Security for the Series 2003 Bonds

Pursuant to the City's General Bond Ordinance adopted on February 3, 2003 (the "General Bond Ordinance") and a Series 2003 Bond Ordinance adopted by the City Council of the City on February 3, 2003 (the "Series 2003 Bond Ordinance", and together with the General Bond Ordinance, the "Ordinance"), the City has pledged the revenues from the operation of the combined and consolidated water, electric and cable television system of the City (the "System") to the payment of the principal of, premium, if any, and interest on the Series 2003 Bonds. THE SERIES 2003 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF THE CONSTITUTION OF THE COMMONWEALTH OF KENTUCKY. THE SERIES 2003 BONDS ARE PAYABLE SOLELY FROM THE REVENUES OF THE SYSTEM AND THE ASSETS AND REVENUES PLEDGED THEREFOR UNDER THE ORDINANCE, AND ARE SECURED BY A STATUTORY MORTGAGE LIEN ON ALL OF THE PROPERTIES OF THE SYSTEM. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION OR TAXING AUTHORITY THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2003 BONDS.

Purpose of the Series 2003 Bonds

The proceeds of the Series 2003 Bonds will be used to provide funds to (i) currently refund and redeem the City's outstanding \$1,345,000 Lease/Purchase Agreement dated as of June 1, 1993 between the City and the Kentucky Municipal Finance Corporation (the "Prior Lease"), including the related Certificates of Participation issued to reflect proportionate interests in the lease payments under the Lease (the "Prior COPS"), the proceeds of which were used to finance improvements to the System, (ii) make a deposit to the Series 2003 Cost of Issuance Account to pay the costs of issuing the Series 2003 Bonds and (iii) fund, to the extent necessary, the debt service reserve for the Series 2003 Bonds. The Series 2003 Bonds are secured by and payable solely from the City's Pledged Receipts, as defined and described herein.

Description of the Series 2003 Bonds

Redemption. The Series 2003 Bonds are not subject to optional redemption prior to their stated maturities (see "THE SERIES 2003 BONDS - *Redemption*", herein).

Denominations. The Series 2003 Bonds will be issued in the denomination of \$5,000 or any integral multiple thereof.

Book Entry. The Series 2003 Bonds are issuable only as fully registered Series 2003 Bonds, without coupons. The Series 2003 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2003 Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2003 Bonds purchased. So long as DTC or its nominee is the registered owner of the Series 2003 Bonds, payments of the principal of and interest due on the Series 2003 Bonds will be made directly to DTC. Principal of, redemption premium, if any, and interest on the Series 2003 Bonds will be paid directly to DTC by Central Bank & Trust Co., Lexington, Kentucky, as Registrar and Paying Agent (the "Registrar and Paying Agent"). See "BOOK-ENTRY SYSTEM" herein.

Interest. The Series 2003 Bonds shall be dated February 1, 2003 and bear interest at the rates set forth on the cover hereof, payable semi-annually on June 1 and December 1, beginning June 1, 2003.

Notices. In the event any Series 2003 Bonds are called for redemption, notice shall be given by mailing a copy of the redemption notice by registered mail not less than thirty days prior to the date fixed for redemption to the registered owner of each Series 2003 Bond to be redeemed.

Tax Exemption

In the opinion of Bond Counsel, based upon present laws, regulations, rulings and decisions in effect on the date of delivery of the Series 2003 Bonds, and assuming continuing compliance with certain covenants made by the City, interest on the Series 2003 Bonds is excludible from gross income for federal income tax purposes upon the conditions and subject to the limitations set forth herein under "Tax Exemption." Furthermore, interest on the Series 2003 Bonds is not a specific item of tax preference under § 57 of the Internal Revenue Code of 1986, as amended (the "Code") for purposes of Federal individual or corporate alternative minimum taxes. Receipt of interest on the Series 2003 Bonds may result in other federal income tax consequences to certain holders of the Series 2003 Bonds. Interest on the Series 2003 Bonds is also exempt from certain taxes in Kentucky (see "Tax Exemption" herein).

The City has designated the Series 2003 Bonds as "qualified tax-exempt obligations" with respect to certain financial institutions under Section 265 of the Internal Revenue Code of 1986, as amended (the "Code"). See Appendix D hereto for the form of opinion Bond Counsel proposes to deliver in connection with the Series 2003 Bonds.

Parties to the Issuance of the Series 2003 Bonds

The Registrar and Paying Agent for the Series 2003 Bonds is Central Bank & Trust Co. Lexington, Kentucky. Legal matters incidence to the issuance of the Series 2003 Bonds and with regard to the tax-exempt status of the interest thereon are subject to the approving legal opinion of Peck, Shaffer & Williams LLP, Covington, Kentucky, Bond Counsel. The financial advisor to the City with regard to the issuance of the Series 2003 Bonds is First Kentucky Securities Corporation, Frankfort, Kentucky.

Authority for Issuance

Authority for the issuance of the Series 2003 Bonds is provided by Chapter 58 of the Kentucky Revised Statutes and Sections 96.350 to 96.510, inclusive of the Kentucky Revised Statutes (collectively, the "Act"), the General Bond Ordinance and the Series 2003 Bond Ordinance adopted by the City Council of the City on February 3, 2003.

Offering and Delivery of the Series 2003 Bonds

The Series 2003 Bonds are offered when, as and if issued by the City. The Bonds will be delivered on or about March 4, 2003 in New York, New York through the Depository Trust Company (DTC).

Disclosure Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and continuing disclosure documents of the City are intended to be made available through one or more repositories. Copies of the basic documentation relating to the Series 2003 Bonds, including the authorizing ordinance and the bond form, are available from the City.

The City has deemed this Official Statement to be final for the purposes of Securities and Exchange Commission Rule 15c2-12(b)(3).

Additional Information

Additional information concerning this Official Statement, as well as copies of the basic documentation relating to the Series 2003 Bonds, is available from First Kentucky Securities Corporation, 305 Ann Street, Frankfort, Kentucky 40601, Attn: Stan Kramer.

Brief descriptions of the Series 2003 Bonds, security for the Series 2003 Bonds, the City, the System and the Ordinance are included in this Official Statement. Certain information with respect to the City is included in Appendices. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the General Bond Ordinance. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, copies of which are available at the office of the City.

THE SERIES 2003 BONDS

General

The Series 2003 Bonds are to be issued only as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof. The Series 2003 Bonds will be dated February 1, 2003, will bear interest from that date as described herein, payable semi-annually on June 1 and December 1 of each year commencing June 1, 2003 (each an "Interest Payment Date"), and will mature on June 1 in the years and in the principal amounts set forth on the cover page of this Official Statement.

The Series 2003 Bonds shall be payable at the principal office of the Paying Agent and Registrar with respect to principal or premium, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public or private debts. All interest payments shall be payable by check or draft mailed to the record date registered Bondholders. The record dates for June 1 and December 1 interest payment dates shall be the preceding May 15 and November 15, respectively.

Each registered Series 2003 Bond shall be transferable only upon the books of the Registrar, at the request of the registered owner thereof or by his authorized Attorney upon surrender thereof together with an assignment satisfactory to the appropriate Registrar duly executed by the registered owner or his duly authorized Attorney. Upon the transfer of any such Series 2003 Bond, the City shall issue in the name of the transferee a new registered Series 2003 Bond or Bonds of the same aggregate principal

amount and maturity as the surrendered Series 2003 Bond. If any Series 2003 Bond is mutilated, lost, stolen or destroyed, the City will execute and deliver a new Series 2003 Bond in accordance with the General Bond Ordinance.

Redemption

Optional Redemption. The Series 2003 Bonds are not subject to optional redemption prior to their stated maturities.

Mandatory Sinking Fund Redemption. The Series 2003 Bonds maturing on June 1, _____ are subject to mandatory sinking fund redemption on June 1 of the years in the principal amounts as follows:

<u>Year</u>	<u>Principal Amount Subject to Redemption</u>
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*Maturity

Selection of Bonds to be Redeemed. In the event of redemption of less than all the outstanding Series 2003 Bonds of the same maturity, the City shall assign to each such outstanding Series 2003 Bond a distinctive number for each \$5,000 of the principal amount of such Series 2003 Bond and shall select by lot, using such method of selection as it shall deem proper in its discretion, as many numbers as, at \$5,000 for each number shall equal the principal amount of such Series 2003 Bonds to be redeemed. The Series 2003 Bonds to be redeemed shall be the Series 2003 Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such Series 2003 Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected.

Notice of Redemption. The City shall give notice in the name of the City of the redemption of Series 2003 Bonds determined by the City to be redeemed, which notice shall specify the maturities of the Series 2003 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2003 Bonds of the same maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2003 Bonds so to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal thereof of Series 2003 Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such Redemption Date interest thereon shall cease to accrue and be payable. The City shall mail a copy of such notice, postage prepaid, registered mail, not less than thirty (30) days before the Redemption Date to the registered owners of any Series 2003 Bonds or portions of Series 2003 Bonds which are to be redeemed, at their last addresses, appearing upon the registry books.

BOOK ENTRY SYSTEM

The Series 2003 Bonds initially will be issued solely in book-entry form to be held in the book-entry only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Series 2003 Bonds and, except as otherwise provided herein with respect to tenders by Beneficial Owners of Beneficial Ownership Interests, Beneficial owners will not be or be considered to be, and will not have any rights as, owners or holders of the Series 2003 Bonds under the Ordinance.

The following information about the book-entry only system applicable to the Series 2003 Bonds has been supplied by DTC. Neither the City nor the Paying Agent and Registrar make any representations, warranties or guarantees with respect to its accuracy or completeness.

DTC will act as securities depository for the Series 2003 Bonds. The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for in the aggregate principal amount of the Series 2003 Bonds and will be deposited with DTC.

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

Purchases of Series 2003 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2003 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2003 Bonds, except in the event that use of the book-entry system for the Series 2003 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2003 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2003 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2003 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2003

Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2003 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2003 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2003 Bonds may wish to ascertain that the nominee holding the Series 2003 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2003 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2003 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 Series 2003 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Series 2003 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent and Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Series 2003 Bonds held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC or its nominee, the Paying Agent and Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent and Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2003 Bonds at any time by giving reasonable notice the City or the Paying Agent and Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable but the City takes no responsibility for the accuracy thereof.

NEITHER THE CITY NOR THE PAYING AGENT AND REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE PAYING AGENT AND REGISTRAR AS BEING A HOLDER WITH RESPECT TO: (1) THE SERIES 2003 BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED SERIES 2003 BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2003 BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE ORDINANCE TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2003 BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

Each Beneficial Owner for whom a Direct Participant or Indirect Participant acquires an interest in the Series 2003 Bonds, as nominee, may desire to make arrangements with such Direct Participant or Indirect Participant to receive a credit balance in the records of such Direct Participant or Indirect Participant, to have all notices of redemption, elections to tender Series 2003 Bonds or other communications to or by DTC which may affect such Beneficial Owner forwarded in writing by such Direct Participant or Indirect Participant, and to have notification made of all debt service payments.

Beneficial Owners may be charged a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation to any transfer or exchange of their interests in the Series 2003 Bonds.

The City cannot and does not give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of debt service on the Series 2003 Bonds made to DTC or its nominee as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement.

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

SECURITY FOR THE BONDS

The Series 2003 Bonds, together with parity bonds which may be issued from time to time, pursuant to the General Bond Ordinance (collectively, the "Bonds"), are secured by and payable solely from the Pledged Receipts derived from the collection of rates, rentals and charges for the services rendered by the City's System.

Pledge of Revenues and Funds

Pledged Receipts include all water, electric and cable television service rates, rentals and charges of any and all types and varieties imposed, enforced and collected by the City for any water, electric or cable television services rendered by the System of the City, together with any income or operating subsidies (as distinguished from capital grants) received from any unit of government, either federal or state, by the City. Pledged Receipts also include all interest earned and gains realized on investment obligations acquired by any fund or account of the City unless the General Bond Ordinance specifically requires such interest earned or gains realized to remain in a particular fund or account, provided that any interest or gains on the funds held in escrow by a trustee for the payment of previously outstanding bonds are not included.

Debt Service Reserve

For the further security of the owners of the Series 2003 Bonds, a Debt Service Reserve is created by the General Bond Ordinance. The Debt Service Reserve is required to be funded in an amount equal to the Aggregate Debt Service Reserve Requirement, which means the lesser of: (i) the maximum Annual Debt Service Requirement in any bond fiscal year (June 1 - May 31) of the City, (ii) 10% of the proceeds of any series of Bonds, or (iii) 125% of the average Annual Debt Service Requirement. The Annual Debt Service Requirement is the maximum amount of principal and interest coming due on all bonds outstanding in any bond fiscal year with regard to all outstanding bonds of the City issued under the General Bond Ordinance. In lieu of deposit of funds in the Debt Service Reserve the City may, subject to certain limitations, obtain a letter of credit, surety bond or similar arrangement, in an amount at least equal to the Aggregate Debt Service Reserve Requirement.

Statutory Mortgage

The Series 2003 Bonds are further secured by a statutory mortgage lien upon all properties of the City and extensions thereof, including the System and all extensions and appurtenances thereto. The statutory mortgage lien is granted by Section 96.400 of the Kentucky Revised Statutes, is not a foreclosable lien and is created by law for the purpose of providing security to the Series 2003 Bondholders.

Rate Covenant

In the General Bond Ordinance, the City has covenanted to establish water, electric and cable television service rates which are adequate to accumulate and maintain all reserves as provided in the General Bond Ordinance, and after fulfillment of all contractual obligations required of the City, to pay operating and maintenance costs of the facilities of the City, accumulate and maintain all reserves and provide 1.20 times coverage of annual principal, interest and sinking fund requirements on all outstanding bonds and 1.10 times coverage of annual principal, interest and sinking fund requirements on all outstanding bonds and subordinated debt. Subject to required regulatory approvals, rates, rentals and charges must be adjusted from time to time to comply with the General Bond Ordinance. Further, the City has covenanted that it will not at any time make any reduction in the prevailing schedule of rates, rentals and charges without first obtaining the written determination of a consulting engineer of national recognition in the field of water engineering to the effect that any such proposed reduction will not materially affect the ability of the City to meet all the requirements of the General Bond Ordinance.

For the further security of the holders of the Series 2003 Bonds, the City, in the General Bond Ordinance, has covenanted and agreed that it will, to the maximum extent authorized by law, enforce and collect the schedule of water, electric and cable television rates, rentals and charges imposed upon users

of the System and will promptly cause service to be terminated and discontinued to any premises where a City bill for such services is not paid in full.

Parity Bonds

The City has the right to issue additional bonds on a basis of parity with the Series 2003 Bonds, to reconstruct, repair and improve the facilities of the City, to make additions, betterments or improvements thereto, to acquire existing water, electric or cable television systems, or to refund outstanding bonds. No such additional parity bonds shall be issued unless, among other things, the facilities to be acquired or improved with the proceeds of such proposed additional bonds shall be made an integral part of the System and revenues therefrom are pledged as additional security for all outstanding Bonds and the proposed additional bonds, and the net annual income and revenues will be sufficient to meet certain requirements set forth in the Ordinance, see "*SUMMARY OF THE GENERAL BOND ORDINANCE - Issuance of Parity Bonds*" and "*SUMMARY OF THE GENERAL BOND ORDINANCE - Issuance of Refunding Bonds*" herein.

GENERAL INFORMATION CONCERNING THE CITY AND THE SYSTEM

The City operates a combined and consolidated water, electric and cable television system on a retail basis in Williamstown, Grant County, Kentucky. The City operates the System under Chapters 58 and 96 of the Kentucky Revised Statutes, as amended (collectively, the "Act").

Existing System

The existing water system, electric system and cable television system are consolidated for accounting purposes and constitute one system. The water system has approximately 1,600 customers, the electric system has approximately 1,500 customers, and the cable television system serves approximately 1,100 customers.

Outstanding Indebtedness

After the retirement of the Prior Lease and related Prior COPS, the City will have no debt outstanding which is secured by the revenues of the System other than the Series 2003 Bonds.

Management of the System

Day to day management of the System is under the supervision of Gordon Taylor, water system; Michael Shoemaker, electric system; and Chuck Hudson, cable television system. The consolidated System employs 17 full-time individuals and 2 part-time individuals. Rates and charges are imposed by the City acting through its City Council.

For additional information regarding the City and the System see Appendix B.

PLAN OF REFUNDING

The proceeds of the Series 2003 Bonds will be used to redeem and retire the outstanding principal amount of the Prior Lease and related Prior COPS on June 1, 2003 at a redemption price of 102% of the outstanding principal amount thereof, plus accrued interest to the date of redemption, pay the costs of issuing the Series 2003 Bonds and fund, to the extent necessary, the Debt Service Reserve. The Prior Lease was entered into to pay the costs of various improvements to the water facilities portion of the System. The improvements included a new water treatment plant, a new high level clear well, new

service pumps, a chemical storage building, additional sludge holding lagoons and water transmission lines. Upon issuance of the Series 2003 Bonds, amounts on deposit in the various funds and accounts established for the Prior Lease, will be transferred to the corresponding accounts established under the General Bond Ordinance. A debt service reserve fund was established for the Prior Lease and the amounts therein will be transferred to the Debt Service Reserve established under the General Bond Ordinance upon the issuance of the Series 2003 Bonds. It is anticipated that such transferred amount will be sufficient to fund the Debt Service Reserve at the required level.

SOURCES AND USES OF FUNDS

Sources

Principal Amount of Series 2003 Bonds	\$ _____
Prior Debt Service Reserve	_____
Accrued Interest	_____
TOTAL	\$ _____

Uses

Deposit to Redemption Fund	\$ _____
Deposit to Debt Service Reserve Fund	_____
Costs of Issuance	_____
Accrued Interest	_____
Underwriter's Discount	_____
Original Issue Discount	_____
TOTAL	\$ _____

SUMMARY OF THE GENERAL BOND ORDINANCE

The General Bond Ordinance (i) authorizes and provides for the issuance of Utility System Revenue Bonds in series from time to time pursuant to ordinances adopted by the City Council of the City, (ii) prescribes and imposes certain duties and obligations of the City, (iii) makes covenants with bondholders, and (iv) provides generally for the collection and treatment of water revenues of the City. Such bonds may be issued to acquire, construct and improve the System, which consists of the City's existing water, electric and cable television system and any and all additions and extensions thereto.

The General Bond Ordinance contains various covenants and security provisions, certain of which are summarized below. Reference is made to the General Bond Ordinance for a full and complete statement of its provisions.

General Application of Bond Proceeds Fund

Under the General Bond Ordinance, the City is required to establish within the Bond Proceeds Fund established by the General Bond Ordinance a Cost of Issuance Account and a Construction and Acquisition Account for each series of bonds outstanding. In addition, if Bond Proceeds are to be used in whole or in part for the payment or provision therefore of outstanding debt obligations, a Refunding Account may be established. From the proceeds of the sale of a series of bonds, there will be deposited in the Cost of Issuance Account the costs of issuing the series of bonds. Moneys received by the City from any other source, unless otherwise provided by the General Bond Ordinance, may also be deposited in the Cost of Issuance Account. So much of the remainder of the Bond Proceeds as is required by the applicable series ordinance (except for accrued and capitalized interest, if any, which shall be deposited in the Interest Account, amounts to be deposited in the Debt Service Reserve, and any premium over the

principal amount of the series, which is applied as provided in such series ordinance) shall be deposited in the Construction and Acquisition Account. The Cost of Issuance Account and the Construction and Acquisition Account constitute all the Accounts within the Bond Proceeds Fund.

Moneys in the Cost of Issuance Account and the Construction and Acquisition Account shall be applied by the appropriate depository, upon issuance of a check or other bill of exchange signed by the Mayor, City Clerk or any other official of the City duly authorized by resolution of the City to act in such capacity (an "Authorized Officer") only for the making of disbursements and payments required to be made by the City for paying issuance costs and pursuant to construction and acquisition contracts relating to the System. Pending their disbursements, the depository, upon direction of the City, shall invest moneys in the Construction and Acquisition Account in Investment Obligations (see "Investment of Funds" below) having maturities consistent with the anticipated needs for such moneys.

Other Funds and Accounts

In addition to the Bond Proceeds Fund and accounts therein described above, the General Bond Ordinance establishes the following special funds and accounts:

- (1) Utility Revenue Fund
- (2) Debt Service Fund
 - (a) Interest Account
 - (b) Principal Account
- (3) Debt Service Reserve
- (4) Operation and Maintenance Fund
- (5) Depreciation Fund
- (6) Surplus Fund

All funds shall be held and maintained by depositories which are designated in the General Bond Ordinance as follows:

<u>Fund</u>	<u>Depository</u>
Bond Proceeds Fund	Central Bank & Trust Co., Lexington, Kentucky
Utility Revenue Fund	Grant County Deposit Bank, Williamstown, Kentucky
Debt Service Fund	Central Bank & Trust Co., Lexington, Kentucky
Debt Service Reserve	Grant County Deposit Bank, Williamstown, Kentucky
Operation and Maintenance Fund	Grant County Deposit Bank, Williamstown, Kentucky
Depreciation Fund	Grant County Deposit Bank, Williamstown, Kentucky
Surplus Fund	Grant County Deposit Bank, Williamstown, Kentucky

Utility Revenue Fund

All moneys received by the City as Pledged Receipts, together with income from the Debt Service Reserve as provided in the Ordinance, are required to be deposited promptly in the Utility Revenue Fund. Pledged Receipts are defined as the totality of (i) all water service rates, rentals and charges imposed by the City, (ii) all interest earned and gains realized on Investment Obligations, unless the General Bond Ordinance specifically requires such interest earned or gains realized to remain in a particular fund or account, provided that any interest or gains on funds held in escrow by a trustee for the

payment of previously outstanding bonds shall not be included, and (iii) other income received by the City, if any, from any agency of government, both Federal and State, as representing income or operating subsidies, if any, as distinguished from capital grants, to the extent not otherwise required to be treated and applied.

The designated depository is required to make monthly transfers from the moneys in the Utility Revenue Fund to the following funds and accounts and in the following amounts and order of priority:

Debt Service Fund-Interest Account. An amount, which when added to the amount then on deposit in the Interest Account, will equal the interest on all outstanding Bonds accrued and unpaid in respect of the next interest payment date. In the event Subordinated Debt (as hereinafter defined) is issued, a corresponding subaccount for such Subordinated Debt is required to be established.

Debt Service Fund-Principal Account. An amount equal to the amount of the next principal installment, divided by the number of months preceding the next principal installment date. In the event Subordinated Debt is issued, a corresponding subaccount for such Subordinated Debt is required to be established

Debt Service Reserve. An amount which, when added to sums then on deposit in the Debt Service Reserve, will equal the Aggregate Debt Service Reserve Requirement; or if such amount is insufficient, all amounts remaining in the Utility Revenue Fund.

Operation and Maintenance Fund. The amount required prior to the tenth day of the next month to pay operating and maintenance costs of the City in accordance with its annual budget, together with such proportionate amounts as will, during the twenty-four months following the issuance of any series of bonds or Subordinated Debt, together with sums on deposit in said fund, equal operation and maintenance requirements for one month. Operation and maintenance costs include salaries, operating expenses and all other expenses of administering the System, fees and expenses of the paying agents and costs of issuance other than those paid from Bond proceeds.

Depreciation Fund. If at any time the amount in the Depreciation Fund is less than the Depreciation Reserve Requirement, there shall be deposited into the Depreciation Fund, on no less than a monthly basis, an amount equal to 1/36th of such deficiency so that the balance in the Depreciation Fund will equal the Depreciation Reserve Requirement in the month that is thirty six months from the month such deficiency first existed. Thereafter such monthly payments may cease for so long as the required balance in the Depreciation Fund is maintained and such monthly payments shall resume again if at any time said balance is less than the Depreciation Reserve Requirement and shall continue until said balance is established. The Depreciation Reserve Requirement is an amount determined by a firm of consulting engineers to balance depreciation and for unforeseen major repairs or replacements.

Surplus Fund. On a periodic basis, but no less frequently than annually, the revenues remaining in the Utility Revenue Fund at the end of the month, or, in the case of annual transfers, the preceding calendar year, after making the payments described above, including any balances to be accrued and maintained, may be transferred to the Surplus Fund.

Debt Service Fund

Interest Account. The City will cause the Paying Agent to disburse moneys from the Interest Account for the purpose of paying interest on the Bonds and Subordinated Debt when due and payable as well as interest on Bonds and Subordinated Debt to be redeemed to the extent not otherwise provided for.

Principal Account. The City will cause the Paying Agent to disburse moneys from the Principal Account for the purpose of paying the principal of the Bonds and Subordinated Debt when due and payable. In addition, the City may, at its option, apply amounts accumulated in the Principal Account for each sinking fund installment (plus amounts accumulated in the Interest Account for interest on Bonds and Subordinated Debt for which the sinking fund installment was established), before the forty-fifth day preceding the due date of such sinking fund installment, to (i) the purchase of Bonds or Subordinated Debt of the Series and maturity for which the sinking fund was established at prices (including brokerage and other charges) not exceeding the redemption price payable from sinking fund installments for such Bonds or Subordinated Debt when such Bonds or Subordinated Debt are redeemable by application of such sinking fund installment plus unpaid interest accrued to the date of purchase, or (ii) to the redemption of such Bonds or Subordinated Debt, if then redeemable by their terms at the redemption price referred to in clause (i). The City is required to pay from the Principal Account the amount required to redeem such Bonds or Subordinated Debt as may be necessary (after taking into account Bonds or Subordinated Debt purchased as aforesaid) to complete the retirement of the principal amounts specified by any Series Ordinance for the sinking fund installments.

Debt Service Reserve

Amounts deposited, pursuant to the provisions of the General Bond Ordinance, in the Debt Service Reserve are to be used for the payment of principal of and interest on Bonds as to which there would otherwise be a default in payment. Interest earned or sums realized as a result of investment of moneys in the Debt Service Reserve shall accrue to and be a part of the Debt Service Reserve; however, so long as the Debt Service Reserve contains the Aggregate Debt Service Reserve Requirement, any such interest earned or sums realized shall be transferred, as received, to the Utility Revenue Fund.

Operation and Maintenance Fund

In addition to the amounts required to be transferred to the Operation and Maintenance Fund from the Utility Revenue Fund, there may be paid into said fund any moneys received by the City from any other source, unless otherwise provided by the Ordinance. The City may withdraw moneys from the Operation and Maintenance Fund from time to time for the purpose of paying reasonable and necessary operation and maintenance costs, and moneys so withdrawn and paid are free and clear of the pledge created by the General Bond Ordinance for the payment of the principal and redemption price of and interest on the Bonds and sinking fund installments. The City may also withdraw moneys from the Operation and Maintenance Fund for deposit to any other fund or account except the Depreciation Fund. At the City's discretion, amounts in the Operation and Maintenance Fund may be invested in Investment Obligations, as described below, from time to time to provide funds when needed to pay operation and maintenance costs.

Depreciation Fund

The Depreciation Fund is available and is to be utilized to balance depreciation to make unforeseen major repairs and replacements and to pay the cost of construction of additions, extensions, betterments and improvements of the System which will either increase income and revenues or provide a higher degree of service. In addition to any amounts required by any Series Ordinance and the General Bond Ordinance to be set aside and deposited therein there shall be transferred and deposited to the Depreciation Fund any other moneys (a) received by the City from any other source and duly ordered to be deposited therein (unless required to be otherwise applied), (b) for which the City has exercised a discretion to so deposit or transfer as permitted in the Ordinance, and (c) ordered to be so deposited from the proceeds of any series of Bonds. All amounts in the Depreciation Fund may be expended and applied by the depository upon written direction of the City only for (i) making up any deficiency in the Debt

Service Fund and the Debt Service Reserve, (ii) redemption of Bonds, (iii) payments of principal installments of or interest on Bonds when due, (iv) transfer to the Utility Revenue Fund, or (v) investment in Investment Obligations. To the extent that other moneys are not available for payment of Principal Installments or interest on Bonds or Subordinated Debt when due, all Investment Obligations credited to, and Investment Obligations in, the Depreciation Fund shall be sold and the proceeds deposited in the Debt Service Fund.

Surplus Fund

Moneys deposited in the Surplus Fund may be used as follows: (a) to the extent necessary from time to time monies in the Surplus Fund shall be transferred to the Debt Service Fund to permit payment of all obligations payable from the Debt Service Fund without drawing on the Debt Service Reserve; (b) monies in the Surplus Fund shall be used for payment of principal of and interest on any outstanding bonds and notes issued by the District to pay for costs of improving or extending the System or may be transferred to the appropriate Fund or Account created under the General Bond Ordinance or in any Series Ordinance adopted pursuant to the Ordinance to permit such payment; and (c) monies in the Surplus Fund otherwise may be used for any other lawful purpose of the City.

Investment of Funds

Moneys held in any of the aforementioned funds may be invested until required for the purposes intended in one or more of the following "Investment Obligations":

(a) obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian and may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in the Commonwealth of Kentucky;

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

- (i) United States Treasury;
- (ii) Export-Import Bank of the United States;
- (iii) Farmers Home Administration;
- (iv) Government National Mortgage Corporation; and
- (v) Merchant Marine bonds;

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

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

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

- (i) bonds, notes, or other obligations of or guaranteed by the United States, or those for which the credit of the United States is pledged for the payment of the principal and interest thereof, and any bonds, notes, debentures or any other obligations or securities issued or guaranteed by any federal governmental agency, presently or in the future established by an Act of Congress, as amended or supplemented from time to time;
- (ii) obligations of the Commonwealth of Kentucky including revenue bonds issued by its statutory authorities, commissions or agencies;
- (iii) revenue bonds issued by educational institutions of the Commonwealth of Kentucky as authorized by KRS 162.340 to 162.380;
- (iv) obligations of any city of the first, second, and third classes of the Commonwealth of Kentucky, or any county for the payment of principal and interest on which the full faith and credit of the issuing body is pledged;
- (v) school improvement bonds issued in accordance with the authority granted under KRS 162.080 to 162.100; or
- (vi) school building revenue bonds issued in accordance with the authority granted under KRS 162.120 to 162.300, provided that the issuance of such bonds is approved by the state board for elementary and secondary education; and

(e) shares of mutual funds, each of which shall have the following characteristics:

- (i) the mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
- (ii) the management company of the investment company shall have been in operation for at least five (5) years; and
- (iii) all of the securities in the mutual fund shall be investments described in (a) - (d) above.

Issuance of Notes, Additional Bonds and Subordinated Debt

The General Bond Ordinance provides that the City may issue notes in anticipation of an authorized issuance of a series of bonds in a principal amount not to exceed the principal amount of such series. Notes are payable from any moneys of the City available therefor which are not pledged under the General Bond Ordinance for the benefit of the Bonds and from the proceeds of the sale of any authorized series of Bonds in anticipation of which notes were issued. Such proceeds may be pledged for payment of the principal of the notes and such pledge will have priority over any pledge created by the General Bond Ordinance.

The General Bond Ordinance provides that the City may issue notes, bonds and other obligations having such terms and secured by a pledge of such funds as the resolution or ordinance authorizing the issue provides ("Subordinated Debt"), but any pledge to the holders of such notes, bonds or other obligations of a fund or account created under the Series Bond Ordinance is required to be subordinated in all respects to the pledge created under the General Bond Ordinance for the benefit of the holders of Bonds, except that proceeds of the sale of Bonds may be pledged for the payment of notes issued in anticipation thereof as aforesaid and additional series of bonds may be issued on a parity with the initially issued Series 2003 Bonds and secured equally by the revenues and assets pledged under the General Bond Ordinance and payable equally therefrom, as herein described.

Issuance of Parity Bonds

The General Bond Ordinance provides that from and after the issuance of any Bonds thereunder, the General Bond Ordinance shall constitute the sole and exclusive method for the issuance of any further Bonds by the City.

The City reserves the right to issue additional series of bonds payable from the Pledged Receipts of the System on a basis of parity and equality with all other parity bonds authorized to be issued by the General Bond Ordinance in order to (a) reconstruct, repair and improve the System, (b) make, acquire, construct and install additions, extensions, betterments or improvements thereto, (c) acquire existing utility facilities and systems from any person, if said waterworks and water distribution systems are revenue-producing, and (d) refund any outstanding bonds. No such parity bonds shall be issued unless: (i) the facility or facilities to be acquired, constructed, reconstructed or improved from parity bond proceeds are made an integral part of the System and revenues therefrom are pledged as additional security for all outstanding Bonds and additional parity bonds, (ii) the City is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the Pledged Receipts, (iii) the net annual income and revenues of the System for a period of twelve (12) consecutive months of the eighteen (18) months immediately prior to the issuance of said parity bonds are certified in writing by an independent firm of state-licensed certified public accountants to have been equal to at least 1.20 times the maximum annual debt service requirement coming due in any future twelve (12) month period on all outstanding Bonds, together with the parity bonds to be issued and (iv) the net annual income and revenues of the System for a period of twelve (12) consecutive months of the eighteen (18) months immediately prior to the issuance of said parity bonds, are certified in writing by an independent firm of state-licensed certified public accountants (subject to adjustments as hereinafter provided) to have been equal to at least one and ten hundredths (1.10) times the maximum Annual Debt Service Requirement coming due in any future Bond Fiscal Year on all Bonds and Subordinated Debt outstanding payable from Pledged Receipts, together with the parity bonds then to be issued.

The net annual income and revenues of the System may be adjusted by a firm of independent certified public accountants to reflect, for the historical period being tested, any revision in the schedule of water rates, rentals and charges being actually imposed and billed by the City at the time of issuance of parity bonds. The net annual income and revenues may also be adjusted in writing by a consulting engineer of national recognition to take into account and reflect, for the historical period being tested, the amount of additional net income and revenues to be realized by the City (a) by virtue of the acquisition by the City of existing and operating System facilities, and (b) by virtue of contractual relationships between the City and other municipal corporations or other entities where such income and revenues are historically determinable. A further adjustment to the net annual income and revenues may also be made by adding an estimate of a consulting engineer of the annual increase in operating revenues anticipated to be derived from the extensions, additions, replacements and betterments to be financed by such additional bonds, less the engineer's estimate of any additional expenses of operation and maintenance.

In the event parity bonds are issued in the future, the City is required to (i) adjust the monthly deposits into the Debt Service Fund in the manner prescribed by the General Bond Ordinance to reflect the annual debt service on the additional parity bonds, and (ii) adjust the prescribed amount to be accumulated in the Debt Service Reserve in accordance with the provisions of the General Bond Ordinance, as described above, and fund from such parity bonds said additional Debt Service Reserve Requirement.

Issuance of Refunding Bonds

Bonds of one or more series may be issued to refund outstanding Bonds subject to the following provisions and limitations. A series of refunding bonds may be delivered only upon receipt of:

(a) irrevocable instructions to the Paying Agent and Registrar in respect of the Bonds to be refunded to give due notice of redemption of all Bonds to be refunded on a specified redemption date, and,

(b) irrevocable instructions to the Paying Agent and Registrar in respect of the Bonds to be refunded to give due notice provided for in the Ordinance to the holders of Bonds being refunded;

(c) either

(i) moneys in an amount sufficient to effect payment at the applicable redemption price of the Bonds to be refunded, together with accrued interest thereon to the date of redemption, or

(ii) Investment Obligations, the principal of and interest on which, when due, will provide moneys which, together with any moneys deposited with the appropriate depository at the same time, will be sufficient to pay the principal or redemption price of and interest due or to become due on the Bonds to be refunded,

(d) all other documents required to be delivered to the Paying Agent in respect of the Bonds to be refunded as a condition precedent to delivery of bonds of any series under the General Bond Ordinance.

In addition, the Paying Agent is required to deliver to the City at the time of delivery of the series of refunding bonds a certificate stating that it holds in trust the moneys and/or Investment Obligations required to affect the aforesaid redemption on the date specified in such Series Ordinance.

Issuance of Subordinated Debt

The General Bond Ordinance provides that from and after the issuance of any Bonds thereunder, the General Bond Ordinance shall constitute the sole and exclusive method for the issuance of any Subordinated Debt by the City.

The City reserves the right to issue Subordinated Debt payable from the Pledged Receipts of the System and not ranking on a basis of parity and equality with all other parity bonds authorized to be issued by the General Bond Ordinance in order to (a) reconstruct, repair and improve the System, (b) make, acquire, construct and install additions, extensions, betterments or improvements thereto. No such Subordinated Debt shall be issued unless: (i) the facility or facilities to be acquired, constructed,

reconstructed or improved from Subordinated Debt proceeds are made an integral part of the System and revenues therefrom are pledged as additional security for all Outstanding Bonds and Subordinated Debt, (ii) the City is in compliance with all covenants and undertakings in connection with all of its Bonds then outstanding and payable from the Pledged Receipts and (iii) the net annual income and revenues of the System for a period of twelve (12) consecutive months of the eighteen (18) months immediately prior to the issuance of said Subordinated Debt are certified in writing by an independent firm of state-licensed certified public accountants to have been equal to at least 1.00 times the maximum annual debt service requirement coming due in any future twelve (12) month period on all Outstanding Bonds and Subordinated Debt, together with the Subordinated Debt to be issued.

The net annual income and revenues of the System may be adjusted by a firm of independent certified public accountants to reflect, for the historical period being tested, any revision in the schedule of water rates, rentals and charges being actually imposed and billed by the City at the time of issuance of Subordinated Debt. The net annual income and revenues may also be adjusted in writing by a consulting engineer of national recognition to take into account and reflect, for the historical period being tested, the amount of additional net income and revenues to be realized by the City (a) by virtue of the acquisition by the City of existing and operating System facilities, and (b) by virtue of contractual relationships between the City and other municipal corporations or other entities where such income and revenues are historically determinable. A further adjustment to the net annual income and revenues may also be made by adding an estimate of a consulting engineer of the annual increase in operating revenues anticipated to be derived from the extensions, additions, replacements and betterments to be financed by such Subordinated Debt, less the engineer's estimate of any additional expenses of operation and maintenance.

In the event Subordinated Debt is issued in the future, the City is required to adjust the monthly deposits into the Bond and Interest Sinking Fund, including the subaccounts therein to be established upon the issuance of Subordinated Debt (the "Subordinated Debt Accounts") in the manner prescribed by the General Bond Ordinance to reflect the annual debt service on the Subordinated Debt.

Modifications of Ordinance, Adoption of Series Ordinances and Requirement for Consent of Holders of Outstanding Bonds

The General Bond Ordinance provides procedures whereby the City may amend the General Bond Ordinance by adoption of a supplemental ordinance. Amendments that may be made without the consent of the Bondholders must be for purposes of further securing the Bonds, imposing further limitations on or surrendering rights of the City or curing ambiguities.

Series Ordinances may be adopted from time to time pursuant to compliance with the conditions of the General Bond Ordinance to provide for the issuance of one or more series of bonds and to prescribe the terms and conditions thereof.

Amendments of the respective rights and obligations of the City and the Bondholders may be made with the written consent of the holders of not less than 66-2/3% in principal amount of the outstanding Bonds affected by such amendment. No such amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding Bond or any installment of interest thereon or a reduction in the amount of redemption price thereof or the rate of interest thereon, without the consent of the affected holder, or reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect such amendment.

Certain Covenants of the City

Among other covenants made by the City in the Ordinance are those related to the following matters:

Tax Covenant. The City has covenanted that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusions from gross income of the interest on the Bonds under Section 103(a) of the Code. The City shall not permit at any time or times any of the proceeds of the Bonds or other funds of the City to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an "arbitrage bond" with the meaning of Sections 103(b)(2) and 148 of the Code to that end, the City will comply with all requirements of Sections 103(b)(2) and 148 of the Code to the extent applicable to the Bonds.

In order to assure compliance with such covenant, the City, from the date of adoption of the General Bond Ordinance, has covenanted that it shall not:

- (a) make any investment in connection with the System that produces a yield in excess of such applicable maximum yield as may be permitted by the Code, and
- (b) invest or direct any depository to invest moneys in any such fund or account in Investment Obligations that produce a yield in excess of such applicable maximum yield as may be permitted by the Code.

The City further covenants that prior to the issuance of any series of Bonds the City shall certify by issuance of a certificate that on the basis of the facts, estimates and circumstances in existence on the date of issue of such series it is not expected that the proceeds thereof will be used in a manner that would cause such obligations to be arbitrage bonds.

Accounts and Reports. The City shall keep complete and accurate books of record and account relating to the System, and all funds and accounts established by the General Bond Ordinance, which are subject at reasonable times to the inspection of the holders of an aggregate of not less than five percent (5%) in principal amount of the Bonds then outstanding or their representatives duly authorized in writing.

General Compliance. The City has covenanted to faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky, Chapter 58 and Sections 96.350 to 96.510, inclusive, of the Kentucky Revised Statutes, and by the terms and provisions of the General Bond Ordinance.

Project Not to be Disposed of or Sold. The City has covenanted and agreed that so long as any Bonds are outstanding, it will not sell, issue, mortgage or otherwise dispose of or surrender control of any of the facilities of the System, except as provided in the General Bond Ordinance.

Budgets. On or before the first day of each fiscal year, so long as any Bonds authorized or permitted to be issued by the General Bond Ordinance are outstanding, the City shall adopt an annual budget of current expenses for the System covering its fiscal operations for the ensuing calendar year and will promptly file a copy of each such budget, and any amendments thereto, in the office of the secretary of the City. Copies of same shall be furnished to any bondholder upon request. The City may file amendments of the annual budget for the remainder of the fiscal year. The City shall not incur current expenses in excess of the amounts provided therefor in the annual budget as originally prepared or as

amended, except upon resolution or ordinance duly adopted by the City Council determining that such expenses are necessary in order to operate and maintain the System.

No Decrease in Rates, Rentals and Charges. The City has covenanted that it will not at any time make any reduction in any prevailing schedule of rates, rentals and charges without first obtaining the written determination of a consulting engineer of national recognition that any such proposed reduction will not materially affect the ability of the City to meet all the requirements of the General Bond Ordinance.

Annual Audit. The City has covenanted that it will, within sixty (60) days after the end of each calendar year cause an audit to be made of the books of record and account pertinent to the System, and a report to be issued by an independent certified public accountant reflecting in reasonable detail the financial condition and results of operations of the System, including the status of the several funds created by the General Bond Ordinance, the status of required insurance and fidelity bonding as provided by the General Bond Ordinance, all in accordance with generally accepted governmental accounting principles. A copy of such audit must be submitted to the City Council of the City, and a copy of same shall be filed in the office of the City where it will be available for public inspection.

Insurance of Facilities and Fidelity Bonding of Personnel. The City has covenanted to keep all buildings, machinery and equipment constituting any part of the System insured as provided in the General Bond Ordinance, and to cause each officer or other person having custody of any moneys administered under the provisions of the General Bond Ordinance to be bonded at all times in an amount at least equal to \$25,000. The City has further covenanted to carry public liability, vehicular insurance and property damage insurance.

Waiver of Laws. The City has covenanted not to insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law nor or at any time hereafter in force which may affect the covenants and agreements contained in the General Bond Ordinance or in any series Ordinance or supplemental Ordinance or in the Bonds, and all benefit or advantage of such law or laws has been expressly waived by the City.

Defaults and Remedies

The General Bond Ordinance declares each of the following events to be an "Event of Default":

- (1) default by the City in the payment of any principal installment or redemption price, if any, on any Bond when due;
- (2) default by the City in the payment of any installment of interest on the Bonds when due;
- (3) failure or refusal by the City to comply with the Act pursuant to which the City was created, or default in the performance or observance of any other of the covenants, agreements or conditions contained in the General Bond Ordinance, any Series Bond Ordinance, any supplemental ordinance or the Bonds, and such failure, refusal or default shall continue for a period of forty-five (45) days after written notice thereof by the holder of not less than five percent (5%) in principal amount of the outstanding Bonds.

The General Bond Ordinance provides that upon the happening and continuance of any Event of Default, the holders of not less than twenty-five percent (25%) in principal amount of the outstanding Bonds may proceed, in their own name, subject to certain provisions in the General Bond Ordinance, to

protect and enforce the rights of the Bondholders by such of the following remedies as such Bondholders, being advised by counsel, shall deem most effectual.

(a) enforce by mandamus or other suit, action or proceedings at law or in equity all rights of the Bondholders, including the right to require the City to enforce, collect and receive water rates, rentals and charges adequate to carry out the covenants and agreements of the City as to production of income, and to require the City to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(b) bring suit upon the Bonds;

(c) require the City by action or suit to account as if it were the trustee of an express trust for the holders of the Bonds;

(d) enjoin by action or suit any act or things which may be unlawful or in violation of the rights of the holders of the Bonds;

(e) by action or suit in equity, seek the appointment of a receiver who shall take charge of and administer the affairs of the City;

(f) declare all Bonds due and payable, and if all default shall be made good (excepting acceleration provisions), then with the written consent of not less than twenty-five percent (25%) in principal amount of the holders of outstanding Bonds, to annul such declaration and its consequences; and

(g) in the event that all Bonds are declared due and payable, and a receiver is appointed, to sell all Investment Obligations and all other assets of the City (to the extent not theretofore set aside for redemption of Bonds for which call has been made), and to cause the receiver to take over the System and operate same in the name of the City for the use and benefit of the Bondholders.

No Individual Liability

All covenants, stipulations, promises, agreements and obligations of the City in the General Bond Ordinance shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the City and not of any member, officer, director or employee of the City in his individual capacity, and no recourse shall be had for the payment of the principal or redemption price of or interest on the Bonds or for any claims based thereon or on the General Bond Ordinance against any member, officer, director or employee of the City or any natural person executing the Bonds.

Defeasance

The General Bond Ordinance provides that the City may defease the Bonds by paying or causing to be paid to the holders of the Bonds all of the principal and interest and redemption price, if any, to become due thereon.

All outstanding Bonds shall be deemed paid prior to their maturity or redemption date thereof if (a) for Bonds to be redeemed prior to their maturity the City has given notice of redemption and (b) moneys or direct obligations of or obligations guaranteed by the United States of America sufficient to pay the principal or redemption price and interest on said Bonds on the redemption date or maturity thereof, have been deposited with the Paying Agents.

Upon such defeasance the General Bond Ordinance shall cease, determine and become null and void and the covenants, agreements, and other obligations of the City hereunder shall be satisfied and discharged, and the fiduciaries shall pay to the City all moneys held by them which are required for the payment or redemption of Bonds.

GENERAL LEGAL MATTERS

The issuance of the Series 2003 Bonds and certain legal matters incident to compliance by the City with Sections 103(b)(2) and 148 of the Code, and regulations thereunder relating to "arbitrage bonds" are subject to the approval of Peck, Shaffer & Williams LLP, Covington, Kentucky, Bond Counsel, whose approving opinion will be delivered with the Series 2003 Bonds. Certain legal matters will be passed upon for the City by its counsel, Jeffrey Shipp, Esq.

Bond Counsel has reviewed legal matters incident to those sections of the Official Statement entitled "The Series 2003 Bonds," "Security for the Bonds," "Summary of General Bond Ordinance," and "Tax Exemption," and is of the opinion that the statements contained in such identified sections are, as to law and legal conclusions, correct and that such sections fairly summarize the contents of documents therein described. Bond Counsel assumes no responsibility for the accuracy or completeness of other statements or financial information contained in this Official Statement.

LITIGATION INVOLVING CITY

There is no controversy or litigation of any nature now pending or threatened, restraining or enjoining the issuance, sale, execution or delivery of the Series 2003 Bonds, or in any way contesting or affecting the validity of such Series 2003 Bonds, or any proceedings of the City taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of such Series 2003 Bonds, or the due existence or powers of the City.

TAX EXEMPTION

In the opinion of Bond Counsel for the Series 2003 Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Series 2003 Bonds is excludible from gross income for Federal income tax purposes. Bond Counsel for the Series 2003 Bonds is also of the opinion that interest on the Series 2003 Bonds is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal individual or corporate alternative minimum taxes. Furthermore, Bond Counsel for the Series 2003 Bonds is of the opinion that interest on the Series 2003 Bonds is exempt from taxation, including personal income taxation, by the Commonwealth of Kentucky and its political subdivisions.

A copy of the opinion of Bond Counsel for the Series 2003 Bonds is set forth in Appendix D, attached hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Series 2003 Bonds. The Issuer has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Series 2003 Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Series 2003 Bonds being includable in income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Series 2003 Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person)

whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2003 Bonds may adversely affect the tax status of the interest on the Series 2003 Bonds.

Certain requirements and procedures contained or referred to in the Ordinance and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2003 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2003 Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Peck, Shaffer & Williams LLP.

Although Bond Counsel for the Series 2003 Bonds is of the opinion that interest on the Series 2003 Bonds will be excludible from gross income for Federal and Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2003 Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Series 2003 Bonds on the tax liabilities of the individual or entity.

For example, although Bond Counsel for the Series 2003 Bonds is of the opinion that interest on the Series 2003 Bonds will not be a specific item of tax preference for the alternative minimum tax, corporations are required to include all tax-exempt interest in determining "adjusted current earnings" under Section 56(c) of the Code, which may increase the amount of any alternative minimum tax owed. Receipt of tax-exempt interest, ownership or disposition of the Series 2003 Bonds may result in other collateral Federal, state or local tax consequence for certain taxpayers, including, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code and limiting the use of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any Series 2003 Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of Series 2003 Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky, may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Series 2003 Bonds.

The City has designated the Series 2003 Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

FINANCIAL ADVISOR

The Series 2003 Bonds will be sold by the solicitation and receipt of competitive bids. First Kentucky Securities Corporation, Frankfort, Kentucky, employed as Financial Advisor to the City in connection with the issuance of the Series 2003 Bonds, has requested and received permission and approval of the City to bid, either alone or in conjunction with others, on the Series 2003 Bonds. The Financial Advisor has expressed its intent to so bid. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2003 Bonds is contingent upon the issuance and delivery of the Series 2003 Bonds.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the City will agree, pursuant to a Continuing Disclosure Agreement dated as of February 1, 2003 (the "Disclosure Agreement"), to be delivered on the date of delivery of the Series 2003 Bonds, to cause the following information to be provided:

- (i) to each nationally recognized municipal securities information repository ("NRMSIR") and, if one is established for the Commonwealth, to its state information depository ("SID"), certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles as applied to governmental units, generally consistent with the information contained in Appendix B under the heading "The System" and in Appendix C; such information shall be provided on or before March 1 following the fiscal year ending on the preceding June 30, commencing with the fiscal year ended June 30, 2003;
- (ii) in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and to the SID, notice of the occurrence of certain events, if material, with respect to the Series 2003 Bonds, which events are as follows:
 - (a) Principal and interest payment delinquencies;
 - (b) Non-payment related defaults;
 - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) Substitution of credit or liquidity providers, or their failure to perform;
 - (f) Adverse tax opinions or events affecting the tax-exempt status of the security;
 - (g) Modifications to rights of security holders;
 - (h) Note calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event;
 - (i) Defeasances;
 - (j) Release, substitution or sale of property securing repayment of the securities;
 - (k) Rating changes; and
 - (l) The cure, in the manner provided under the Ordinance, of any payment or nonpayment related default under the Ordinance; and
- (iii) in a timely manner, to each NRMSIR or to the MSRB and to the SID, notice of a failure of the City to provide the required Annual Financial Information on or before the date specified in the Disclosure Agreement.

The Disclosure Agreement provides holder of the Series 2003 Bonds, including beneficial owners of the Series 2003 Bonds, with certain enforcement rights in the event of a failure by the City to comply with the terms thereof; however, a default under the Disclosure Agreement does not constitute an event of default under the Ordinance. The Disclosure Agreement may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Holders of the Series 2003 Bonds are advised that the Disclosure Agreement, the form of which is obtainable from the Financial Advisor, should be read in its entirety for more complete information regarding its contents.

The City has not previously been subject to the continuing disclosure undertaking requirements of the Rule.

CONCLUDING STATEMENT

The financial statements of the City have been examined to the extent set forth in the report of Rankin, Rankin & Company, Certified Public Accountants, Ft. Wright, Kentucky, independent certified public accountants, and are included in reliance upon the report of such firm and upon their authority as experts in auditing and accounting.

The foregoing summaries or descriptions of provisions in the Ordinance and all references to other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof and do not purport to be complete statements of such documents and provisions. Reference is hereby made to the complete documents, copies of which will be furnished by the City upon request, for further information.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Series 2003 Bonds.

This Official Statement has been approved by the City as of the date set forth on the cover hereof.

City of Williamstown, Kentucky

By: /s/ _____
Mayor

APPENDIX A
ESTIMATED AGGREGATE DEBT SERVICE SCHEDULE

**CITY OF WILLIAMSTOWN, KENTUCKY
UTILITY SYSTEM REVENUE REFUNDING BONDS
SERIES 2003**

ESTIMATED DEBT SERVICE SCHEDULE

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Period Total</u>	<u>Fiscal Total</u>
6/1/03	\$ 80,000	\$ 11,617.92	\$ 91,617.92	\$ 91,617.92
12/1/03		16,676.88	16,676.88	
6/1/04	85,000	16,676.88	101,676.88	118,353.75
12/1/04		15,826.88	15,826.88	
6/1/05	90,000	15,826.88	105,826.88	121,653.75
12/1/05		14,758.13	14,758.13	
6/1/06	95,000	14,758.13	109,758.13	124,516.25
12/1/06		13,451.88	13,451.88	
6/1/07	95,000	13,451.88	108,451.88	121,903.75
12/1/07		12,003.13	12,003.13	
6/1/08	95,000	12,003.13	107,003.13	119,006.25
12/1/08		10,400.00	10,400.00	
6/1/09	100,000	10,400.00	110,400.00	120,800.00
12/1/09		8,600.00	8,600.00	
6/1/10	105,000	8,600.00	113,600.00	122,200.00
12/1/10		6,605.00	6,605.00	
6/1/11	105,000	6,605.00	111,605.00	118,210.00
12/1/11		4,557.50	4,557.50	
6/1/12	110,000	4,557.50	114,557.50	119,115.00
12/1/12		2,357.50	2,357.50	
6/1/13	<u>115,000</u>	<u>2,357.50</u>	<u>117,357.50</u>	119,715.00
Totals	<u>\$1,075,000</u>	<u>\$222,091.72</u>	<u>\$1,297,091.72</u>	

APPENDIX B

ADDITIONAL INFORMATION REGARDING THE CITY AND THE SYSTEM

THE CITY

Centrally located midway between Lexington, Kentucky, and Cincinnati, Ohio, on Interstate Highway 75 (forty miles to each City), Williamstown is situated in the border of the Bluegrass and Northern regions of Kentucky. Williamstown is approximately fifteen miles south of Interstate 71, and thirty-four miles north of Interstate 64. Williamstown is nestled in an area of rolling hills that offers scenic views of the rural setting in which the City is located.

Government

Williamstown is a fifth class city and has a Mayor-Council form of government. The City is governed by a City Council comprised of the Mayor, elected to a four-year term, and six Council Members, each elected to a two-year term. The Council Members have equal voting powers and the Mayor votes only in the event of a tie vote. The City Council sets the policies that govern the City. The City Administrator is appointed by the Mayor with City Council approval and helps it to formulate objectives, policies and programs. The Mayor is responsible for the day-to-day operations of the City. The department managers are responsible for their respective departments and report to the City Administrator. The Mayor and City Council meet on the first Monday of every month at 7:00 PM, and meet in Caucus on the third Tuesday of every month, at 6:00 PM. The members of the City Council and their terms of office are as follows:

<u>Member</u>	<u>End of Term</u>
Mayor Glenn Caldwell	December 31, 2006
Council Member Kim Crupper	December 31, 2004
Council Member Bill Hutchison	December 31, 2004
Council Member Greg Kennedy	December 31, 2004
Council Member Dudley Peddicord	December 31, 2004
Council Member Robert Perry	December 31, 2004
Council Member Helen Threlkeld	December 31, 2004

Total Population

	1997	1998	1999	2000	2001
Labor Market Area	319,740	326,149	333,111	343,690	350,997
Grant County	19,828	20,347	20,805	22,384	23,237
Williamstown	3,515	3,523	3,764	3,227	N/A
Dry Ridge	1,893	1,972	1,998	1,995	N/A

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

Population Projections

	2005	2010	2015	2020
Labor Market Area	383,207	425,284	473,025	527,055
Grant County	27,063	32,341	38,599	45,939

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

Personal Income

	1995	2000	Pct. Change
Grant County	\$15,509	\$19,191	23.7%
Kentucky	\$19,056	\$24,085	26.4%
U.S.	\$23,255	\$29,649	27.5%
Labor Market Area Range	\$14,807 - \$22,032	\$17,399 - \$28,776	

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

State & Local Taxes

<p>A state sales tax is levied at the rate of 6% on the purchase or lease price of taxable goods and on utility services. Local sales taxes are not levied in Kentucky.</p> <p>The Kentucky Constitution requires the state to tax all classes of taxable property, and state statutes allow local jurisdictions to tax only a few classes. All locally taxes property is subject to county taxes and school district taxes (either a county school district or an independent school district). Property located inside city limits may also be subject to city property taxes. Property assessments in Kentucky are at 100% fair cash value. Accounts receivable are taxed at 85% of face value. Special local taxing jurisdictions (fire protection districts, watershed districts and sanitation districts) levy taxes within their operating areas (usually a small portion of the community or county).</p>

State Property Tax Rates Per \$100 Valuation, 2001

Selected Class of Property	State Rate	Local Taxation Permitted
Real Estate	\$0.1360	Yes
Manufacturing Machinery	\$0.1500	No
Pollution Control Equipment	\$0.1500	No
Inventories:		
Raw Materials	\$0.0500	No
Goods in Process	\$0.0500	No
Finished Goods	\$0.0500	Yes
Motor Vehicles	\$0.4500	Yes
Other Tangible Personal Property	\$0.4500	Yes
Intangibles (Accounts Receivable, Cash-on-hand)	\$0.2500	No

Source: Kentucky Revenue Cabinet.

Local Tax Rates Per \$100 Valuation

Taxing Jurisdiction	Property Taxes Per \$100 Valuation			Occupational License Tax (Local tax levied on employee salaries and wages earned in the jurisdiction. Local tax levied on net profits of businesses where indicated)
	Real Estate	Finished Goods & Tangibles	Motor Vehicles	
County				
Grant	\$0.2831	\$0.2678	\$0.2520	No tax
City				
Corinth	\$0.2290	\$0.2770	\$0.2250	No tax
Crittenden	\$0.2060	\$0.2060	\$0.2060	No tax
Dry Ridge	\$0.2100	\$0.2430	\$0.2900	0.50%; A fee schedule replaces the net business profits tax. Lowest annual tax is \$28, while the highest is
Williamstown	\$0.2450	\$0.4320	\$0.3530	No tax
School District				
Grant County	\$0.4510	\$0.4570	\$0.5530	No tax
Williamstown Independent	\$0.6800	\$0.6800	\$0.5910	No tax

Source: Kentucky Revenue Cabinet. Tax Years: County Property Tax(es) for 2001; City Property Tax(es) for 2001; City Occupational Tax(es) for 2002; School District Property Tax(es) for 2001

Employment by Major Industry by Place of Work, 2000

	Grant County		Labor Market Area	
	Employment	Percent	Employment	Percent
All Industries	5,595	100.0	167,549	100.0
Agriculture, Forestry & Fishing	35	0.6	1,259	0.8
Mining and Quarrying	N/A	N/A	N/A	N/A
Contract Construction	192	3.4	7,286	4.3
Manufacturing	939	16.8	34,465	20.6
Transportation and Public Utilities	199	3.6	18,851	11.3
Wholesale Trade	199	3.6	8,083	4.8
Retail Trade	1,922	34.4	33,490	20.0
Finance, Insurance and Real Estate	167	3.0	7,415	4.4
Services	980	17.5	40,877	24.4
State and Local Government	167	3.0	3,457	2.1
Other	6	0.1	N/A	N/A

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

Major Manufacturers

Firm	Product(s)	Emp.	Year Established
Corinth			
Corinth Manufacturing Co	Tool & die: progressive dies & die cutting	3	1986
Davco Services	Metal frames and vibration isolators for electrical power plants	10	N/A
Kokovoko	Book publishing, handspinning & weaving supplies	1	1989
Crittenden			
Miami Valley Paper Tube Co	Spiral wound paper tubes	11	1985
Orange Plastics	Plastic bags	75	1997
Dry Ridge			
Dana Corporation	Assemble light truck axles	424	1998
Grant County Concrete Co Inc	Ready-mixed concrete	14	1957
Gusher Pumps Inc	Industrial centrifugal pumps	150	1977
Kassco	Manifold business forms, catalogs, brochures, offset & lithographic printing, computer typesetting & commercial signs	2	1972
Penick Sawmill & Lumber Co	Sawmill: rough lumber, sawdust, mulch & firewood; animal bedding; custom sawing	4	1980
Powell Structural Systems	Roof trusses, floor trusses, wall panels	65	1986
Signature Designs	Embroidering & transferring service	2	1995
Walton Concrete South	Ready-mixed concrete	5	1992
Williamstown			
Automated Building Components	Wooden roof & floor trusses	28	1987
GC Woodworks Inc	Custom woodwork & kitchen cabinets	4	1992
Landmark Community Newspapers	Newspaper publishing	9	1906
Performance Pipe	Industrial gas & water line polyethylene conduits & pipes	70	1973
RKS Manufacturing Co Inc	Machine shop: automatic screw machine products, general machining, drilling, boring, lathe & mill work	11	1992
Sterling Optics Inc	Polarized optical filters	4	1993
Sun Manufacturing and Coating Co LLC	Prep & coat automotive parts for rubber bonding	115	1985

Source: Kentucky Cabinet for Economic Development (01/07/2003).

THE SYSTEM

General Description

The City of Williamstown currently operates a water system, electric system and cable television system, all of which are consolidated for accounting purposes and constitute one system.

The water system is presently comprised of a water treatment plant with a capacity of 2.25 mgd and water distribution lines. Raw water is supplied from Williamstown Lake by two pumps, each with a capacity of 1,500 gallons per minute. The water system currently provides water service to the City as well as to the Corinth Water District and the City of Dry Ridge, Kentucky. The water system presently has approximately 1,600 customers.

The electric system has approximately 1,500 customers. Electricity is purchased from Union Light Heat and Power Company and routed through two 12 KVA substations provided to the City by Union Light, Heat and Power Company. In addition, the City owns a number of distribution poles located in the City.

The cable television system serves approximately 1,100 customers. The City owns and operates approximately 12 miles of main transmission and contracts directly with satellite program providers with respect to the program selection. The City offers its customers varying levels of service.

Rates and Charges

Water System

Rates and charges are established by Ordinance of the City of Williamstown. Present rates and charges for water furnished to any person, firm, corporation, partnership or other business entity or property through a regular water meter are as follows:

	<u>Effective 11/1/98</u>
For each 1,000 gallons used per month:	\$2.50
Service and billing charge	.60
Minimum monthly charge	2.90
Contract charge per 1,000 gallons for City of Dry Ridge, Corinth Water District and Bullock Pen Water District	2.50
<u>Outside City Limits</u>	
First 2,000 gallons	\$18.45
Next 3,000 gallons, per 1,000 gallons	7.09
Next 5,000 gallons, per 1,000 gallons	6.16
Next 10,000 gallons, per 1,000 gallons	5.25
All water in excess of 10,000 gallons per month Per 1,000 gallons	4.07
<u>If Annexed:</u>	
First 2,000 gallons	18.45
Over 2,000 gallons	2.79

Electric System

The City of Williamstown has established the following schedule of charges or tariffs for electrical energy sold by it:

Residential Rate A-1

Customer charge	\$10.00/month
All kwh	@ \$0.0651/kwh

Residential Rate A-2 (two or more meters serving one residence)

Customer charge	\$10.00/month
Meter charge	\$ 2.50/month
All kwh	@ \$0.0651/kwh

General Service w/o Demand B

Customer Charge	\$30.00/month
All kwh	@ \$0.0702/kwh

General Service with Demand Meter C

Customer Charge	\$250.00/month
All kwh	@ \$0.0305/kwh
Demand	@ \$5.75/kwh

Cable System

The following is a schedule of charges for services of the Cable Television system.

One Time Charges

Installation fee for one television received requiring less than or up to 200 ft of service drop	\$30.00
Installation of new service requiring more than 200 ft of svc	Negotiated

Monthly Charges (single residential unit)

Basic service for one television receiver	\$21.95
Encore & Western Channel	\$1.00
HBO	\$9.95
Showtime	\$9.95
Cinemax	\$9.95

Largest Users of the Water System (based on January, 2003 usage)

<u>User</u>	<u>Monthly Usage (Gallons)</u>
Dry Ridge	8,452,200
Corinth Water District	5,738,200
Bullock Pen Water District	5,263,000
Grant County Detention	1,189,800
Wastewater Plant	1,030,700
Sun Manufacturing	536,600
Williamstown Board of Education	347,500
Chevron Phillips Company	317,200
Grant Manor	294,100
Norwood Apartments	279,900

Largest Users of the Electric System (based on January, 2003 usage)

<u>User</u>	<u>Usage (kw)</u>
Chevron Phillips Company	1,711,720
Sun Manufacturing	591,680
AT & T	129,000
Williamstown Board of Education	127,098
Grant County Flea Market	126,960
Wastewater Plant	121,240
Grant County Detention Center	100,000
St. Elizabeth Hospital	96,394
Gusher Pumps	52,200

APPENDIX C
FINANCIAL STATEMENTS OF THE CITY

Year Ended June 30, 2002

CITY OF WILLIAMSTOWN, KENTUCKY

FINANCIAL STATEMENTS

Year Ended June 30, 2002

CITY OF WILLIAMSTOWN, KENTUCKY

FINANCIAL STATEMENTS

Year Ended June 30, 2002

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1
GENERAL PURPOSE FINANCIAL STATEMENTS	
Combined Balance Sheet-All Fund Types and Account Groups.....	2
Statement of Revenues, Expenditures and Changes in Fund Balance-General Fund.....	4
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-General Fund.....	5
Combined Statement of Revenues, Expenses and Changes in Retained Earnings- All Proprietary Fund Types.....	6
Combined Statement of Cash Flows- All Proprietary Fund Types.....	7
Notes to Financial Statements.....	8
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SUPPORTING SCHEDULES	
General Fund:	
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual.....	18
Schedule of Revenues-Budget and Actual.....	19
Schedule of Expenditures-Budget and Actual.....	20

Proprietary Funds:

Combining Balance Sheet.....	23
Combining Statement of Revenues, Expenses and Changes in Retained Earnings.....	24
Combining Statement of Cash Flows.....	26
Schedule of Revenues and Expenses Utility Fund.....	27
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	29

INDEPENDENT AUDITOR'S REPORT

**To the Mayor and Council
City of Williamstown, Kentucky**

We have audited the accompanying general purpose financial statements of the City of Williamstown, Kentucky, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City of Williamstown, Kentucky's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Williamstown, Kentucky, as of June 30, 2002, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Williamstown, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

In accordance with *Government Auditing Standards* we have also issued a report dated August 23, 2002 on our consideration of the City of Williamstown, Kentucky's internal control over financial reporting and our 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.

RANKIN, RANKIN & COMPANY

**Ft. Wright, Kentucky
August 23, 2002**

CITY OF WILLIAMSTOWN, KENTUCKY
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2002

	Governmental Fund Type	Proprietary Fund Type	General Fixed Assets Account Group	General Long Term Debt	Total Memorandum Only	
					2002	2001
					ASSETS	
Cash	\$ 470,333	\$ 2,988,994	\$ -	\$ -	\$ 3,459,327	\$ #####
Receivables:						
Taxes	10,903	-	-	-	10,903	4,632
Accounts	65,436	527,018	-	-	592,454	682,224
Loans	9,430	-	-	-	9,430	27,930
Intergovernmental receivable	117,065	-	-	-	117,065	12,434
Accrued interest receivable	871	51,379	-	-	52,250	56,626
Bond issuance costs	-	23,688	-	-	23,688	25,841
Due from other funds	-	-	-	-	-	175,000
Restricted assets:						
Cash	-	248,134	-	-	248,134	246,494
Property and equipment:						
Land and improvements	-	-	415,151	-	415,151	415,151
Buildings and improvements	-	-	936,347	-	936,347	475,782
Machinery and equipment	-	-	1,055,352	-	1,055,352	979,399
Sewer system	-	7,105,923	-	-	7,105,923	#####
Water system	-	9,402,236	-	-	9,402,236	#####
Electric system	-	2,658,184	-	-	2,658,184	#####
Cable T.V. system	-	695,690	-	-	695,690	531,979
Less: accumulated depreciator	-	#####	-	-	#####	#####
Amount to be provided for retirement of general long-term debt	-	-	-	32,386	32,386	14,904
TOTAL ASSETS	\$ 674,038	\$ #####	\$ 2,406,850	\$ 32,386	\$ #####	\$ #####

CITY OF WILLIAMSTOWN, KENTUCKY
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2002

	Governmental Fund Type	Proprietary Fund Type	General Fixed Assets Account Group	General Long Term Debt	Total Memorandum Only	
					2002	
LIABILITIES AND FUND EQUITY						
LIABILITIES						
Accounts payable	\$ 159,744	\$ 146,388	\$ -	\$ -	\$ 306,132	\$
Other current liabilities	9,327	55,579	-	-	64,906	
Due to other funds	-	-	-	-	-	
Customer deposits	-	327,256	-	-	327,256	
Accrued interest payable	-	4,989	-	-	4,989	
Deferred revenues	20,334	-	-	-	20,334	
Compensated absences payable	-	-	-	14,912	14,912	
Note payable	-	-	-	17,474	17,474	
Bonds payable	-	1,187,000	-	-	1,187,000	
TOTAL LIABILITIES	189,405	1,721,212	-	32,386	1,943,003	
FUND EQUITY						
Investment in general fixed assets	-	-	2,406,850	-	2,406,850	
Retained earnings:						
Reserved for debt service	-	128,407	-	-	128,407	
Unreserved	-	11,717,954	-	-	11,717,954	
Fund balances:						
Reserved for municipal aid	18,049	-	-	-	18,049	
Reserved for LGEA	13,968	-	-	-	13,968	
Unreserved, undesignated	452,616	-	-	-	452,616	
TOTAL FUND EQUITY	484,633	11,846,361	2,406,850	-	14,737,844	
TOTAL LIABILITIES AND FUND EQUITY	\$ 674,038	\$ 13,567,573	\$ 2,406,850	\$ 32,386	\$ 16,680,847	\$

See accompanying notes.

al	
ndum	
ly	
	2001
	180,117
	76,465
	175,000
	303,436
	5,284
	32,563
	14,904
	-
	1,281,000
	2,068,769
	1,870,332
	128,407
	12,104,152
	52,575
	18,246
	127,297
	14,301,009
	16,369,778

CITY OF WILLIAMSTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-GENERAL FUND
Year Ended June 30, 2002

	General Fund 2002	General Fund 2001
REVENUES		
Taxes	\$ 377,134	\$ 319,078
Licenses and permits	232,377	228,498
Intergovernmental	236,522	107,969
Charges for services	136,955	133,096
Interest	8,634	4,605
Miscellaneous	59,710	52,998
TOTAL REVENUES	1,051,332	846,244
EXPENDITURES		
Current		
General government	254,427	254,160
Police	338,238	366,041
Fire	67,148	58,749
Streets and cemetery	428,594	439,774
Recreation	17,222	11,144
Main Street	18,291	-
Capital outlay	595,916	346,133
Debt service	9,326	-
TOTAL EXPENDITURES	1,729,162	1,476,001
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	(677,830)	(629,757)
OTHER FINANCING SOURCES		
Note proceeds	26,800	-
Transfer in	937,545	520,000
TOTAL OTHER FINANCING SOURCES	964,345	520,000
EXCESS/(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES	286,515	(109,757)
FUND BALANCES BEGINNING OF YEAR	198,118	307,875
FUND BALANCES END OF YEAR	\$ 484,633	\$ 198,118

CITY OF WILLIAMSTOWN, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-GENERAL FUND
BUDGET AND ACTUAL
Year Ended June 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 327,000	\$ 377,134	\$ 50,134
Licenses and permits	187,000	232,377	45,377
Intergovernmental	776,700	236,522	(540,178)
Charges for services	128,000	136,955	8,955
Interest	8,000	8,634	634
Miscellaneous	28,700	59,710	31,010
TOTAL REVENUES	1,455,400	1,051,332	(404,068)
EXPENDITURES			
Current			
General government	284,020	254,427	29,593
Police	396,200	338,238	57,962
Fire	63,900	67,148	(3,248)
Streets and cemetery	447,800	428,594	19,206
Recreation	18,250	17,222	1,028
Main Street	19,640	18,291	1,349
Capital outlay	1,406,900	595,916	810,984
Debt service	-	9,326	(9,326)
TOTAL EXPENDITURES	2,636,710	1,729,162	907,548
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	(1,181,310)	(677,830)	503,480
OTHER FINANCING SOURCES			
Note proceeds	-	26,800	26,800
Transfer in	1,134,759	937,545	(197,214)
TOTAL OTHER FINANCING SOURCES	1,134,759	964,345	(170,414)
EXCESS/(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES	(46,551)	286,515	333,066
FUND BALANCES AT BEGINNING OF YEAR(Restated)	198,118	198,118	-
FUND BALANCES AT END OF YEAR	\$ 151,567	\$ 484,633	\$ 333,066

CITY OF WILLIAMSTOWN, KENTUCKY
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS-
ALL PROPRIETARY FUND TYPES
Year Ended June 30, 2002

	Proprietary Fund Type Enterprise	Proprietary Fund Type Enterprise
	2002	2001
OPERATING REVENUES		
Charges for services	\$ 4,331,431	\$ 4,272,468
Miscellaneous	4,563	11,093
TOTAL OPERATING REVENUES	4,335,994	4,283,561
OPERATING EXPENSES		
Personnel services	1,015,233	951,400
Contractual services	2,000,399	1,950,150
Materials and supplies	150,079	131,209
Depreciation	683,334	645,676
Miscellaneous	11,718	13,778
TOTAL OPERATING EXPENSES	3,860,763	3,692,213
OPERATING INCOME	475,231	591,348
NON-OPERATING REVENUE (EXPENSE)		
Interest income	147,678	186,535
Interest expense	(71,562)	(75,750)
TOTAL NON-OPERATING REVENUE AND (EXPENSE)	76,116	110,785
CONTRIBUTED CAPITAL	-	131,562
NET INCOME BEFORE TRANSFERS	551,347	833,695
OPERATING TRANSFERS IN (OUT)	(937,545)	(520,000)
NET INCOME	(386,198)	313,695
RETAINED EARNINGS BEGINNING OF YEAR	12,232,559	11,918,864
RETAINED EARNINGS END OF YEAR	\$ 11,846,361	\$ 12,232,559

CITY OF WILLIAMSTOWN, KENTUCKY
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
Year Ended June 30, 2002

	Proprietary Fund Type Enterprise	Proprietary Fund Type Enterprise
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	\$ 475,231	\$ 591,348
Adjustments to reconcile operating income to net cash provided by operating activities-		
Increase in restricted assets	(1,640)	(8,990)
Depreciation	683,334	645,676
Transfers (to) from other funds	(937,545)	(520,000)
Change in assets and liabilities-		
(Increase) Decrease in:		
Accounts receivable	91,810	(65,339)
Accrued interest receivable	5,109	(12,207)
Due from other funds	175,000	-
Bond issuance	2,154	2,154
Increase (Decrease) in:		
Accounts payable	(14,316)	30,292
Other current liabilities	(10,384)	14,839
Due to other funds	(175,000)	-
Accrued interest payable	(295)	(268)
Customer deposits	23,819	25,099
NET CASH PROVIDED BY OPERATING ACTIVITIES	317,277	702,604
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES		
Bond principal payments	(94,000)	(88,000)
Grant funds	-	131,562
Purchase of capital assets	(600,334)	(1,050,583)
Interest payments	(71,562)	(75,750)
NET CASH USED FOR CAPITAL RELATED FINANCING ACTIVITIES	(765,896)	(1,082,771)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	147,678	184,381
NET CASH PROVIDED BY INVESTING ACTIVITIES	147,678	184,381
NET INCREASE (DECREASE) IN CASH	(300,941)	(195,786)
CASH AT BEGINNING OF YEAR, UNRESTRICTED	3,289,935	3,485,721
CASH AT END OF YEAR, UNRESTRICTED	\$ 2,988,994	\$ 3,289,935

NOTE A-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Williamstown, Kentucky, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Reporting Entity

The City of Williamstown operates under a Mayor and Council form of government. The government is governed by an elected mayor and six council members. As required by generally accepted accounting principles these financial statements present the primary government. The City has no component units or entities for which the government is considered to be financially accountable.

Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into two categories, governmental and proprietary. Each category, in turn, is divided into separate "fund types".

Governmental funds are used to account for all of the City's general activities. The general fund is used to account for all activities of the City not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to outside parties (enterprise funds).

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 a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

CITY OF WILLIAMSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

All proprietary 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 funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are taxes, interest and charges for services. Fines and licenses and permits are not susceptible to accrual because generally, they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental and proprietary funds. All annual appropriations continue in effect until a new budget is adopted.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation, is utilized by the City.

Cash and Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date within three months of the date acquired by the City.

CITY OF WILLIAMSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

The City is authorized by state statute to invest in:

1. Obligations of the United States and of its agencies and instrumentalities.
2. Certificates of deposit.
3. Bankers acceptances.
4. Commercial paper.
5. Bonds of other state or local governments.
6. Mutual funds.

Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized as these assets are immovable and of value only to the City.

Assets in the general fixed assets account group are not depreciated. Depreciation of fixed assets in the proprietary funds is computed using the straight-line method.

Restricted Assets

Certain cash accounts have been classified as restricted assets to indicate that they have been earmarked for a specific use.

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the

CITY OF WILLIAMSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group.

Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Memorandum Only-Total Columns

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

CITY OF WILLIAMSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

NOTE B-STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In accordance with City code, prior to June 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
- 2) Public hearings are conducted to obtain taxpayer comment.
- 3) Prior to June 30, the budget is legally enacted through passage of an ordinance.
- 4) The Mayor is required by Kentucky Revised Statutes to present a quarterly report to the City Council explaining any variance from the approved budget.
- 5) Appropriations continue in effect until a new budget is adopted.
- 6) The City Council may authorize supplemental appropriations during the year.

Expenditures may not legally exceed budgeted appropriations at the function level. Any revisions to the budget that would alter total revenues and expenditures of any fund must be approved by the council.

During the year ended June 30, 2002, City Council adopted two budget amending ordinance.

NOTE C-DEPOSITS

All bank balances of deposits as of the balance sheet date are entirely insured or collateralized with securities held by the City's agent in the City's name.

NOTE D-RECEIVABLES

Property values are assessed as of January 1. Taxes are levied in August and are due and payable on or before December 31. The City bills and collects its own property taxes. An adjustment is made at June 30 to recognize property taxes levied during the year which are still receivable at year end. A deferred revenue account is established for delinquent taxes to the extent that their collectibility is improbable.

NOTE E-LOANS RECEIVABLE

CITY OF WILLIAMSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

Loans receivable at June 30, 2002 consist of the following:

General Fund

Rehab promissory loans receivable
 secured by individual mortgages \$ 9,430

NOTE F-FIXED ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year.

	Balance July 1, <u>2001</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2002</u>
Land and improvements	\$ 415,151	\$ -	\$ -	\$ 415,151
Building and improvements	475,782	460,565	-	936,347
Machinery and equipment	<u>979,399</u>	<u>95,953</u>	<u>20,000</u>	<u>1,055,352</u>
	<u>\$ 1,870,332</u>	<u>\$ 556,518</u>	<u>\$ 20,000</u>	<u>\$ 2,406,850</u>

The following is a summary of changes in the fixed assets in the proprietary funds:

	Balance July 1, <u>2001</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2002</u>
Water system	\$ 9,295,680	\$ 106,556	\$ -	\$ 9,402,236
Electric system	2,461,847	223,704	27,367	2,658,184
Cable T.V. system	531,979	163,711	-	695,690
Sewer system	<u>6,984,019</u>	<u>121,904</u>	<u>-</u>	<u>7,105,923</u>
Total assets	19,273,525	<u>\$ 615,875</u>	<u>\$ 27,367</u>	19,862,033
Less depreciation	<u>(9,462,166)</u>			<u>(10,133,673)</u>
Totals	<u>\$ 9,811,359</u>			<u>\$ 9,728,360</u>

Prior to 1980, the City of Williamstown did not maintain a record of general fixed assets and proprietary fund fixed assets. The City conducted an inventory of its property, plant and equipment to determine costs or estimated costs by reviewing contracts, engineering reports, minutes of City Council meetings and actual disbursement records to the extent practical in the circumstances.

CITY OF WILLIAMSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE G-GENERAL LONG TERM DEBT

General long-term debt consists of the following:

The City entered into a loan agreement with GMAC October 16, 2001 for three years for an amount of \$26,800. The loan is for a truck for the street department and has a rate of 0%.

The following is a schedule of future debt service requirements at June 30, 2002:

Year Ended June 30,	Amount
2003	\$ 9,240
2004	8,234
	<u>\$ 17,474</u>

The following changes occurred in the General Long-Term Debt Account Group during the year ended June 30, 2002:

	Balance July 1, 2001	Additions	Reductions	Balance June 30, 2002
Compensated absences	\$ 14,904	\$ 8	\$ -	\$ 14,912
Note payable	-	26,800	9,326	17,474
	<u>\$ 14,904</u>	<u>\$ 26,808</u>	<u>\$ 9,326</u>	<u>\$ 32,386</u>

NOTE H-BONDS PAYABLE

The City issued \$730,000 of "Sewer Revenue Bonds" dated May, 1968 bearing interest at the rate of (4) four percent to finance the construction of the sewer system. The Farmers Home Administration, U.S. Department of Agriculture, originally purchased all the bonds. General Electric Credit Corporation now holds all outstanding bonds. The bonds mature January 1 of each year as follows:

Year Ended June 30,	Bond Principal	Bond Interest	Total
2003	\$ 30,000	\$ 7,160	\$ 37,160
2004	31,000	5,940	36,940
2005	32,000	4,680	36,680
2006	34,000	3,360	37,360
2007	33,000	1,980	34,980
Thereafter	<u>32,000</u>	<u>640</u>	<u>32,640</u>
	<u>\$ 192,000</u>	<u>\$ 23,760</u>	<u>\$ 215,760</u>

CITY OF WILLIAMSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

The City issued \$1,345,000 of "Water Revenue Bonds" dated June, 1993 bearing interest at the rate between 3.05% and 5.80% to finance the construction of the water system. The First Kentucky Securities Corporation originally purchased all the bonds. The bonds mature May 1 of each year as follows:

Year Ended June 30,	Bond Principal	Bond Interest	Total
2003	\$ 65,000	\$ 59,865	\$ 124,865
2004	70,000	56,225	126,225
2005	75,000	52,235	127,235
2006	80,000	47,885	127,885
2007	85,000	43,005	128,005
2008-2012	500,000	131,148	631,148
Thereafter	120,000	7,320	127,320
	<u>\$ 995,000</u>	<u>\$ 397,683</u>	<u>\$ 1,392,683</u>

NOTE I-CONTINGENT LIABILITIES

The city is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Attorney the resolution of these matters will not result in a liability to the City.

NOTE J-EMPLOYEE RETIREMENT SYSTEMS

County Employees Retirement System (CERS)

City employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description - CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

Non-hazardous Contributions - For the year ended June 30, 2002, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2002, participating employers contributed 6.41% of

CITY OF WILLIAMSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2002 was 6.41% of creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Hazardous Contributions - For the year ended June 30, 2002, plan members were required to contribute 7% of their annual creditable compensation. The state was required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2002, participating employers contributed 16.28% each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2002 was 16.28% of creditable compensation. Administrative costs of KRS are financed through employer contributions and investment earnings.

The required contribution and the actual percentage contributed for the City the current and previous two years is as follows:

Year		Required Contribution	Percentage Contributed
2002	\$	92,187	100%
2001	\$	97,451	100%
2000	\$	93,746	100%

NOTE K-CLAIMS AND JUDGMENTS

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE L-RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The City has effectively managed risk through various employee education and prevention programs.

NOTE M-COMMITMENTS

At June 30, 2002, the City had the following commitments with respect to the city building:

City building	<u>\$1,000,000</u>
---------------	--------------------

NOTE N-GASB 34

CITY OF WILLIAMSTOWN, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

State and local government entities must change their financial reporting with the adoption of GASB Statement No. 34. The City must adopt this Statement no later than July 1, 2003. The new financial reporting model calls for financial statements integrated with government-wide reporting and enhanced fund reporting. It also requires a section for management's discussion and analysis (MD & A) and the reporting of the City's infrastructure and depreciation.

<u>Project</u>	<u>Commitment</u>
Bity building	<u><u>\$1,000,000</u></u>

CITY OF WILLIAMSTOWN, KENTUCKY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended June 30, 2002

	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	
REVENUES				
Taxes	\$ 327,000	\$ 377,134	\$ 50,134	\$ 319,078
Licenses and permits	187,000	232,377	45,377	228,498
Intergovernmental	776,700	236,522	(540,178)	107,969
Charges for services	128,000	136,955	8,955	133,096
Interest	8,000	8,634	634	4,605
Miscellaneous	28,700	59,710	31,010	52,998
TOTAL REVENUES	1,455,400	1,051,332	(404,068)	846,244
EXPENDITURES				
Current				
General government	284,020	254,427	29,593	254,160
Police	396,200	338,238	57,962	366,041
Fire	63,900	67,148	(3,248)	58,749
Streets and cemetery	447,800	428,594	19,206	439,774
Recreation	18,250	17,222	1,028	11,144
Main street	19,640	18,291	1,349	-
Capital outlay	1,406,900	595,916	810,984	346,133
Debt service	-	9,326	(9,326)	-
TOTAL EXPENDITURES	2,636,710	1,729,162	907,548	#####
EXCESS/(DEFICIENCY) OF REVENUES OVER/(UNDER) EXPENDITURES	(1,181,310)	(677,830)	503,480	#####
OTHER FINANCING SOURCES				
Note proceeds	-	26,800	26,800	-
Transfer in	1,134,759	937,545	(197,214)	520,000
TOTAL FINANCING SOURCES	1,134,759	964,345	(170,414)	520,000
EXCESS/(DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES	(46,551)	286,515	333,066	#####
FUND BALANCE BEGINNING OF YEAR	198,118	198,118	-	307,875
FUND BALANCE END OF YEAR	\$ 151,567	\$ 484,633	\$ 333,066	\$ 198,118

CITY OF WILLIAMSTOWN, KENTUCKY

GENERAL FUND

SCHEDULE OF REVENUES

BUDGET AND ACTUAL

Year Ended June 30, 2002

	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	
REVENUES				
TAXES				
Property taxes	\$ 327,000	\$ 377,134	\$ 50,134	\$ 319,078
TOTAL TAXES	327,000	377,134	50,134	319,078
LICENSES AND PERMITS				
Occupational licenses	15,500	14,442	(1,058)	20,632
Insurance premium license fees	140,000	167,434	27,434	161,370
Building permits	1,500	1,225	(275)	1,520
Motor vehicle licenses	30,000	49,276	19,276	44,976
TOTAL LICENSES AND PERMITS	187,000	232,377	45,377	228,498
INTERGOVERNMENTAL				
Base court revenue	8,400	8,396	(4)	8,396
Police incentive pay	20,000	18,148	(1,852)	21,734
CDBG grant	350,000	101,883	(248,117)	-
ISTEA	250,000	-	(250,000)	-
Grants	87,500	56,583	(30,917)	24,264
Municipal aid	60,000	49,989	(10,011)	51,986
LGEA	800	1,523	723	1,589
TOTAL INTERGOVERNMENTAL	776,700	236,522	(540,178)	107,969
CHARGES FOR SERVICES				
Refuse collection fees	108,000	109,646	1,646	109,501
Perpetual fund	-	4,541	4,541	2,202
Cemetery lots/graves	20,000	22,768	2,768	21,393
TOTAL CHARGES FOR SERVICES	128,000	136,955	8,955	133,096
INTEREST	8,000	8,634	634	4,605
MISCELLANEOUS				
Rental income	5,200	5,275	75	5,900
Sale of property	-	7,130	7,130	16,386
Donations	3,000	10,098	7,098	-
Beautification sign ads	2,000	1,800	(200)	1,650
Sidewalk repair	8,000	-	(8,000)	-
Miscellaneous	10,500	35,407	24,907	29,062
TOTAL MISCELLANEOUS	28,700	59,710	31,010	52,998
TOTAL REVENUES	\$ 1,455,400	\$ 1,051,332	\$ (404,068)	\$ 846,244

CITY OF WILLIAMSTOWN, KENTUCKY

GENERAL FUND

SCHEDULE OF EXPENDITURES

BUDGET AND ACTUAL

Year Ended June 30, 2002

	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	
EXPENDITURES				
GENERAL GOVERNMENT				
Salaries	\$ 106,000	\$ 105,120	\$ 880	\$ 107,003
Medical insurance	19,500	15,901	3,599	14,585
FICA	8,800	8,799	1	7,772
Employee retirement	6,000	7,043	(1,043)	4,895
Workers compensation	600	268	332	160
Unemployment insurance	200	-	200	75
Advertising and printing	7,800	5,081	2,719	6,266
Professional fees	34,500	29,350	5,150	39,415
Insurance	6,000	5,759	241	3,401
Economic development	19,120	19,115	5	19,115
Planning and zoning	19,000	18,678	322	13,423
Other contractual services	5,000	1,930	3,070	428
Education and training	4,000	2,905	1,095	3,463
Repairs and maintenance	1,000	67	933	329
Travel and lodging	5,000	4,379	621	4,368
Utilities	5,000	2,489	2,511	2,233
Communications and postage	7,000	6,775	225	5,571
Dues and subscriptions	3,500	3,025	475	2,672
Office supplies	4,000	2,336	1,664	3,738
City festivals	7,000	5,350	1,650	3,782
Contributions	8,000	4,508	3,492	7,707
Miscellaneous	7,000	5,549	1,451	3,759
TOTAL GENERAL GOVERNMENT	284,020	254,427	29,593	254,160
POLICE				
Salaries - police	234,000	206,860	27,140	219,297
Medical insurance	46,000	35,345	10,655	37,648
FICA	18,000	14,591	3,409	15,431
Employee retirement	38,000	33,946	4,054	36,378
Workers' compensation	7,000	6,616	384	7,015
Unemployment insurance	300	-	300	-
Insurance	9,900	9,867	33	8,231
Education and training	1,300	592	708	1,452
Communications and postage	10,000	9,477	523	4,969
Cruiser maintenance	20,500	13,994	6,506	30,044
Other contractual services	1,000	538	462	512
Office supplies	1,700	787	913	713

CITY OF WILLIAMSTOWN, KENTUCKY

GENERAL FUND

SCHEDULE OF EXPENDITURES

BUDGET AND ACTUAL

Year Ended June 30, 2002

	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	
(Police Cont'd)				
Technical supplies	\$ 2,000	\$ 1,112	\$ 888	\$ 1,593
Uniforms	2,500	2,271	229	828
Boat maintenance	1,000	442	558	72
Miscellaneous	3,000	1,800	1,200	1,858
TOTAL POLICE	396,200	338,238	57,962	366,041
FIRE				
Education and training	3,200	3,499	(299)	2,737
Maintenance and repairs	11,000	11,419	(419)	6,816
Vehicle maintenance	8,800	9,963	(1,163)	9,812
Other contractual services	7,300	7,173	127	6,139
Utilities	5,000	4,925	75	6,430
Equipment parts	7,860	9,431	(1,571)	11,758
Uniforms	4,240	4,261	(21)	1,358
Insurance	11,200	11,151	49	11,013
Other material and supplies	2,800	2,793	7	1,213
Miscellaneous	2,500	2,533	(33)	1,473
TOTAL FIRE	63,900	67,148	(3,248)	58,749
STREETS AND CEMETERY				
Streets:				
Salaries	127,000	116,685	10,315	109,580
Medical insurance	45,500	36,199	9,301	36,799
FICA	9,900	8,489	1,411	8,006
Employee retirement	9,300	7,480	1,820	7,493
Workers' compensation	5,850	5,839	11	4,847
Unemployment insurance	400	-	400	-
Education and training	900	857	43	300
Maintenance and repairs-sidewalks	12,400	1,039	11,361	1,216
Maintenance and repairs-streets	20,000	11,362	8,638	7,106
Maintenance and repairs-buildings	5,000	4,473	527	3,502
Municipal aid/LGEA	50,000	90,970	(40,970)	132,371
Communications and postage	1,000	1,023	(23)	383
Insurance	5,000	4,926	74	3,522
Other contractual services	4,400	1,904	2,496	2,737
Technical supplies	1,200	1,054	146	915
Equipment repairs and maintainance	4,000	3,428	572	2,817
Vehicle repairs and maintenance	10,800	8,027	2,773	9,182
Construction materials	5,000	5,117	(117)	3,299
Salt	4,000	2,131	1,869	3,289
Uniforms	1,700	1,275	425	769
Miscellaneous	8,000	7,984	16	5,075

CITY OF WILLIAMSTOWN, KENTUCKY

GENERAL FUND

SCHEDULE OF EXPENDITURES

BUDGET AND ACTUAL

Year Ended June 30, 2002

	2002			2001
	Budget	Actual	Variance Favorable (Unfavorable)	
(Streets and Cemetery Cont'd)				
Cemetery:				
Graves	\$ 12,000	\$ 8,100	\$ 3,900	\$ 10,950
Cemetery repairs	4,500	1,772	2,728	1,266
Cemetery sexton	6,000	6,000	-	6,000
Trustee fees	3,950	3,550	400	1,190
Sanitation:				
Waste collection	90,000	88,910	1,090	77,160
TOTAL STREETS AND CEMETERY	447,800	428,594	19,206	439,774
RECREATION				
Maintenance and repairs	1,500	817	683	1,095
Utilities	2,900	2,780	120	2,849
Communications and postage	1,100	911	189	-
Other contractual services	1,300	1,223	77	1,197
Park pay contract	2,400	2,400	-	2,000
Equipment parts	200	-	200	142
Construction materials	2,200	2,650	(450)	2,556
Gasoline	250	149	101	257
Contributions	6,000	6,000	-	1,000
Miscellaneous	400	292	108	48
TOTAL RECREATION	18,250	17,222	1,028	11,144
MAIN STREET				
Salaries	14,440	13,482	958	-
Travel and education	1,700	1,678	22	-
Communications and postage	1,600	1,523	77	-
Office supplies	840	788	52	-
Dues and subscriptions	200	195	5	-
Miscellaneous	860	625	235	-
TOTAL MAIN STREET	19,640	18,291	1,349	-
CAPITAL OUTLAY	#####	595,916	810,984	346,133
DEBT SERVICE	-	9,326	(9,326)	-
TOTAL EXPENDITURES	\$ #####	\$ #####	\$ 907,548	\$ 1,476,001

CITY OF WILLIAMSTOWN, KENTUCKY
COMBINING BALANCE SHEET - ALL PROPRIETARY FUNDS
June 30, 2002

	Utility Fund	Sewer Fund	2002	2001
ASSETS				
Cash	\$ 2,811,637	\$ 177,357	\$ 2,988,994	\$ 3,289,935
Accrued interest receivable	47,946	3,433	51,379	56,489
Accounts receivable	451,207	75,811	527,018	618,828
Due from other funds	-	-	-	175,000
Restricted assets	248,134	-	248,134	246,494
Bond issuance costs	23,688	-	23,688	25,841
Sewer system	-	7,105,923	7,105,923	6,984,019
Water system	9,402,236	-	9,402,236	9,295,680
Electric system	2,658,184	-	2,658,184	2,461,847
Cable T.V. system	695,690	-	695,690	531,979
Accumulated depreciation	(6,131,541)	#####	#####	(9,462,166)
TOTAL ASSETS	\$ 10,207,181	\$ 3,360,392	\$ 13,567,573	\$ #####
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 137,739	\$ 8,649	\$ 146,388	\$ 160,704
Other current liabilities	47,269	8,310	55,579	65,964
Due to other funds	-	-	-	175,000
Accrued interest payable	4,989	-	4,989	5,283
Customer deposits	327,256	-	327,256	303,436
Bonds payable	995,000	192,000	1,187,000	1,281,000
TOTAL LIABILITIES	1,512,253	208,959	1,721,212	1,991,387
FUND EQUITY				
Reserve for debt service	128,407	-	128,407	128,407
Retained earnings	8,566,521	3,151,433	11,717,954	#####
TOTAL FUND EQUITY	8,694,928	3,151,433	11,846,361	#####
TOTAL LIABILITIES AND FUND EQUITY	\$ 10,207,181	\$ 3,360,392	\$ 13,567,573	\$ #####

CITY OF WILLIAMSTOWN, KENTUCKY
UTILITY AND SEWER FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS-ALL PROPRIETARY FUND TYPES
Year Ended June 30, 2002

	Utility Fund	Sewer Fund	2002	2001
OPERATING REVENUES				
Charges for services	\$ 3,712,772	\$ 511,418	\$ 4,224,190	\$ 4,197,133
Tap in fees	85,112	4,150	89,262	58,386
Lift station	-	17,509	17,509	16,729
Reconnects	470	-	470	220
Miscellaneous	4,563	-	4,563	11,093
TOTAL OPERATING REVENUES	3,802,917	533,077	4,335,994	4,283,561
PERSONNEL SERVICES				
Salaries	576,435	153,856	730,291	684,178
Medical insurance	124,316	40,207	164,523	150,085
FICA	41,877	11,416	53,293	49,075
Employee retirement	34,163	9,556	43,719	48,684
Workers' compensation	18,194	5,213	23,407	19,378
TOTAL PERSONNEL SERVICES	794,985	220,248	1,015,233	951,400
CONTRACTUAL SERVICES				
System repairs/maintenance	58,396	40,142	98,538	88,439
Utilities	1,476,087	83,183	1,559,270	1,565,257
Other contract service	36,315	20,210	56,525	39,860
Education and training	4,180	1,985	6,165	7,095
Lab tests	11,117	5,352	16,469	11,752
Communications and postage	17,491	3,361	20,852	18,906
Insurance	19,235	4,619	23,854	22,871
Advertising and printing	1,237	-	1,237	279
Dispatch	-	-	-	5,000
Professional fees	12,170	4,577	16,747	13,331
Royalties	171,728	-	171,728	144,214
Vehicle maintenance	19,978	9,036	29,014	33,146
TOTAL CONTRACTUAL SERVICES	1,827,934	172,465	2,000,399	1,950,150

CITY OF WILLIAMSTOWN, KENTUCKY
UTILITY AND SEWER FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS-ALL PROPRIETARY FUND TYPES
Year Ended June 30, 2002

	Utility Fund	Sewer Fund	2002	2001
MATERIALS AND SUPPLIES				
Equipment parts	\$ 10,937	\$ 788	\$ 11,725	\$ 14,915
Technical supplies	9,792	12,341	22,133	20,657
Uniforms	3,624	343	3,967	4,266
Cleaning supplies	-	506	506	28
Chemicals and chlorine	40,649	19,270	59,919	44,784
Lab materials	6,599	6,592	13,191	13,021
Construction materials	30,171	-	30,171	27,405
Office supplies	8,467	-	8,467	6,133
TOTAL MATERIALS AND SUPPLIES	110,239	39,840	150,079	131,209
DEPRECIATION	472,025	211,309	683,334	645,676
MISCELLANEOUS				
Dues and subscriptions	1,953	62	2,015	4,794
Miscellaneous	8,643	1,060	9,703	8,984
TOTAL MISCELLANEOUS	10,596	1,122	11,718	13,778
TOTAL OPERATING EXPENSES	3,215,779	644,984	3,860,763	3,692,213
OPERATING INCOME (LOSS)	587,138	(111,907)	475,231	591,348
NON-OPERATING REVENUE (EXPENSE)				
Interest income	143,817	3,861	147,678	186,535
Interest expense	(63,862)	(7,700)	(71,562)	(75,750)
TOTAL NON-OPERATING REVENUE (EXPENSE)	79,955	(3,839)	76,116	110,785
CONTRIBUTED CAPITAL	-	-	-	131,562
NET INCOME (LOSS) BEFORE TRANSFER	667,093	(115,746)	551,347	833,695
Operating transfers in(out)	#####	275,000	(937,545)	(520,000)
NET INCOME(LOSS)	(545,452)	159,254	(386,198)	313,695
RETAINED EARNINGS AT BEGINNING OF YEAR	9,240,380	2,992,179	12,232,559	11,918,864
RETAINED EARNINGS AT END OF YEAR	\$ 8,694,928	\$ 3,151,433	\$ 11,846,361	\$ 12,232,559

CITY OF WILLIAMSTOWN, KENTUCKY
COMBINING STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
Year Ended June 30, 2002

	Utility Fund	Sewer Fund	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 587,138	\$ (111,907)	\$ 475,231	\$ 591,348
Adjustments to reconcile operating income to net cash provided by operating activities-				
Increase in restricted assets	(1,640)	-	(1,640)	(8,990)
Depreciation	472,025	211,309	683,334	645,676
Transfer (to) from other funds	#####	275,000	(937,545)	(520,000)
Change in assets and liabilities-				
(Increase) Decrease in:				
Accounts receivable	61,600	30,210	91,810	(65,339)
Accrued interest receivable	8,409	(3,300)	5,109	(12,207)
Due from other funds	175,000	-	175,000	-
Bond issuance	2,154	-	2,154	2,154
Increase (Decrease) in:				
Accounts payable	(18,261)	3,945	(14,316)	30,292
Other current liabilities	(7,236)	(3,148)	(10,384)	14,839
Due to other funds	-	(175,000)	(175,000)	-
Interest payable	(295)	-	(295)	(268)
Customer deposits	23,819	-	23,819	25,099
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>90,168</u>	<u>227,109</u>	<u>317,277</u>	<u>702,604</u>
CASH FLOWS FROM CAPITAL RELATED FINANCING ACTIVITIES				
Bond principal payment	(65,000)	(29,000)	(94,000)	(88,000)
Grant funds	-	-	-	131,562
Purchase of capital assets	(478,430)	(121,904)	(600,334)	(1,050,583)
Interest payment	(63,862)	(7,700)	(71,562)	(75,750)
NET CASH USED FOR CAPITAL RELATED FINANCING ACTIVITIES	<u>(607,292)</u>	<u>(158,604)</u>	<u>(765,896)</u>	<u>(1,082,771)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	143,817	3,861	147,678	184,381
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>143,817</u>	<u>3,861</u>	<u>147,678</u>	<u>184,381</u>
NET INCREASE (DECREASE) IN CASH	<u>(373,307)</u>	<u>72,366</u>	<u>(300,941)</u>	<u>(195,786)</u>
CASH AT BEGINNING OF YEAR, UNRESTRICTED	<u>3,184,944</u>	<u>104,991</u>	<u>#####</u>	<u>3,485,721</u>
CASH AT END OF YEAR, UNRESTRICTED	<u>\$ 2,811,637</u>	<u>\$ 177,357</u>	<u>\$ #####</u>	<u>\$ 3,289,935</u>

CITY OF WILLIAMSTOWN, KENTUCKY
SCHEDULE OF REVENUES AND EXPENSES
UTILITY FUND
Year Ended June 30, 2002

	Electric System	Water System	Cable T.V. System	2002	2001
OPERATING REVENUES					
Charges for services	\$ 2,442,700	\$ 925,263	\$ 344,809	\$ 3,712,772	\$ 3,703,289
Tap in fees	-	85,112	-	85,112	54,186
Reconnects	470	-	-	470	220
Miscellaneous	4,563	-	-	4,563	11,093
TOTAL OPERATING REVENUES	2,447,733	1,010,375	344,809	3,802,917	3,768,788
OPERATING EXPENSES					
PERSONNEL SERVICES					
Salaries	215,375	251,360	109,700	576,435	525,715
Medical insurance	55,881	52,456	15,979	124,316	110,602
FICA	15,667	18,296	7,914	41,877	37,802
Employee retirement	12,711	15,012	6,440	34,163	37,095
Workers' compensation	5,987	7,829	4,378	18,194	15,374
TOTAL PERSONNEL SERVICES	305,621	344,953	144,411	794,985	726,588
CONTRACTUAL SERVICES					
System repairs/maintenance	3,390	53,868	1,138	58,396	43,857
Utilities	1,389,611	81,565	4,911	1,476,087	1,497,127
Other contract service	28,632	6,211	1,472	36,315	18,207
Education and training	1,915	1,523	742	4,180	5,519
Lab tests	-	11,117	-	11,117	6,586
Communications and postage	8,762	5,616	3,113	17,491	15,704
Insurance	8,776	8,413	2,046	19,235	19,767
Advertising and printing	-	1,237	-	1,237	279
Dispatch	-	-	-	-	3,750
Professional fees	6,889	2,803	2,478	12,170	7,562
Royalties	-	-	171,728	171,728	144,214
Vehicle maintenance	8,344	8,728	2,906	19,978	19,258
TOTAL CONTRACTUAL SERVICES	1,456,319	181,081	190,534	1,827,934	1,781,830
MATERIALS AND SUPPLIES					
Equipment parts	223	7,388	3,326	10,937	13,658
Technical supplies	5,478	4,314	-	9,792	11,494
Uniforms	1,406	1,599	619	3,624	3,454
Chemicals and chlorine	-	40,649	-	40,649	29,904
Lab materials	-	6,599	-	6,599	4,735
Construction materials	27,498	-	2,673	30,171	27,405
Office supplies	7,987	-	480	8,467	6,133
TOTAL MATERIALS AND SUPPLIES	42,592	60,549	7,098	110,239	96,783
MISCELLANEOUS					
Dues and subscriptions	252	178	1,523	1,953	4,471
Miscellaneous	3,314	3,043	2,286	8,643	7,544
TOTAL MISCELLANEOUS	3,566	3,221	3,809	10,596	12,015
Depreciation	113,455	332,934	25,636	472,025	465,521
TOTAL OPERATING EXPENSES	1,921,553	922,738	371,488	3,215,779	3,082,737
OPERATING INCOME (LOSS)	526,180	87,637	(26,679)	587,138	686,051
NON-OPERATING REVENUE(EXPENSE)					
Interest income	143,817	-	-	143,817	181,319
Interest expense	-	(63,862)	-	(63,862)	(66,350)
TOTAL NON-OPERATING REVENUES	143,817	(63,862)	-	79,955	114,969
NET INCOME (LOSS) BEFORE TRANSFER	669,997	23,775	(26,679)	667,093	801,020
Operating transfers in(out)	(937,545)	(275,000)	-	(1,212,545)	(690,000)
NET INCOME(LOSS)	\$ (267,548)	\$ (251,225)	\$ (26,679)	\$ (545,452)	\$ 111,020

**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
City of Williamstown, Kentucky**

We have audited the financial statements of the City of Williamstown, Kentucky, as of and for the year ended June 30, 2002, and have issued our report thereon dated August 23, 2002. 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 City of Williamstown, Kentucky'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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Williamstown, Kentucky'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 operation 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 City of Williamstown, Kentucky's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Lack of Segregation of Duties

Segregation of duties is a necessary part of any system of internal control. Segregating the process of executing a transaction from the process of recording the transaction is essential. We noted that due to the size of the city and budget considerations, most of the executing and recording of transactions are performed by the same person.

Fixed Assets

The City needs to develop a fixed asset register for the general fixed assets of the city for control purposes. An inventory should be taken and a listing developed for those assets purchased by general fund monies.

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 report would not necessarily disclose all matters in the internal control that might be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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

RANKIN, RANKIN & COMPANY

**Ft. Wright, Kentucky
August 23, 2002**

APPENDIX D
FORM OF BOND COUNSEL OPINION

{Date of Delivery}

City of Williamstown, Kentucky
Williamstown, Kentucky

Gentlemen:

We have acted as bond counsel in connection with the authorization, sale and issuance by City of Williamstown, Kentucky (the "City"), a municipal corporation and political subdivision of the Commonwealth of Kentucky, acting by and through its City Council as its duly authorized governing body, of \$_____ principal amount of City of Williamstown, Kentucky Utility System Revenue Refunding Bonds, Series 2003 Bonds, dated February 1, 2003 (the "Series 2003 Bonds").

The Series 2003 Bonds have been authorized and issued pursuant to Chapter 58 and Sections 96.350 through 96.510, inclusive, of the Kentucky Revised Statutes (collectively, the "Act"), a certain General Bond Ordinance adopted by the City on February 3, 2003 (the "General Bond Ordinance") and a certain Series 2003 Bond Ordinance authorizing the Series 2003 Bonds adopted on February 3, 2003 (the "Series Bond Ordinance" and together with the General Bond Ordinance, the "Ordinance"). Pursuant to the General Bond Ordinance and the Series Bond Ordinance, the City has authorized the issuance of the Series 2003 Bonds for the purpose of paying certain costs of refunding and retiring outstanding obligations issued to finance improvements to the combined and consolidated water, electric and cable television system of the City, and for paying the costs of issuance of the Series 2003 Bonds and funding a debt service reserve in accordance with the Ordinance.

We have examined such portions of the Constitution and Statutes of the United States, the Constitution and Statutes of the Commonwealth of Kentucky, and such applicable court decisions, regulations, rulings and opinions as we have deemed necessary or relevant for the purposes of the opinions set forth below.

We have also examined records, and the transcript of proceedings relating to the authorization and issuance of the Series 2003 Bonds, including a specimen bond, and other relevant matters. We have also made such investigation as we have deemed necessary for the purposes of such opinions, and relied upon certificates of officials of the City as to certain factual matters. Based upon the foregoing, we advise you that in our opinion under existing law:

1. The Series 2003 Bonds have been duly authorized, executed and issued by the City in accordance with the Constitution and Statutes of the Commonwealth, including the Act, and in accordance with the General Bond Ordinance and the Series Bond Ordinance, and constitute valid and binding special obligations of the City, payable as to principal, interest, and premium, if any, from and secured by a pledge of (i) the Pledged Receipts, as defined in the Ordinance, (ii) the proceeds of the sale of the Series 2003 Bonds, (iii) Investment Obligations, as defined in the Ordinance, (iv) all funds established by the Ordinance, including accounts thereof and monies and securities therein, subject only to the provisions of the Ordinance permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Ordinance and (v) a statutory mortgage lien on all properties of the System and all extensions and appurtenances thereto, as provided by Section 96.400 of the Kentucky Revised Statutes and as more specifically described in the Ordinance.

2. Neither the faith and credit nor the taxing power of the City, the Commonwealth, or any political subdivision thereof, nor the faith and credit of the City is pledged to the payment of the principal of or interest on the Series 2003 Bonds, or to the payment of premium, if any.

3. Interest on the Series 2003 Bonds is exempt from income taxation by the Commonwealth of Kentucky, and the Series 2003 Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

4. Interest on the Series 2003 Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Series 2003 Bonds will not be treated as a specific item of tax preference, under § 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of § 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Series 2003 Bonds.

5. The City has designated the Series 2003 Bonds as "qualified tax-exempt obligations" under Section 265 of the Code.

This opinion is based upon laws, regulations, rulings and decisions in effect on the date hereof. In giving this opinion, we have relied upon covenants and certifications of facts, estimates and expectations made by the City and others which we have not independently verified. It is to be understood that the enforceability of the Series 2003 Bonds and the Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting creditors' rights, and to exercise of judicial discretion in accordance with general principles of equity.

Very truly yours,

PECK, SHAFFER & WILLIAMS LLP

23941\2

OFFICIAL BID FORM

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$1,075,000 of Utility System Revenue Refunding Bonds, Series 2003, dated February 1, 2003 (the "Bonds") offered for sale by the City of Williamstown, Kentucky (the "City"), a municipal corporation and political subdivision of the Commonwealth of Kentucky, in accordance with the Notice of Bond Sale, as advertised, in The Courier-Journal, published in Louisville, Kentucky, and the Grant County News, published in Williamstown, Kentucky, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase said Bonds.

We hereby bid for said \$1,075,000 principal amount of the Bonds, the total sum of \$_____ (not less than \$1,064,250), plus accrued interest from February 1, 2003, at the following annual rate(s), payable semiannually, commencing June 1, 2003 (rates on ascending scale, number of interest rates unlimited):

<u>MATURING</u>	<u>AMOUNT*</u>	<u>INTEREST</u> <u>RATE</u>	<u>REOFFERING</u> <u>YIELD</u>	<u>MATURING</u>	<u>AMOUNT*</u>	<u>INTEREST</u> <u>RATE</u>	<u>REOFFERING</u> <u>YIELD</u>
June 1, 2003	\$80,000	_____ %	_____ %	June 1, 2009	\$100,000	_____ %	_____ %
June 1, 2004	85,000	_____ %	_____ %	June 1, 2010	105,000	_____ %	_____ %
June 1, 2005	90,000	_____ %	_____ %	June 1, 2011	105,000	_____ %	_____ %
June 1, 2006	95,000	_____ %	_____ %	June 1, 2012	110,000	_____ %	_____ %
June 1, 2007	95,000	_____ %	_____ %	June 1, 2013	115,000	_____ %	_____ %
June 1, 2008	95,000	_____ %	_____ %				

*Subject to the Permitted Adjustment.

The amounts indicated above maturing in the following years: _____ are sinking fund redemption amounts for term bonds due _____.

The amounts indicated above maturing in the following year: _____ are sinking fund redemption amounts for term bonds due _____.

We understand this bid may be accepted for as much as \$1,185,000 of Bonds or as little as \$965,000 of Bonds, at the same price per \$1,000 Bond, with the variation in such amount occurring in any maturity or all maturities, which will be determined by the City at the time of acceptance of the best bid.

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

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

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

Respectfully submitted,

_____ Bidder

_____ Address

By: _____ Signature

Total interest cost from February 1, 2003 to final maturity	\$ _____
Plus discount	\$ _____
Net interest cost (Total interest cost plus discount)	\$ _____
Average interest rate or cost	_____ %

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

Accepted by the Mayor of the City of Williamstown, Kentucky for \$ _____ principal amount of Bonds at a price of \$ _____ as follows:

<u>MATURING</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>	<u>MATURING</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>
June 1, 2003	\$ _____	_____ %	June 1, 2009	\$ _____	_____ %
June 1, 2004	\$ _____	_____ %	June 1, 2010	\$ _____	_____ %
June 1, 2005	\$ _____	_____ %	June 1, 2011	\$ _____	_____ %
June 1, 2006	\$ _____	_____ %	June 1, 2012	\$ _____	_____ %
June 1, 2007	\$ _____	_____ %	June 1, 2013	\$ _____	_____ %
June 1, 2008	\$ _____	_____ %			

_____ Mayor, City of Williamstown, Kentucky

Dated: February 13, 2003

**OFFICIAL TERMS AND CONDITIONS OF BOND SALE
CITY OF WILLIAMSTOWN, KENTUCKY
UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2003**

SALE: February 13, 2003 at 11:00 A.M. E.S.T.

The City of Williamstown, Kentucky (the "City") is offering for sale an aggregate amount of \$1,075,000* of the City's Utility System Revenue Refunding Bonds, Series 2003 (the "Bonds"). The offer for sale is made on an all or none basis for the aggregate amount of the Bonds.

Sealed bids will be received until 11:00 a.m., E.S.T. on February 13, 2003, at the office of the Mayor of the City, 400 North Main Street, Williamstown, Kentucky 41097. The Bonds shall be dated February 1, 2003; shall be consecutively numbered from R-1 upward; shall be of the denomination of \$5,000 each or integral multiples thereof and shall bear interest payable each June 1 and December 1, commencing June 1, 2003.

BID REQUIREMENTS

Each bid shall be submitted upon an "Official Bid Form" and a minimum price shall be required for the Bonds of not less than 99.0 percent of the par amount of the aggregate principal of the Bonds, plus accrued interest from the date of the Bonds (February 1, 2003) to the date of delivery. Bidders shall specify the rate or rates of interest to be borne by the Bonds. An unlimited number of interest rates may be specified, any of which may be repeated, provided that: (i) each interest rate specified in any bid must be in multiples of 1/8th or 1/20th of one percent or both and a zero rate of interest is prohibited; (ii) the difference between the highest and lowest rates specified in the bid shall not exceed four (4%) percent and shall be in ascending order, lowest to highest by maturity; (iii) no Bond shall bear more than one rate of interest; (iv) each bond shall bear interest from its date to its stated maturity date at the interest rate specified in the bid; and (v) all Bonds of the same maturity shall bear the same single rate of interest. No bid will be accepted for the purchase of less than all Bonds or for a price less than 99 percent of par. In addition to the price bid, the successful bidder must pay accrued interest from the date of the Bonds to the date of payment. Upon delivery of the Bonds, payment of the amount due must be made by the purchaser in funds immediately available to the City without cost to the City. As required by the Internal Revenue Code of 1986, as amended (the "Code"), the successful bidder will be required to certify to the City as to certain of its activities regarding any reoffering to the public of the Bonds, including any reoffering prices.

Bidders are advised that First Kentucky Securities Corporation has been employed as Financial Advisor in connection with the issuance of the Bonds. Their fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof. They may submit a bid for the purchase of the Bonds at the time of the advertised public sale, either individually or as a member of a syndicate organized to submit a bid for the purchase of the Bonds.

*Preliminary; subject to a permitted adjustment increasing or decreasing the principal amount of the Bonds by up to \$110,000.

SPECIAL BIDDERS OPTION

Bidders shall have the option of specifying that all the Bonds maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to comprise one or more maturities of Bonds scheduled to mature in the latest of such years and be subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts stated for maturity, except for the principal amount of such term Bonds scheduled in the year of maturity of the term Bonds, which principal amount shall mature in that year. Bidders may specify one or more of such term Bonds.

GOOD FAITH DEPOSIT

All bids must be unconditional. All bids must be in writing, on the Official Bid Form and must be signed by the bidder and enclosed in a sealed envelope clearly marked "Bid for Bonds." Bids need not be accompanied by a certified or bank cashier's check, but the successful bidder will be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the day following the award of the Bonds to the successful bidder. The good faith amount will be applied to the purchase price of the Bonds and no interest will be allowed thereon..

Upon wrongful refusal of the successful bidder to take delivery of and pay for the Bonds in immediately available funds when tendered for delivery, the good faith amount shall be forfeited by such bidder, and such amount shall be deemed liquidated damages for such default; provided, however, if said Bonds are not ready for delivery and payment within forty-five (45) days from the date of sale herein provided for, said bidder shall be relieved of any liability to accept the Bonds.

AWARD OF THE BONDS

The Bonds will be awarded to the bidder offering to purchase the Bonds at the lowest net interest cost to the City based solely upon the interest rates and premium or discount bid or stated by each bidder on the "Official Bid Form." The determination of the best purchase bid for said Bonds shall be made on the basis of all bids submitted for exactly \$1,075,000 principal amounts of Bonds offered for sale hereunder; but the City may adjust the principal amount of Bonds which may be awarded to such best bidder upward or downward by \$110,000 (the "Permitted Adjustment") to a minimum of \$965,000 or a maximum of \$1,185,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$1,000 of Bonds as the price per \$1,000 for the \$1,075,000 of Bonds bid.

The bids will be received, opened, tabulated and verified by the Mayor of the City immediately following 11:00 a.m. E.S.T., February 13, 2013. The verified bids will be considered by the Mayor of the City on the same date for consideration. Any decision of the City as to the award of the Bonds will be final.

THE RIGHT IS RESERVED TO REJECT ANY AND ALL BIDS OR TO WAIVE IRREGULARITIES IN ANY BID, EXCEPT TIME OF FILING OF THE BID.

CUSIP NUMBERS

It is anticipated that CUSIP identification numbers will be printed on this series of Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of its proposal. No CUSIP identification number shall be deemed to be a part of any Bond or a part of the contract evidenced thereby and no liability shall thereafter attach to the City or any of its officers or agents because of or on account of such numbers. All expenses in relation to the printing of CUSIP identification numbers on the Bonds shall be paid for by the City; provided, however, that the CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the purchaser.

DELIVERY

Absent any failure of performance by the successful bidder, delivery of the Bonds will be made at the Depository Trust Company, New York, New York, at no additional cost or expense to the purchasers. The City will pay for the printing of the Bonds, which will contain the opinion of Bond Counsel. Delivery is expected on or about March 5, 2003.

LEGAL OPINION

An approving legal opinion of Bond Counsel shall be furnished without cost to the purchaser by Peck, Shaffer & Williams LLP, Covington, Kentucky.

There will also be furnished the usual closing documents including a certificate, dated as of the date of delivery of the Bonds, with reference to the Official Statement, as provided therein, and stating that there is no litigation pending or, to the knowledge of the signer of such certificate, threatened affecting the validity of the Bonds.

TAX EXEMPTION

With regard to tax exemption, Bond Counsel advises as follows:

(A) The Bonds and the interest payable thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference, under § 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. The City has covenanted to comply with the applicable provisions of the Code, and such compliance by the City is necessary to maintain the Federal income tax status described above. No opinion is expressed regarding other federal tax consequences arising with respect to the Bonds.

(C) The City has designated the Bonds as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.

ADDITIONAL INFORMATION

Descriptions of the Bonds, the ordinance of the City authorizing the Bonds, the City and the security for the Bonds are contained in the Preliminary Official Statement. The bidder is referred thereto for said descriptions.

Official Bid Forms and copies of the Preliminary Official Statement and the Official Terms and Conditions of Bond Sale in connection with the Bonds, all subject to the final approval of the City, may be obtained by application to the undersigned or to First Kentucky Securities Corporation, 305 Ann Street, Frankfort, Kentucky 40601 (Phone:(502) 875-4611).

Preliminary Official Statements and final Official Statements will be provided and will be certified as required under Securities and Exchange Commission Rule 15c2-12. The successful bidder will be required to pay for the printing of the final Official Statements.

The right to reject any or all bids is reserved. The right to waive any irregularities, except time of filing the bid, is reserved.

CITY OF WILLIAMSTOWN, KENTUCKY

By: /s/ Glenn V. Caldwell
Mayor