

**PRELIMINARY OFFICIAL STATEMENT DATED JULY 13, 2004**

**NEW ISSUE**  
(Bank Qualified)

**S&P RATING “\_”**  
See “Rating” Herein

In the opinion of Bond Counsel, under existing law (i) interest on the Series 2004 Bonds will be excludible from gross income of the holders thereof for purposes of federal income taxation and (ii) interest on the Series 2004 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 2004 Bonds is also exempt from income taxation and the Series 2004 Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky.

**ELECTRONIC BIDDING VIA PARITY**

**\$2,505,000\***  
**CITY OF WILLIAMSTOWN, KENTUCKY**  
**UTILITY SYSTEM REVENUE BONDS**  
**SERIES 2004**

**Dated: July 1, 2004**

Interest on the captioned bonds, (the "Series 2004 Bonds") will be payable, from the date of issuance, on June 1 and December 1, commencing December 1, 2004. The Series 2004 Bonds shall mature on June 1, as shown below:

**SCHEDULE OF MATURITIES**

<u>Due</u>	<u>Cusip #</u> <u>970364</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>	<u>Due</u>	<u>Cusip #</u> <u>970364</u>	<u>Amount*</u>	<u>Rate</u>	<u>Yield</u>
6/1/05		\$ 85,000			6/1/15		\$120,000		
6/1/06		90,000			6/1/16		125,000		
6/1/07		90,000			6/1/17		135,000		
6/1/08		90,000			6/1/18		140,000		
6/1/09		95,000			6/1/19		145,000		
6/1/10		100,000			6/1/20		155,000		
6/1/11		100,000			6/1/21		165,000		
6/1/12		105,000			6/1/22		170,000		
6/1/13		110,000			6/1/23		180,000		
6/1/14		115,000			6/1/24		190,000		

(Plus accrued interest-when issued)

The Series 2004 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 2004 Bonds to the ultimate purchasers. See "Book Entry" herein. Principal and interest on the Series 2004 Bonds is payable at the principal office of Central Bank & Trust Co., Lexington, Kentucky, as Paying Agent and Bond Registrar. The Series 2004 Bonds are subject to optional redemption prior to maturity as discussed herein.

The Series 2004 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 2004 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 2004 Bonds are expected to be available for delivery on or about August 3, 2004.

THE CITY HAS DESIGNATED THE SERIES 2004 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 \$2,505,000\* aggregate principal amount of Utility System Revenue Bonds, Series 2004 of the City. Certain information concerning the authorization, purpose, terms, conditions of sale and sources of payment of, and security for, the Series 2004 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 2004 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 2004 Bonds should be regarded as part of the contract with the holders from time to time of the City's Series 2004 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.

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\*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 2004 Bonds .....	1
Purpose of the Series 2004 Bonds .....	1
Description of the Series 2004 Bonds.....	1
Tax Exemption .....	2
Parties to the Issuance of the Series 2004 Bonds .....	2
Authority for Issuance.....	2
Offering and Delivery of the Series 2004 Bonds .....	3
Disclosure Information.....	3
Additional Information.....	3
THE SERIES 2004 BONDS.....	3
General.....	3
Redemption.....	4
BOOK ENTRY SYSTEM.....	5
SECURITY FOR THE BONDS.....	8
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
Government .....	10
THE PROJECT .....	10
SOURCES AND USES OF FUNDS .....	11
SUMMARY OF THE GENERAL BOND ORDINANCE.....	11
General Application of Bond Proceeds Fund .....	11
Other Funds and Accounts.....	12
Utility Revenue Fund .....	12
Debt Service Fund.....	13
Debt Service Reserve .....	14
Operation and Maintenance Fund.....	14
Depreciation Fund .....	14
Surplus Fund.....	15
Investment of Funds.....	15
Issuance of Notes, Additional Bonds and Subordinated Debt .....	16
Issuance of Parity Bonds.....	17
Issuance of Refunding Bonds .....	18
Issuance of Subordinated Debt .....	18
Modifications of Ordinance, Adoption of Series Ordinances and Requirement for Consent of Holders of Outstanding Bonds.....	19
Certain Covenants of the City.....	19
Defaults and Remedies.....	21
No Individual Liability.....	22
Defeasance.....	22
GENERAL LEGAL MATTERS.....	23
LITIGATION INVOLVING CITY.....	23
TAX EXEMPTION .....	23
FINANCIAL ADVISOR .....	24
RATING .....	24
CONTINUING DISCLOSURE .....	25
CONCLUDING STATEMENT .....	26

**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 TERMS AND CONDITIONS OF BOND SALE  
OFFICIAL BID FORM**

## 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 2004 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 2004 Bonds to potential investors is made only by means of the entire Official Statement.**

### **The Issuer**

The Series 2004 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 2004 Bonds**

Pursuant to the City's General Bond Ordinance adopted on February 3, 2003, as supplemented on July 20, 2004 (the "General Bond Ordinance") and a Series 2004 Bond Ordinance adopted by the City Council of the City on July 6, 2004 (the "Series 2004 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, sewer, 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 2004 Bonds. THE SERIES 2004 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF THE CONSTITUTION OF THE COMMONWEALTH OF KENTUCKY. THE SERIES 2004 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 2004 BONDS.

### **Purpose of the Series 2004 Bonds**

The proceeds of the Series 2004 Bonds will be used to provide funds to (i) add new sewer lines, replace old water lines, upgrade the entire backbone of the cable system and rebuild the cable system central plant to support the system, (ii) make a deposit to the Series 2004 Cost of Issuance Account to pay the costs of issuing the Series 2004 Bonds and (iii) fund, to the extent necessary, the debt service reserve for the Series 2004 Bonds. The Series 2004 Bonds are secured by and payable solely from the City's Pledged Receipts, as defined and described herein.

### **Description of the Series 2004 Bonds**

**Redemption.** The Series 2004 Bonds maturing on and after June 1, 2015, shall be subject to redemption by the City prior to maturity, in whole or in part, in the inverse order of their maturities (less than all of a single maturity to be selected by lot), on any date, on or after June 1, 2014, at a redemption price equal to the principal amount of the Bonds called for redemption, plus unpaid interest accrued to the date of redemption, without premium.

**Denominations.** The Series 2004 Bonds will be issued in the denomination of \$5,000 or any integral multiple thereof.

**Book Entry.** The Series 2004 Bonds are issuable only as fully registered Series 2004 Bonds, without coupons. The Series 2004 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 2004 Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2004 Bonds purchased. So long as DTC or its nominee is the registered owner of the Series 2004 Bonds, payments of the principal of and interest due on the Series 2004 Bonds will be made directly to DTC. Principal of, redemption premium, if any, and interest on the Series 2004 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 2004 Bonds shall be dated July 1, 2004 and bear interest at the rates set forth on the cover hereof, payable semi-annually on June 1 and December 1, beginning December 1, 2004.

**Notices.** In the event any Series 2004 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 2004 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 2004 Bonds, and assuming continuing compliance with certain covenants made by the City, interest on the Series 2004 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 2004 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 2004 Bonds may result in other federal income tax consequences to certain holders of the Series 2004 Bonds. Interest on the Series 2004 Bonds is also exempt from certain taxes in Kentucky (see "Tax Exemption" herein).

The City has designated the Series 2004 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 2004 Bonds.

### **Parties to the Issuance of the Series 2004 Bonds**

The Registrar and Paying Agent for the Series 2004 Bonds is Central Bank & Trust Co. Lexington, Kentucky. Legal matters incidence to the issuance of the Series 2004 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 2004 Bonds is First Kentucky Securities Corporation, Frankfort, Kentucky.

### **Authority for Issuance**

Authority for the issuance of the Series 2004 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 2004 Bond Ordinance adopted by the City Council of the City on February 3, 2003, as supplemented on July 20, 2004, and July 6, 2004 respectively.

### **Offering and Delivery of the Series 2004 Bonds**

The Series 2004 Bonds are offered when, as and if issued by the City. The Bonds will be delivered on or about August 3, 2004 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 2004 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 2004 Bonds, is available from First Kentucky Securities Corporation, 305 Ann Street, Frankfort, Kentucky 40601, Attn: Stan Kramer.

Brief descriptions of the Series 2004 Bonds, security for the Series 2004 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 2004 BONDS**

### **General**

The Series 2004 Bonds are to be issued only as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof. The Series 2004 Bonds will be dated July 1, 2004, will bear interest from that date as described herein, payable semi-annually on June 1 and December 1 of each year commencing December 1, 2004 (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 2004 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 2004 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 2004 Bond, the City shall issue in the name of the transferee a new registered Series 2004 Bond or Bonds of the same aggregate principal amount and maturity as the surrendered Series 2004 Bond. If any Series 2004 Bond is mutilated, lost, stolen or destroyed, the City will execute and deliver a new Series 2004 Bond in accordance with the General Bond Ordinance.

**Redemption**

**Optional Redemption.** The Series 2004 Bonds maturing on and after June 1, 2015, shall be subject to redemption by the City prior to maturity, in whole or in part, in the inverse order of their maturities (less than all of a single maturity to be selected by lot), on any date, on or after June 1, 2014, at a redemption price equal to the principal amount of the Bonds called for redemption, plus unpaid interest accrued to the date of redemption, without premium.

**Mandatory Sinking Fund Redemption.** The Series 2004 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 2004 Bonds of the same maturity, the City shall assign to each such outstanding Series 2004 Bond a distinctive number for each \$5,000 of the principal amount of such Series 2004 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 2004 Bonds to be redeemed. The Series 2004 Bonds to be redeemed shall be the Series 2004 Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such Series 2004 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 2004 Bonds determined by the City to be redeemed, which notice shall specify the maturities of the Series 2004 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 2004 Bonds of the same maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2004 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 2004 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 2004 Bonds or portions of Series 2004 Bonds which are to be redeemed, at their last addresses, appearing upon the registry books.



## **BOOK ENTRY SYSTEM**

The Series 2004 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 2004 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 2004 Bonds under the Ordinance.

The following information about the book-entry only system applicable to the Series 2004 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 2004 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 2004 Bonds and will be deposited with DTC.

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

Purchases of Series 2004 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2004 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 2004 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 2004 Bonds, except in the event that use of the book-entry system for the Series 2004 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2004 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 2004 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 2004 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2004 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 2004 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2004 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2004 Bonds may wish to ascertain that the nominee holding the Series 2004 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 2004 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 2004 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 2004 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 2004 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 2004 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 2004 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 2004 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 2004 BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2004 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 2004 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 2004 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 2004 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 2004 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 2004 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 2004 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, sewer, 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, sewer, 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 2004 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 2004 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 2004 Bondholders.

### **Rate Covenant**

In the General Bond Ordinance, the City has covenanted to establish water, sewer, 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 2004 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, sewer, 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 2004 Bonds, to reconstruct, repair and improve the facilities of the City, to make additions, betterments or improvements thereto, to acquire existing water, sewer, 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, sewer, 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, sewer system, electric system and cable television system are consolidated for accounting purposes and constitute one system. The water system has approximately 1,726 customers, the sewer system has approximately 1,084 customers, the electric system has approximately 1,549 customers, and the cable television system serves approximately 1,080 customers.

### **Outstanding Indebtedness**

In addition to the Series 2004 Bonds, the City has a Series 2003 Bonds debt outstanding which is secured by the revenues of the System.

### **Management of the System**

Day to day management of the System is under the supervision of Brian Gatewood, water system and sewer system; Michael Shoemaker, electric system; and Chuck Hudson, cable television system. The consolidated System employs 15 full-time individuals and 1 part-time individual. 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.

## 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 Dudley Peddicord	December 31, 2004
Council Member Robert Perry	December 31, 2004
Council Member Rick Skinner	December 31, 2004
Council Member Helen Threlkeld	December 31, 2004

## THE PROJECT

The Project consists of the following work to be performed:

### SEWER LINE:

New sewer lines are being added to the north side of the City. The site is approximately 300-400 acres, and is adjacent to the new Barnes Road interchange on Interstate 75. The Health Department and Saint Elizabeth Hospital are also in the area.

### WATER LINE:

The old water lines in the East side loop of the Williamstown Water System will be rebuilt and replaced.

### CABLE SYSTEM:

The entire backbone of the cable system will be upgraded to fiber optics and the central plant supporting the system will be rebuilt. Once completed, the system will be able to offer the new services of high speed internet service through cable modems and digital service to the entire area and be upgraded for future expansion.

**SOURCES AND USES OF FUNDS**

**Sources**

Principal Amount of Series 2004 Bonds	\$ _____
Accrued Interest	_____
<b>TOTAL</b>	<b>\$ _____</b>

**Uses**

Deposit to Construction Fund	\$ _____
Deposit to Debt Service Reserve Fund	_____
Costs of Issuance	_____
Accrued Interest	_____
Underwriter's Discount	_____
Original Issue Discount	_____
<b>TOTAL</b>	<b>\$ _____</b>

**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, sewer, 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, sewer, electric and cable 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 2004 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 utilities facilities and systems from any person, if said utilities facilities and 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 2004 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 2004 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 2004 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 2004 Bonds, or in any way contesting or affecting the validity of such Series 2004 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 2004 Bonds, or the due existence or powers of the City.

## **TAX EXEMPTION**

In the opinion of Bond Counsel for the Series 2004 Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Series 2004 Bonds is excludible from gross income for Federal income tax purposes. Bond Counsel for the Series 2004 Bonds is also of the opinion that interest on the Series 2004 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 2004 Bonds is of the opinion that interest on the Series 2004 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 2004 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 2004 Bonds. The Issuer has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Series 2004 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 2004 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 2004 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 2004 Bonds may adversely affect the tax status of the interest on the Series 2004 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 2004 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 2004 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 2004 Bonds is of the opinion that interest on the Series 2004 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 2004 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 2004 Bonds on the tax liabilities of the individual or entity.

For example, although Bond Counsel for the Series 2004 Bonds is of the opinion that interest on the Series 2004 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 2004 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 2004 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 2004 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 2004 Bonds.

The City has designated the Series 2004 Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

#### **FINANCIAL ADVISOR**

The Series 2004 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 2004 Bonds, has requested and received permission and approval of the City to bid, either alone or in conjunction with others, on the Series 2004 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 2004 Bonds is contingent upon the issuance and delivery of the Series 2004 Bonds.

#### **RATING**

As noted on the cover page of this Official Statement, Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") has assigned its municipal bond rating of "\_\_\_" to the Series 2004 Bonds. Such rating reflects only the view of said organization. Any explanation of the

significance of such rating may only be obtained from S&P at the following address: Standard & Poor's Rating Services at 55 Water Street, New York, New York 10041-0003, (212) 438-2124. There is no assurance that the rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2004 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 July 1, 2004 (the "Disclosure Agreement"), to be delivered on the date of delivery of the Series 2004 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, 2004;
- (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 2004 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 2004 Bonds, including beneficial owners of the Series 2004 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

2004 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 2004 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 2004**

**ESTIMATED DEBT SERVICE SCHEDULE**

<b>Maturity Date</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Fiscal Year Total</b>
12/01/2004		\$47,900.00	\$47,900.00	
06/01/2005	\$85,000	57,480.00	142,480.00	\$190,380.00
12/01/2005		56,672.50	56,672.50	
06/01/2006	90,000	56,672.50	146,672.50	203,345.00
12/01/2006		55,570.00	55,570.00	
06/01/2007	90,000	55,570.00	145,570.00	201,140.00
12/01/2007		54,332.50	54,332.50	
06/01/2008	90,000	54,332.50	144,332.50	198,665.00
12/01/2008		52,892.50	52,892.58	
06/01/2009	95,000	52,892.58	147,892.58	200,785.16
12/01/2009		51,230.00	51,230.00	
06/01/2010	100,000	51,230.00	151,230.00	202,460.00
12/01/2010		49,330.00	49,330.00	
06/01/2011	100,000	49,330.00	149,330.00	198,660.00
12/01/2011		47,305.00	47,305.00	
06/01/2012	105,000	47,305.00	152,305.00	199,610.00
12/01/2012		45,047.50	45,047.50	
06/01/2013	110,000	45,047.50	155,047.50	200,095.00
12/01/2013		42,572.50	42,572.50	
06/01/2014	115,000	42,572.50	157,572.50	200,145.00
12/01/2014		39,898.75	39,898.75	
06/01/2015	120,000	39,898.75	159,898.75	199,797.50
12/01/2015		37,018.75	37,018.75	
06/01/2016	125,000	37,018.75	162,018.75	199,037.50
12/01/2016		33,956.25	33,956.25	
06/01/2017	135,000	33,956.25	168,956.25	202,912.50
12/01/2017		30,581.25	30,581.25	
06/01/2018	140,000	30,581.25	170,581.25	201,162.50
12/01/2018		27,011.25	27,011.25	
06/01/2019	145,000	27,011.25	172,011.25	199,022.50
12/01/2019		23,241.25	23,241.25	
06/01/2020	155,000	23,241.25	178,241.25	201,482.50
12/01/2020		19,133.75	19,133.75	
06/01/2021	165,000	19,133.75	184,133.75	203,267.50
12/01/2021		14,720.00	14,720.00	
06/01/2022	170,000	14,720.00	184,720.00	199,440.00
12/01/2022		10,130.00	10,130.00	
06/01/2023	180,000	10,130.00	190,130.00	200,260.00
12/01/2023		5,225.00	5,225.00	
06/01/2024	<u>190,000</u>	<u>5,225.00</u>	<u>195,225.00</u>	<u>200,450.00</u>
<b>Totals</b>	<u>\$2,505,000</u>	<u>\$1,497,117.58</u>	<u>\$4,002,117.66</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 Dudley Peddicord	December 31, 2004
Council Member Robert Perry	December 31, 2004
Council Member Rick Skinner	December 31, 2004
Council Member Helen Threlkeld	December 31, 2004

### Total Population

	2000	2001	2002	2003
Labor Market Area	343,690	350,997	356,060	362,539
Grant County	22,384	23,237	23,620	23,983
Williamstown	3,227	3,288	3,328	N/A
Dry Ridge	1,995	2,027	2,048	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.

### Population by Selected Age Groups, 2000

	Grant County		Labor Market Area	
	Number	Percent	Number	Percent
Under 18	6,425	28.7	93,175	27.1
18-24	2,096	9.4	31,468	9.2
25-34	3,471	15.5	52,070	15.2
35-44	3,580	16.0	58,163	16.9
45-54	2,735	12.2	45,987	13.4
55-64	1,940	8.7	27,841	8.1
65-74	1,154	5.2	19,246	5.6
75 and older	983	4.4	15,740	4.6
Median Age	32.6		34.1	

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

### Population by Race and Hispanic Origin, 2002

	Grant County		Labor Market Area	
	Number	Percent	Number	Percent
White	23,303	98.7	338,182	95.0
Black	71	0.3	10,811	3.0
Asian, Pacific Islander	104	0.4	3,083	0.9
American Indian	60	0.3	766	0.2
Hispanic Origin	279	1.2	5,408	1.5

Note: Hispanic is not a race category. A person can be white, black, etc. and be of hispanic origin.

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

### Personal Income

	1996	2001	Pct. Change
Grant County	\$16,149	\$19,847	22.9%
Kentucky	\$19,957	\$24,878	24.7%
U.S.	\$24,270	\$30,413	25.3%
Labor Market Area Range	\$15,507 - \$23,537	\$17,492 - \$30,004	

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

### Households

	2000		1999
	Number of Households	Persons Per Household	Median Household Income
Grant County	8,175	2.7	\$38,438

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

### Employment by Major Industry by Place of Work, 2002

	Grant County		Labor Market Area	
	Employment	Percent	Employment	Percent
All Industries	5,596	100.0	167,559	100.0
Agriculture, Forestry, Fishing and Hunting	N/A	N/A	N/A	N/A
Mining	N/A	N/A	N/A	N/A
Construction	169	3.0	6,691	4.0
Manufacturing	929	16.6	28,720	17.1
Trade, Transportation, and Utilities	1,405	25.1	44,344	26.5
Information	49	0.9	2,620	1.6
Financial Activities	204	3.6	9,430	5.6
Services	1,729	30.9	52,269	31.2
Public Administration	223	4.0	9,720	5.8
Other	2	0.0	N/A	N/A

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

## Major Manufacturers

Firm	Product(s)	Emp.	Year Established
<b><i>Corinth</i></b>			
Davco Services	Metal frames and vibration isolators for electrical power plants	10	N/A
<b><i>Crittenden</i></b>			
Miami Valley Paper Tube Co	Spiral wound paper tubes	11	1985
Wolf Steel USA Inc	Manufacture gas fireplaces, distribution center	11	2001
<b><i>Dry Ridge</i></b>			
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
Powell Structural Systems	Roof trusses, floor trusses, wall panels	102	1986
<b><i>Williamstown</i></b>			
GC Woodworks Inc	Custom woodwork & kitchen cabinets	4	1992
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
Sun Manufacturing and Coatings LLC	Prep & coat automotive parts for rubber bonding	115	1985

Source: Kentucky Cabinet for Economic Development (06/03/2004).

## THE SYSTEM

### General Description

The City of Williamstown currently operates a water system, sewer 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 1,726 customers.

The sewer system has approximately 1,084 customers. The sewer system is presently comprised of a wastewater treatment plant and sewer lines.

The electric system has approximately 1,549 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 1,080 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.

## **Water System**

### **Rates and Charges**

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:

	<b><u>Effective 11/1/98</u></b>
For each 1,000 gallons used per month:	\$2.50
Service and billing charge	.60
Minimum monthly charge	3.10
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

### **Water Connections and Water Pumpage**

<u>Year</u>	<u>Average Daily Pumpage (Gals.)</u>	<u>Maximum Daily Pumpage (Gals.)</u>
2004	1,538,158	1,619,000
2003	1,421,615	1,624,000
2002	1,217,663	1,757,000
2001	1,121,939	1,673,000
2000	1,211,602	1,669,000

**Largest Users of the Water System (based on January, 2004 usage)**

<u>User</u>	<u>Monthly Usage (Gallons)</u>
Dry Ridge	7,365,700
Corinth Water District	6,090,400
Bullock Pen Water District	5,144,000
Grant County Detention	1,861,600
Wastewater Plant	762,400
Sun Manufacturing	587,200
Williamstown Board of Education	69,300
Chevron Phillips Company	766,100
Grant Manor	455,600
Norwood Apartments	203,300

**Sewer System**

**Rates and Charges**

For each gallon per month:	\$3.00
Service and billing charge	1.50
Minimum monthly charge	4.50

**Sewer Connections and Water Pumpage**

<u>Year</u>	<u>Average Daily Wastewater Pumpage (Gals.)</u>
2004	610,000
2003	497,000
2002	404,000
2001	446,000
2000	391,000

**Largest Users of the Sewer System (based on January, 2004 usage)**

<u>User</u>	<u>Monthly Usage (Gallons)</u>
Dry Ridge	6,006,000
Chevron Phillips Company	715,900
Grant County Detention	652,800
Grant Manor	418,400
Ezy Stop	147,400
Cinderella Coin Laundry	139,300
Norwood Apartments	112,700
Municipal Housing	103,800
St. Elizabeth Medical Center, Grant County	99,600
Hampshire Apartments	96,300

## 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

Effective on billing that will be going out on July 1, 2004, there will be a purchased power adjustment included on all utility bills. The purchased power adjustment will be determined on a monthly basis by comparing actual purchased power costs to the estimated cost of \$0.036 per kilowatt-hour

### **Largest Users of the Electric System (based on January, 2004 usage)**

<u>User</u>	<u>Usage (kw)</u>
Chevron Phillips Company	1,033,599
Sun Manufacturing	388,480
AT & T	56,400
Williamstown Board of Education	114,303
Grant County Flea Market	87,840
Wastewater Plant	56,226
Grant County Detention Center	60,800
St. Elizabeth Hospital	83,505
Gusher Pumps	44,400



### 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	\$24.95
Encore & Western Channel	\$3.00
HBO	\$9.95
Showtime	\$9.95
Cinemax	\$9.95

### Debt Service Coverage

Following is the calculation of estimated coverage of maximum debt service by net revenues, as adjusted, after issuance of the 2004 Bonds, using amounts for the fiscal year ended December 30, 2003:

Gross Revenues		\$5,065,098
Operating Expenses	4,452,854	
Less Depreciation	<u>(738,237)</u>	
Total Operating Revenues		<u>3,714,617</u>
Net Operating Revenues		1,350,481
Debt Service - Estimated Maximum Principal and Interest in 2006		327,533
Debt Service Covered		4.12 x

**APPENDIX C**  
**FINANCIAL STATEMENTS OF THE CITY**

**Year Ended June 30, 2003**



**CITY OF WILLIAMSTOWN, KENTUCKY**

**June 30, 2003**

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT*

**CITY OF WILLIAMSTOWN, KENTUCKY  
TABLE OF CONTENTS**

	<b>PAGE</b>
Independent Auditors' Report	
Financial Statements	
Combined Balance Sheets – All Fund Types and Account Groups	1
Statements of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund Type	2
Statement of Budgeted and Actual Revenues, Expenditures and Changes in Fund Balances – Governmental Fund Type	3
Combined Statements of Revenues, Expenses and Changes in Retained Earnings – All Proprietary Fund Types	4
Combined Statements of Cash Flows – All Proprietary Fund Types	5
Notes to the Financial Statements	6 - 13
Supplemental Information	
General Fund	
Schedule of Revenues	14
Schedule of Current Expenditures	15
All Proprietary Fund Types	
Combining Balance Sheets	16
Combining Statements of Revenues, Expenses and Changes in Retained Earnings	17 - 18
Combining Statements of Cash Flows	19
Utility Fund	
Combining Statements of Revenues, Expenses and Changes in Retained Earnings	20 - 21
Schedule of Expenditures of Federal Awards	22
Notes to the Schedule of Expenditures of Federal Awards	23
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	24 - 25
Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	26 - 27
Schedule of Findings	28



## INDEPENDENT AUDITORS' REPORT

Honorable Mayor  
Members of the City Council  
City of Williamstown, Kentucky

We have audited the general purpose financial statements of the City of Williamstown, Kentucky as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. The prior year summarized comparative information has been derived from the City's 2002 financial statements, which were audited by other auditors and, in their report dated August 23, 2002, they expressed an unqualified opinion on those financial statements.

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

In our opinion, the 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, 2003, and the results of its operations and the cash flow of its proprietary fund types for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated December 16, 2003 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.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental schedules and supporting information as 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. The supplementary schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in our examination 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.

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
December 16, 2003

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**CITY OF WILLIAMSTOWN, KENTUCKY  
COMBINED BALANCE SHEETS  
ALL FUND TYPES AND ACCOUNT GROUPS  
June 30, 2003 with Comparative Totals for June 30, 2002**

	Governmental		Proprietary		Account Groups		Totals	
	Fund Type		Fund Types				(Memorandum Only)	
	General	Enterprise	General	General	General	General	June 30,	June 30,
	Fund	Funds	Fixed	Long Term	Fixed	Long Term	2003	2002
			Assets	Debt	Assets	Debt		
<b>Assets and Other Debits</b>								
Cash and Cash Equivalents	\$ 177,540	\$ 1,745,451	\$ -	\$ -	\$ 1,922,991	\$ 3,459,327		
Receivables:								
Taxes	7,134	-	-	-	7,134	10,903		
Accounts	74,214	654,472	-	-	728,686	592,454		
Loans	-	77,480	-	-	77,480	9,430		
Intergovernmental Receivable	281,442	114,723	-	-	396,165	117,065		
Accrued Interest Receivable	1,322	23,419	-	-	24,741	52,250		
Bond Issuance Costs (Net of Accumulated								
Amortization of \$1,139)	-	33,024	-	-	33,024	23,688		
Due From Other Funds	8,498	39,036	-	-	47,534	-		
Restricted Assets:								
Cash	-	246,985	-	-	246,985	248,134		
Property and Equipment	-	21,172,158	3,931,806	-	25,103,964	22,268,883		
Accumulated Depreciation	-	(10,870,772)	-	-	(10,870,772)	(10,133,673)		
Amount to be Provided for Retirement of								
General Long-Term Debt	-	-	-	24,412	24,412	32,386		
<b>Total Assets and Other Debits</b>	<b>\$ 550,150</b>	<b>\$ 13,235,976</b>	<b>\$ 3,931,806</b>	<b>\$ 24,412</b>	<b>\$ 17,742,344</b>	<b>\$ 16,680,847</b>		
<b>Liabilities</b>								
Accounts Payable	\$ 297,824	\$ 300,672	\$ -	\$ -	\$ 598,496	\$ 306,132		
Other Current Liabilities	10,285	59,874	-	-	70,159	64,906		
Due to Other Funds	5,158	42,376	-	-	47,534	-		
Customer Deposits	-	350,246	-	-	350,246	327,256		
Accrued Interest Payable	-	1,658	-	-	1,658	4,989		
Deferred Revenues	7,134	-	-	-	7,134	20,334		
Compensated Absences Payable	-	-	-	16,178	16,178	14,912		
Note Payable	-	-	-	8,234	8,234	17,474		
Bonds Payable	-	1,116,122	-	-	1,116,122	1,187,000		
<b>Total Liabilities</b>	<b>320,401</b>	<b>1,870,948</b>	<b>-</b>	<b>24,412</b>	<b>2,215,761</b>	<b>1,943,003</b>		
<b>Equity and Fund Balances</b>								
Investment in General Fixed Assets	-	-	3,931,806	-	3,931,806	2,406,850		
Retained Earnings:								
Reserved for Debt Service	-	246,985	-	-	246,985	248,134		
Unreserved	-	11,118,043	-	-	11,118,043	11,598,227		
Fund Balances:								
Reserved for Municipal Aid	68,263	-	-	-	68,263	18,049		
Reserved for LGEA	15,378	-	-	-	15,378	13,968		
Unreserved, Undesignated	146,108	-	-	-	146,108	452,616		
<b>Total Equity and Fund Balances</b>	<b>229,749</b>	<b>11,365,028</b>	<b>3,931,806</b>	<b>-</b>	<b>15,526,583</b>	<b>14,737,844</b>		
<b>Total Liabilities, Equity and Fund Balances</b>	<b>\$ 550,150</b>	<b>\$ 13,235,976</b>	<b>\$ 3,931,806</b>	<b>\$ 24,412</b>	<b>\$ 17,742,344</b>	<b>\$ 16,680,847</b>		

See accompanying notes.

**CITY OF WILLIAMSTOWN, KENTUCKY  
STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND TYPE**

**Year Ended June 30, 2003 with Comparative Totals for the Year Ended June 30, 2002**

	<b>General Fund</b>	
	<b>June 30,</b>	
	<b>2003</b>	<b>2002</b>
<b>Revenues</b>		
Taxes	\$ 379,620	\$ 377,134
Licenses and Permits	280,950	232,377
Intergovernmental Revenues	491,980	236,522
Charges for Services	145,239	136,955
Interest	7,140	8,634
Other Revenues	39,736	59,710
<b>Total Revenues</b>	<b>1,344,665</b>	<b>1,051,332</b>
<b>Expenditures</b>		
Current		
General Government	298,664	254,427
Police	376,552	338,238
Fire	63,136	67,148
Streets	313,812	320,262
Cemetery	23,465	19,422
Sanitation	109,146	88,910
Recreation	16,786	17,222
Main Street	20,722	18,291
Capital Outlay	1,795,495	595,916
Debt Service	9,240	9,326
<b>Total Expenditures</b>	<b>3,027,018</b>	<b>1,729,162</b>
<b>Deficit of Revenues Over Expenditures</b>	<b>(1,682,353)</b>	<b>(677,830)</b>
<b>Other Financing Sources</b>		
Operating Transfers - In	1,408,494	937,545
Sale of Property	18,975	-
Note Proceeds	-	26,800
<b>Total Other Financing Sources</b>	<b>1,427,469</b>	<b>964,345</b>
<b>Excess (Deficit) of Revenues and Other Financing Financing Sources Over Expenditures</b>	<b>(254,884)</b>	<b>286,515</b>
Fund Balance, Beginning of Year	484,633	198,118
<b>Fund Balances, End of Year</b>	<b>\$ 229,749</b>	<b>\$ 484,633</b>

See accompanying notes.

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**STATEMENT OF BUDGETED AND ACTUAL REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND TYPE**  
**Year Ended June 30, 2003**

	<u>General Fund</u>		<b>Variance Favorable (Unfavorable)</b>
	<u>Budget</u>	<u>Actual</u>	
<b>Revenues</b>			
Taxes	\$ 360,000	\$ 379,620	\$ 19,620
Licenses and Permits	193,600	280,950	87,350
Intergovernmental Revenues	743,800	491,980	(251,820)
Charges for Services	131,000	145,239	14,239
Interest	44,000	7,140	(36,860)
Other Revenues	<u>26,700</u>	<u>39,736</u>	<u>13,036</u>
 Total Revenues	 <u>1,499,100</u>	 <u>1,344,665</u>	 <u>(154,435)</u>
<b>Expenditures</b>			
Current			
General Government	303,700	298,664	5,036
Police	401,000	376,552	24,448
Fire	63,600	63,136	464
Streets	328,450	313,812	14,638
Cemetery	22,500	23,465	(965)
Sanitation	128,000	109,146	18,854
Recreation	16,600	16,786	(186)
Main Street	21,150	20,722	428
Capital Outlay	2,383,467	1,795,495	587,972
Debt Service	<u>18,200</u>	<u>9,240</u>	<u>8,960</u>
 Total Expenditures	 <u>3,686,667</u>	 <u>3,027,018</u>	 <u>659,649</u>
 <b>Excess (Deficit) of Revenues Over Expenditures</b>	 (2,187,567)	 (1,682,353)	 505,214
<b>Other Financing Sources</b>			
Operating Transfers - In	2,038,667	1,408,494	2,038,667
Sale of Property	-	18,975	18,975
Note Proceeds	<u>-</u>	<u>-</u>	<u>-</u>
 Total Other Financing Sources	 <u>2,038,667</u>	 <u>1,427,469</u>	 <u>(611,198)</u>
 <b>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses</b>	 <u>(148,900)</u>	 <u>(254,884)</u>	 <u>(105,984)</u>
 Fund Balance, Beginning of Year	 <u>484,633</u>	 <u>484,633</u>	 <u>-</u>
 <b>Fund Balances, End of Year</b>	 <u>\$ 335,733</u>	 <u>\$ 229,749</u>	 <u>\$ (105,984)</u>

See accompanying notes.



**CITY OF WILLIAMSTOWN, KENTUCKY**  
**COMBINED STATEMENTS OF REVENUES, EXPENSES AND**  
**CHANGES IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES**  
**Year Ended June 30, 2003 with Comparative Totals for the Year Ended June 30, 2002**

	<b>Enterprise Funds</b>	
	<b>June 30,</b>	
	<b>2003</b>	<b>2002</b>
<b>Operating Revenues</b>		
Charges for Services	\$ 4,989,931	\$ 4,331,431
Miscellaneous	22,132	4,563
	<u>5,012,063</u>	<u>4,335,994</u>
<b>Operating Expenses</b>		
Personnel Services	1,066,057	1,015,233
Contractual Services	2,421,198	2,000,399
Materials and Supplies	215,255	150,079
Depreciation and Amortization	738,237	683,334
Miscellaneous	12,107	11,718
	<u>4,452,854</u>	<u>3,860,763</u>
<b>Operating Income</b>	<u>559,209</u>	<u>475,231</u>
<b>Non-Operating Revenues and Expenses</b>		
Interest Income	53,035	147,678
Interest Expense	(69,482)	(71,562)
Intergovernmental Revenue	384,399	-
	<u>367,952</u>	<u>76,116</u>
Net Income Before Transfers	927,161	551,347
Operating Transfers Out	<u>(1,408,494)</u>	<u>(937,545)</u>
Net Loss	(481,333)	(386,198)
Retained Earnings, Beginning of Year	<u>11,846,361</u>	<u>12,232,559</u>
<b>Retained Earnings, End of Year</b>	<u>\$ 11,365,028</u>	<u>\$ 11,846,361</u>

See accompanying notes.

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**Year Ended June 30, 2003 with Comparative Totals for the Year Ended June 30, 2002**

	<b>Enterprise Funds</b>	
	<b>June 30,</b>	
	<b>2003</b>	<b>2002</b>
<b>Cash Flows From Operating Activities</b>		
Operating Income (Loss)	\$ 559,209	\$ 475,231
Reconciliation of Operating Income with Cash Flows from Operations		
Depreciation	737,099	683,334
Amortization	24,826	2,154
Decrease (Increase) in Restricted Net Assets	1,149	(1,640)
Transfers to Other Funds	(1,408,494)	(937,545)
Changes In		
Accounts Receivable	(127,454)	91,810
Loans Receivable	(77,480)	-
Intergovernmental Receivable	(114,723)	-
Accrued Interest Receivable	27,960	5,109
Due from Other Funds	(39,036)	175,000
Accounts Payable	154,284	(14,316)
Other Current Liabilities	4,295	(10,384)
Due to Other Funds	42,376	(175,000)
Accrued Interest Payable	(3,331)	(295)
Customer Deposits	22,990	23,819
	<u>(196,330)</u>	<u>317,277</u>
<b>Cash (Used) Provided by Operations</b>		
<b>Cash Flows From Capital and Related Financing Activities</b>		
Bond Principal Payments	(1,103,590)	(94,000)
Purchase of Capital Assets	(1,310,125)	(600,334)
Grant Funds	384,399	-
Proceeds of Bonds	1,032,712	-
Bond Issuance Cost	(34,162)	-
Interest Payments	(69,482)	(71,562)
	<u>(1,100,248)</u>	<u>(765,896)</u>
<b>Cash Used by Capital and Related Financing Activities</b>		
<b>Cash Flows from Investing Activities</b>		
Interest Income	53,035	147,678
	<u>53,035</u>	<u>147,678</u>
<b>Net Change in Cash</b>	(1,243,543)	(300,941)
<b>Beginning Cash Balance</b>	<u>2,988,994</u>	<u>3,289,935</u>
<b>Ending Cash Balance</b>	<u>\$ 1,745,451</u>	<u>\$ 2,988,994</u>

See accompanying notes.

**CITY OF WILLIAMSTOWN, KENTUCKY  
NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – ACCOUNTING POLICIES**

Kentucky Revised Statutes and Ordinances of the City Council of the City of Williamstown, Kentucky (the "City") designate the purpose, function and restrictions of the various funds. The financial statements included herein consist of the General, Utility and Sewer Enterprise Funds and the General Fixed Assets and the General Long-Term Debt Account Groups.

**The Reporting Entity**

The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Williamstown. As required by U.S. 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.

The City of Williamstown is a Charter City, in which citizens elect the mayor at large and six council members.

**Use of Estimates**

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amount of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Fund Accounting**

The City maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts which stands separate from the activities reported in other funds.

Governmental funds are used to account for all of the City's general activities. The general fund is the main operating fund of the City. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use.

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**

For financial purposes, the accounting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for by using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the balance sheet. Operating statements of these present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance.

The proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the balance sheet. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in retained earnings.

**NOTE 1 – ACCOUNTING POLICIES (Continued)**

Adjustments have been made to properly present the financial statements of the governmental fund types on the modified accrual basis of accounting. On this basis of accounting, revenues are recognized when they become measurable and available as assets. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is interest on general long-term debt, which is recognized as an expenditure when paid. The proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

The City applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements, unless those pronouncements conflict with or contradict GASB pronouncements.

**Budgets**

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annually appropriated budgets are adopted for all government funds. All annual appropriations continue in effect until a new budget is adopted.

**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 City Council.

During the year ended June 30, 2003, the City Council adopted two budget amending ordinances.

**Encumbrances**

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**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date of ninety days or less.

**NOTE 1 – ACCOUNTING POLICIES (Continued)**

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.

**Property and Equipment**Governmental Fund Type

Property and equipment purchases are recorded as expenditures in the various funds and accumulated in the General Fixed Asset Group of Accounts.

Property and equipment in the General Fixed Asset Account Group are stated at cost. Proceeds received on the disposal of fixed assets are recorded in the general fund as miscellaneous income, and the General Fixed Asset Account Group is relieved at the cost. No depreciation is computed.

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.

Enterprise Fund Types

The cost of the water, electric and cable systems are being depreciated over the estimated useful life of the assets (35 years). Depreciation is computed on the straight-line method.

Maintenance and repairs are charged to operations when incurred. Significant betterments and renewals are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

**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 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.

Employees accrue unused accumulated sick leave up to a maximum of 950 hours. Under the City’s policy, employees can utilize sick leave only when sick or upon retirement. Since the employees accumulating rights to receive compensation for unused accumulated sick leave are contingent upon the absences being caused by illnesses or retirement and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

**NOTE 1 – ACCOUNTING POLICIES (Continued)****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.

**Total Columns on Combined Statements**

Total columns on the Combined 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 or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Advertising**

All advertising costs are expensed to operations when incurred.

**Comparative Financial Information**

These financial statements include June 30, 2002 financial information in totals only. This is presented for comparative purposes only and does not necessarily present a complete balance sheet or statement of revenues, expenditures, and changes in fund balances/retained earnings for the year then ended.

**NOTE 2 – CASH FLOW INFORMATION**

For purposes of the cash flows statement, cash includes cash in checking accounts and short-term deposits with an initial maturity of ninety days or less. Restricted cash held in escrow for the purpose of debt service is not included in cash for this statement.

The carrying amount of the City's deposits with financial institutions, including restricted cash, was \$2,169,976 and the bank balance was \$2,257,872. Of that amount, \$300,000 was insured by the FDIC and \$1,500,000 was collateralized with securities held by the financial institution and pledged to collateralize the City's deposits. As of June 30, 2003, the City had \$457,872 in cash in financial institutions in excess of insured limits.

**NOTE 3 – PROPERTY TAXES RECEIVABLE**

Property taxes attached as an enforceable lien on property as of January 1, 2002. Taxes were levied in August, 2002, and were due and payable at that time. All unpaid taxes levied in August become delinquent January 1 of the following year.

A deferred revenue account is established for delinquent taxes to the extent that their collectibility is improbable.

**NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. The City begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the City's collection history, the financial stability and recent payment history of the customer, and other pertinent factors. Based on these criteria, the City has estimated no allowance for doubtful accounts at June 30, 2003 because it expects no material losses.

**NOTE 5 – LOANS RECEIVABLE**

Loans receivable at June 30, 2003 consist of the following:

Proprietary Funds:  
Utility Fund

Loans Receivable for Water Tap-In Fees \$ 77,480

**NOTE 6 – PROPERTY AND EQUIPMENT**

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

	Balance July 1, 2002	Additions	Disposals	Balance June 30, 2003
Land and Improvements	\$ 415,151	\$ -	\$ (10,000)	\$ 405,151
Buildings and Improvements	936,347	1,473,315	-	2,409,662
Machinery and Equipment	<u>1,055,352</u>	<u>61,641</u>	<u>-</u>	<u>1,116,993</u>
	<u>\$ 2,406,850</u>	<u>\$ 1,534,956</u>	<u>\$ (10,000)</u>	<u>\$ 3,931,806</u>

The following is a summary of changes in the property and equipment in the proprietary funds:

	Balance July 1, 2002	Additions	Disposals	Balance June 30, 2003
Water System	\$ 9,402,236	\$ 1,171,941	\$ -	\$10,574,177
Electric System	2,658,184	26,875	-	2,685,059
Cable T.V. System	695,690	39,197	-	734,887
Sewer System	<u>7,105,923</u>	<u>72,112</u>	<u>-</u>	<u>7,178,035</u>
Total Assets	19,862,033	1,310,125	-	21,172,158
Less Depreciation	<u>(10,133,673)</u>	<u>(737,099)</u>	<u>-</u>	<u>(10,870,772)</u>
Totals	<u>\$ 9,728,360</u>	<u>\$ 573,026</u>	<u>\$ -</u>	<u>\$10,301,386</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 reviewed contracts, engineering reports, minutes of City Council meetings and actual disbursement records to the extent practical in the circumstances.

**NOTE 7 – 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, 2003:

Year Ended <u>June 30,</u>	
2004	\$ <u>8,234</u>

The following changes occurred in the general long-term debt account group during the year ended June 30, 2003:

	<u>Balance July 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2003</u>
Compensated Absences	\$ 14,912	\$ 1,266	\$ -	\$ 16,178
Note Payable	<u>17,474</u>	<u>-</u>	<u>9,240</u>	<u>8,234</u>
	<u>\$ 32,386</u>	<u>\$ 1,266</u>	<u>\$ 9,240</u>	<u>\$ 24,412</u>

**NOTE 8 – BONDS PAYABLE**

The City issued \$730,000 of "Sewer Revenue Bonds" dated May, 1968 bearing interest at the rate of 4% to finance the construction of the sewer system. The outstanding balance at June 30, 2003 is \$162,000, payments on which are due January 1 of each year through 2008.

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.

On March 1, 2003, the City issued utility revenue refunding bonds of \$1,075,000; with interest rates varying from 1.875% to 4.190% to advance refund the 1993 water revenue bonds with interest rates ranging from 3.05% to 5.80%. The new issue redeemed the outstanding 1993 bonds maturing after June 1, 2004 in the principal amount of \$930,000 on June 1, 2003 at the redemption price of 102%.

The outstanding balance at June 30, 2003 is \$995,000, payments on which are due June 1 of each year through 2013. The City incurred deferred refunding costs in the amount of \$42,288, which were capitalized and netted against the outstanding balance of the bonds. The deferred refunding costs are being written off over 10 years as a component of interest expense.



**NOTE 8 – BONDS PAYABLE (Continued)**

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the City at June 30, 2003 for debt service, (principal and interest) are as follows:

Fiscal Year Ended June 30,	Bond		Total
	Principal	Interest	
2003-04	\$ 116,000	\$ 38,965	\$ 154,965
2004-05	122,000	36,005	158,005
2005-06	129,000	32,548	161,548
2006-07	128,000	28,555	156,555
2007-08	127,000	24,365	151,365
2008-09	100,000	20,637	120,637
2009-10	105,000	17,138	122,138
2010-11	105,000	13,200	118,200
2011-12	110,000	9,000	119,000
2012-13	<u>115,000</u>	<u>4,600</u>	<u>119,600</u>
Totals	\$ 1,157,000	\$ <u>225,013</u>	\$ <u>1,382,013</u>
Unamortized Deferred Refunding Costs		<u>(40,878)</u>	
Net		<u>\$ 1,116,122</u>	

**NOTE 9 – 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 10 – INTEREST EXPENSE**

Interest expense for the year ended June 30, 2003 consisted of the following:

Proprietary Funds:	
Interest Expense on Sewer Revenue Bonds	\$ 6,068
Interest Expense on Water Revenue Bonds	26,775
Interest Expense on Utility Revenue Refunding Bonds	11,542
Deferred Refunding Costs	1,410
Write-off of 1993 Bond Issuance Costs	<u>23,687</u>
	<u>\$ 69,482</u>

**NOTE 11 – EMPLOYEES' RETIREMENT PLAN**

Employees who work an average of 100 hours per month participate in the County Employees Retirement System of Kentucky ("CERS") which is a cost sharing multiple-employer public employees retirement system created by and operating under Kentucky Law.

The County Employees Retirement System covers substantially all regular non-certified full-time employees of each county and school board, and any additional local agencies electing to participate. The plan provides for retirement, disability and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

Participating employees contribute 5% of the creditable compensation (7% for hazardous duty participants). Employer contribution rates are intended to fund the normal cost on a current basis plus one percent (1%) of unfunded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. The City contributed 6.34% of the employees' compensation (16.28% for hazardous duty participants) during the fiscal year ended June 30, 2003.

The City of Williamstown's required contribution for pension obligations to CERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$93,021, \$92,187 and \$97,451, respectively; 100 percent has been contributed for fiscal years 2003, 2002, and 2001.

**NOTE 12 – CONTINGENCIES**

The City receives funding from federal, state and local government agencies. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the City for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the City's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**NOTE 13 – INSURANCE AND RELATED ACTIVITIES**

The City is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The City has purchased certain policies that are retrospectively rated which include worker's compensation insurance.

**NOTE 14 – NEW REPORTING STANDARD**

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". This Statement establishes new financial reporting requirements for state and local governments throughout the United States. When implemented, it will require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in all prior years will be affected. The City is required to implement this standard for the fiscal year ending June 30, 2004. The City has not yet determined the full impact that adoption of GASB Statement 34 will have on the financial statements.

**CITY OF WILLIAMSTOWN, KENTUCKY  
SCHEDULE OF REVENUES  
GENERAL FUND**

**Year Ended June 30, 2003 with Comparative Totals for the Year Ended June 30, 2002**

	<u>2003</u>		<b>Variance Favorable (Unfavorable)</b>	<u>2002</u>
	<u>Budget</u>	<u>Actual</u>		<u>Actual</u>
<b>Revenues</b>				
Taxes				
Property Taxes	\$ 360,000	\$ 379,620	\$ 19,620	\$ 377,134
Licenses and Permits				
Occupational Licenses	12,600	18,061	5,461	14,442
Insurance Premium License Fees	140,000	201,311	61,311	167,434
Building Permits	1,000	540	(460)	1,225
Motor Vehicle Licenses	40,000	61,038	21,038	49,276
Total Licenses and Permits	<u>193,600</u>	<u>280,950</u>	<u>87,350</u>	<u>232,377</u>
Intergovernmental Revenues				
Base Court Revenue	8,400	8,396	(4)	8,396
Police Incentive Pay	18,600	18,938	338	18,148
CDBG Grant	350,000	248,117	(101,883)	101,883
Grants	320,000	166,029	(153,971)	56,583
Municipal Aid	46,000	49,247	3,247	49,989
LGEA	800	1,253	453	1,523
Total Intergovernmental Revenues	<u>743,800</u>	<u>491,980</u>	<u>(251,820)</u>	<u>236,522</u>
Charges for Services				
Refuse Collection Fees	109,000	111,801	2,801	109,646
Perpetual Fund	-	1,186	1,186	4,541
Cemetery Lots/Graves	22,000	32,252	10,252	22,768
Total Charges for Services	<u>131,000</u>	<u>145,239</u>	<u>14,239</u>	<u>136,955</u>
Interest	<u>44,000</u>	<u>7,140</u>	<u>(36,860)</u>	<u>8,634</u>
Miscellaneous				
Rental Income	5,200	5,340	140	5,275
Donations	3,000	11,255	8,255	10,098
Beautification Sign Ads	2,000	3,045	1,045	1,800
Litter Abatement	-	3,543	3,543	-
Miscellaneous	16,500	16,553	53	42,537
Total Miscellaneous	<u>26,700</u>	<u>39,736</u>	<u>13,036</u>	<u>59,710</u>
<b>Total Revenues</b>	<b>\$ <u>1,499,100</u></b>	<b>\$ <u>1,344,665</u></b>	<b>\$ <u>(154,435)</u></b>	<b>\$ <u>1,051,332</u></b>

**CITY OF WILLIAMSTOWN, KENTUCKY  
SCHEDULE OF CURRENT EXPENDITURES  
GENERAL FUND**

**Year Ended June 30, 2003 with Comparative Totals for the Year Ended June 30, 2002**

								<u>Total</u>		
	<u>General Government</u>	<u>Police</u>	<u>Fire</u>	<u>Streets</u>	<u>Cemetery</u>	<u>Sanitation</u>	<u>Recreation</u>	<u>Main Street</u>	<u>2003</u>	<u>2002</u>
<b>Expenditures</b>										
Salaries	\$ 114,329	\$ 219,344	\$ -	\$ 130,950	\$ -	\$ -	\$ -	\$ 15,123	\$ 479,746	\$ 442,147
Medical Insurance	20,437	51,467	-	45,722	-	-	-	-	117,626	87,445
FICA	9,787	15,669	-	9,637	-	-	-	-	35,093	31,879
Employee Retirement	5,938	42,110	-	9,821	-	-	-	-	57,869	48,469
Workers Compensation	508	8,214	-	11,135	-	-	-	-	19,857	12,723
Advertising and Printing	2,699	-	-	-	-	-	-	-	2,699	5,081
Professional Fees	40,069	-	-	-	-	-	-	-	40,069	29,350
Insurance	9,745	8,568	13,019	6,106	-	-	-	-	37,438	31,703
Economic Development	22,488	-	-	-	-	-	-	-	22,488	19,115
Planning and Zoning	19,968	-	-	-	-	-	-	-	19,968	18,678
Other Contractual Services	5,337	930	5,037	1,438	-	-	934	-	13,676	12,768
Education and Training	3,597	1,635	2,055	894	-	-	-	2,127	10,308	9,531
Repairs and Maintenance	-	-	7,452	37,534	1,030	-	9,321	-	55,337	34,819
Travel and Lodging	4,329	-	-	-	-	-	-	-	4,329	4,379
Utilities	3,176	-	6,307	-	-	-	3,747	-	13,230	10,194
Communications and Postage	7,582	6,111	-	1,252	-	-	710	2,141	17,796	19,709
Dues and Subscriptions	3,251	-	-	-	-	-	-	195	3,446	3,220
Office Supplies	3,715	1,197	-	-	-	-	-	748	5,660	3,911
City Festivals	7,382	-	-	-	-	-	-	-	7,382	5,350
Contributions	9,462	-	-	-	-	-	-	-	9,462	10,508
Miscellaneous	4,865	1,478	3,886	22,743	-	-	(378)	388	32,982	18,783
Vehicle Maintenance	-	16,959	15,199	12,048	-	-	-	-	44,206	31,984
Technical Supplies	-	943	-	1,807	-	-	-	-	2,750	2,166
Uniforms	-	1,927	3,443	2,398	-	-	-	-	7,768	7,807
Equipment Parts	-	-	5,156	4,589	-	-	16	-	9,761	9,431
Other Material and Supplies	-	-	1,582	15,738	-	-	36	-	17,356	12,840
Municipal Aid/LGEA	-	-	-	-	-	-	-	-	-	90,970
Graves	-	-	-	-	14,475	-	-	-	14,475	8,100
Cemetery Sexton	-	-	-	-	6,450	-	-	-	6,450	6,000
Trustee Fees	-	-	-	-	1,510	-	-	-	1,510	3,550
Waste Collection	-	-	-	-	-	109,146	-	-	109,146	88,910
Park Pay Contract	-	-	-	-	-	-	2,400	-	2,400	2,400
<b>Total General Fund</b>										
<b>Current Expenditures</b>	\$ <u>298,664</u>	\$ <u>376,552</u>	\$ <u>63,136</u>	\$ <u>313,812</u>	\$ <u>23,465</u>	\$ <u>109,146</u>	\$ <u>16,786</u>	\$ <u>20,722</u>	\$ <u>1,222,283</u>	\$ <u>1,123,920</u>

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**COMBINING BALANCE SHEETS**  
**ALL PROPRIETARY FUND TYPES**  
**June 30, 2003 with Comparative Totals for June 30, 2002**

	<u>Utility Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>	
			<u>June 30,</u>	
			<u>2003</u>	<u>2002</u>
<b>Assets and Other Debits</b>				
Cash and Cash Equivalents	\$ 1,594,730	\$ 150,721	\$ 1,745,451	\$ 2,988,994
Receivables:				
Accounts	575,818	78,654	654,472	527,018
Loans	77,480	-	77,480	-
Intergovernmental Receivable	114,723	-	114,723	-
Accrued Interest Receivable	16,865	6,554	23,419	51,379
Bond Issuance Costs (Net of Accumulated Amortization of \$1,139)	33,024	-	33,024	23,688
Due From Other Funds	3,943	35,093	39,036	-
Restricted Assets:				
Cash	246,985	-	246,985	248,134
Property & Equipment	13,994,123	7,178,035	21,172,158	19,862,033
Accumulated Depreciation	<u>(6,657,401)</u>	<u>(4,213,371)</u>	<u>(10,870,772)</u>	<u>(10,133,673)</u>
<b>Total Assets and Other Debits</b>	<b>\$ <u>10,000,290</u></b>	<b>\$ <u>3,235,686</u></b>	<b>\$ <u>13,235,976</u></b>	<b>\$ <u>13,567,573</u></b>
<b>Liabilities</b>				
Accounts Payable	\$ 264,603	\$ 36,069	\$ 300,672	\$ 146,388
Other Current Liabilities	49,567	10,307	59,874	55,579
Due to Other Funds	42,376	-	42,376	-
Customer Deposits	350,246	-	350,246	327,256
Accrued Interest Payable	1,658	-	1,658	4,989
Bonds Payable	<u>954,122</u>	<u>162,000</u>	<u>1,116,122</u>	<u>1,187,000</u>
<b>Total Liabilities</b>	<b><u>1,662,572</u></b>	<b><u>208,376</u></b>	<b><u>1,870,948</u></b>	<b><u>1,721,212</u></b>
<b>Equity</b>				
Retained Earnings:				
Reserved for Debt Service	246,985	-	246,985	248,134
Unreserved	<u>8,090,733</u>	<u>3,027,310</u>	<u>11,118,043</u>	<u>11,598,227</u>
<b>Total Equity</b>	<b><u>8,337,718</u></b>	<b><u>3,027,310</u></b>	<b><u>11,365,028</u></b>	<b><u>11,846,361</u></b>
<b>Total Liabilities and Equity</b>	<b>\$ <u>10,000,290</u></b>	<b>\$ <u>3,235,686</u></b>	<b>\$ <u>13,235,976</u></b>	<b>\$ <u>13,567,573</u></b>

**CITY OF WILLIAMSTOWN, KENTUCKY  
COMBINING STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES**

**Year Ended June 30, 2003 with Comparative Totals for the Year Ended June 30, 2002**

	Utility Fund	Sewer Fund	Totals	
			June 30,	
			2003	2002
<b>Operating Revenues</b>				
Charges for Services	\$ 4,273,876	\$ 512,119	\$ 4,785,995	\$ 4,224,190
Tap In Fees	185,202	1,350	186,552	89,262
Lift Station	-	17,064	17,064	17,509
Reconnects	320	-	320	470
Miscellaneous	3,751	18,381	22,132	4,563
Total Operating Revenues	<u>4,463,149</u>	<u>548,914</u>	<u>5,012,063</u>	<u>4,335,994</u>
<b>Operating Expenses</b>				
Personnel Services				
Salaries	593,780	150,988	744,768	730,291
Medical Insurance	140,707	42,615	183,322	164,523
FICA	44,095	10,999	55,094	53,293
Employee Retirement	44,079	12,751	56,830	43,719
Workers' Compensation	20,879	5,164	26,043	23,407
Total Personnel Services	<u>843,540</u>	<u>222,517</u>	<u>1,066,057</u>	<u>1,015,233</u>
Contractual Services				
System Repairs/Maintenance	44,915	72,321	117,236	98,538
Utilities	1,819,698	90,623	1,910,321	1,559,270
Other Contract Service	35,527	18,710	54,237	56,525
Education and Training	1,409	3,685	5,094	6,165
Lab Tests	13,660	7,512	21,172	16,469
Communications and Postage	21,365	3,461	24,826	20,852
Insurance	29,486	7,602	37,088	23,854
Advertising and Printing	2,016	-	2,016	1,237
Professional Fees	25,371	2,400	27,771	16,747
Royalties	189,034	-	189,034	171,728
Vehicle Maintenance	24,337	8,066	32,403	29,014
Total Contractual Services	<u>2,206,818</u>	<u>214,380</u>	<u>2,421,198</u>	<u>2,000,399</u>
Materials and Supplies				
Equipment Parts	17,091	472	17,563	11,725
Technical Supplies	48,277	1,014	49,291	22,133
Uniforms	3,711	761	4,472	3,967
Cleaning Supplies	-	287	287	506
Chemicals and Chlorine	61,829	20,324	82,153	59,919
Lab Materials	9,357	3,598	12,955	13,191
Construction Materials	36,723	-	36,723	30,171
Office Supplies	11,811	-	11,811	8,467
Total Materials and Supplies	<u>188,799</u>	<u>26,456</u>	<u>215,255</u>	<u>150,079</u>

(Continued)

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**COMBINING STATEMENTS OF REVENUES, EXPENSES**  
**AND CHANGES IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES**  
**Year Ended June 30, 2003 with Comparative Totals for the Year Ended June 30, 2002**

	Utility Fund	Sewer Fund	Totals	
			June 30,	
			2003	2002
Depreciation and Amortization	\$ 526,998	\$ 211,239	\$ 738,237	\$ 683,334
Miscellaneous				
Dues and Subscriptions	1,633	57	1,690	2,015
Safety Committee	887	-	887	-
Miscellaneous	11,264	(1,734)	9,530	9,703
Total Miscellaneous	13,784	(1,677)	12,107	11,718
Total Operating Expenses	3,779,939	672,915	4,452,854	3,860,763
<b>Operating Income (Loss)</b>	<b>683,210</b>	<b>(124,001)</b>	<b>559,209</b>	<b>475,231</b>
<b>Non-Operating Revenues and Expenses</b>				
Interest Income	49,147	3,888	53,035	147,678
Interest Expense	(63,414)	(6,068)	(69,482)	(71,562)
Intergovernmental Revenue	384,399	-	384,399	-
Total Non-Operating Revenues and Expenses	370,132	(2,180)	367,952	76,116
Net Income (Loss) Before Transfers	1,053,342	(126,181)	927,161	551,347
Operating Transfers In (Out)	(1,410,552)	2,058	(1,408,494)	(937,545)
<b>Net Loss</b>	<b>(357,210)</b>	<b>(124,123)</b>	<b>(481,333)</b>	<b>(386,198)</b>
Retained Earnings, Beginning of Year	8,694,928	3,151,433	11,846,361	12,232,559
<b>Retained Earnings, End of Year</b>	<b>\$ 8,337,718</b>	<b>\$ 3,027,310</b>	<b>\$ 11,365,028</b>	<b>\$ 11,846,361</b>

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**COMBINING STATEMENTS OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
Year Ended June 30, 2003 with Comparative Totals for the Year Ended June 30, 2002

	Utility Fund	Sewer Fund	Totals	
			June 30,	
			2003	2002
<b>Cash Flows From Operating Activities</b>				
Operating Income (Loss)	\$ 683,210	\$ (124,001)	\$ 559,209	\$ 475,231
Reconciliation of Operating Income (Loss) with Cash Flows from Operations				
Depreciation	525,860	211,239	737,099	683,334
Amortization	24,826	-	24,826	2,154
Decrease (Increase) in Restricted Net Assets	1,149	-	1,149	(1,640)
Transfers to Other Funds	(1,410,552)	2,058	(1,408,494)	(937,545)
Changes In				
Accounts Receivable	(124,611)	(2,843)	(127,454)	91,810
Loans Receivable	(77,480)	-	(77,480)	-
Intergovernmental Receivable	(114,723)	-	(114,723)	-
Accrued Interest Receivable	31,081	(3,121)	27,960	5,109
Due from Other Funds	(3,943)	(35,093)	(39,036)	175,000
Accounts Payable	126,864	27,420	154,284	(14,316)
Other Current Liabilities	2,298	1,997	4,295	(10,384)
Due to Other Funds	42,376	-	42,376	(175,000)
Accrued Interest Payable	(3,331)	-	(3,331)	(295)
Customer Deposits	22,990	-	22,990	23,819
<b>Cash (Used) Provided by Operations</b>	<u>(273,986)</u>	<u>77,656</u>	<u>(196,330)</u>	<u>317,277</u>
<b>Cash Flows From Capital and Related Financing Activities</b>				
Bond Principal Payments	(1,073,590)	(30,000)	(1,103,590)	(94,000)
Purchase of Capital Assets	(1,238,013)	(72,112)	(1,310,125)	(600,334)
Grant Funds	384,399	-	384,399	-
Proceeds of Bonds	1,032,712	-	1,032,712	-
Bond Issuance Cost	(34,162)	-	(34,162)	-
Interest Payments	(63,414)	(6,068)	(69,482)	(71,562)
<b>Cash Used by Capital and Related Financing Activities</b>	<u>(992,068)</u>	<u>(108,180)</u>	<u>(1,100,248)</u>	<u>(765,896)</u>
<b>Cash Flows from Investing Activities</b>				
Interest Income	49,147	3,888	53,035	147,678
<b>Net Change in Cash</b>	<u>(1,216,907)</u>	<u>(26,636)</u>	<u>(1,243,543)</u>	<u>(300,941)</u>
<b>Beginning Cash Balance</b>	<u>2,811,637</u>	<u>177,357</u>	<u>2,988,994</u>	<u>3,289,935</u>
<b>Ending Cash Balance</b>	<u>\$ 1,594,730</u>	<u>\$ 150,721</u>	<u>\$ 1,745,451</u>	<u>\$ 2,988,994</u>



**CITY OF WILLIAMSTOWN, KENTUCKY  
COMBINING STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
UTILITY FUND**

**Year Ended June 30, 2003 with Comparative Totals for the Year Ended June 30, 2002**

	<u>Electric System</u>	<u>Water System</u>	<u>Cable T.V. System</u>	<u>Totals June 30,</u>	
				<u>2003</u>	<u>2002</u>
<b>Operating Revenues</b>					
Charges for Services	\$ 2,855,438	\$ 1,050,802	\$ 367,636	\$ 4,273,876	\$ 3,712,772
Tap In Fees	-	185,202	-	185,202	85,112
Reconnects	320	-	-	320	470
Miscellaneous	3,751	-	-	3,751	4,563
Total Operating Revenues	<u>2,859,509</u>	<u>1,236,004</u>	<u>367,636</u>	<u>4,463,149</u>	<u>3,802,917</u>
<b>Operating Expenses</b>					
Personnel Services					
Salaries	230,523	247,644	115,613	593,780	576,435
Medical Insurance	62,174	60,132	18,401	140,707	124,316
FICA	16,994	18,532	8,569	44,095	41,877
Employee Retirement	16,591	17,414	10,074	44,079	34,163
Workers' Compensation	6,042	10,355	4,482	20,879	18,194
Total Personnel Services	<u>332,324</u>	<u>354,077</u>	<u>157,139</u>	<u>843,540</u>	<u>794,985</u>
Contractual Services					
System Repairs/Maintenance	6,257	36,238	2,420	44,915	58,396
Utilities	1,736,097	77,113	6,488	1,819,698	1,476,087
Other Contract Service	30,128	2,194	3,205	35,527	36,315
Education and Training	641	658	110	1,409	4,180
Lab Tests	-	13,660	-	13,660	11,117
Communications and Postage	12,073	6,119	3,173	21,365	17,491
Insurance	15,393	11,335	2,758	29,486	19,235
Advertising and Printing	-	2,016	-	2,016	1,237
Professional Fees	7,323	16,398	1,650	25,371	12,170
Royalties	-	-	189,034	189,034	171,728
Vehicle Maintenance	8,528	12,678	3,131	24,337	19,978
Total Contractual Services	<u>1,816,440</u>	<u>178,409</u>	<u>211,969</u>	<u>2,206,818</u>	<u>1,827,934</u>
Materials and Supplies					
Equipment Parts	3,291	10,763	3,037	17,091	10,937
Technical Supplies	1,435	40,376	6,466	48,277	9,792
Uniforms	1,385	1,452	874	3,711	3,624
Chemicals and Chlorine	-	61,829	-	61,829	40,649
Lab Materials	-	9,357	-	9,357	6,599
Construction Materials	34,253	-	2,470	36,723	30,171
Office Supplies	11,296	-	515	11,811	8,467
Total Materials and Supplies	<u>51,660</u>	<u>123,777</u>	<u>13,362</u>	<u>188,799</u>	<u>110,239</u>

(Continued)

**CITY OF WILLIAMSTOWN, KENTUCKY  
COMBINING STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
UTILITY FUND**

**Year Ended June 30, 2003 with Comparative Totals for the Year Ended June 30, 2002**

	<u>Electric System</u>	<u>Water System</u>	<u>Cable T.V. System</u>	<u>Totals</u>	
				<u>June 30,</u>	
	<u>2003</u>	<u>2002</u>		<u>2003</u>	<u>2002</u>
Depreciation and Amortization	\$ 67,334	\$ 373,631	\$ 86,033	\$ 526,998	\$ 472,025
Miscellaneous					
Dues and Subscriptions	1,444	114	75	1,633	1,953
Safety Committee	887	-	-	887	-
Miscellaneous	5,429	2,502	3,333	11,264	8,643
Total Miscellaneous	7,760	2,616	3,408	13,784	10,596
Total Operating Expenses	2,275,518	1,032,510	471,911	3,779,939	3,215,779
<b>Operating Income (Loss)</b>	<u>583,991</u>	<u>203,494</u>	<u>(104,275)</u>	<u>683,210</u>	<u>587,138</u>
<b>Non-Operating Revenues and Expenses</b>					
Interest Income	49,147	-	-	49,147	143,817
Interest Expense	-	(63,414)	-	(63,414)	(63,862)
Intergovernmental Revenue	-	384,399	-	384,399	-
Total Non-Operating Revenues and Expenses	49,147	320,985	-	370,132	79,955
Net Income (Loss) Before Transfers	633,138	524,479	(104,275)	1,053,342	667,093
Operating Transfers Out	(1,058,494)	(302,058)	(50,000)	(1,410,552)	(1,212,545)
<b>Net Income (Loss)</b>	<u>\$ (425,356)</u>	<u>\$ 222,421</u>	<u>\$ (154,275)</u>	<u>\$ (357,210)</u>	<u>\$ (545,452)</u>

**CITY OF WILLIAMSTOWN, KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2003**

<u>Federal Grants/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Disbursement</u>
<b>U.S. Department of Transportation</b>			
Passed through State Transportation Cabinet			
TEA 21	20.205		\$ 146,537
<b>U.S. Department of Housing and Urban Development</b>			
Passed through State Department for Local Government			
CDBG	14.218		248,117
<b>U.S. Department of Justice</b>			
Passed through State			
COPS	16.710		<u>2,412</u>
<b>Total Expenditures of Federal Awards</b>			<b>\$ <u><u>397,066</u></u></b>

**SUPPLEMENTAL INFORMATION**

**CITY OF WILLIAMSTOWN, KENTUCKY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Williamstown, Kentucky and is presented on the basis of accounting described in Note 1 of the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.



**INDEPENDENT AUDITORS' 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  
Members of the City Council  
City of Williamstown, Kentucky

We have audited the general purpose financial statements of the City of Williamstown, Kentucky as of and for the year ended June 30, 2003, and have issued our report thereon dated December 16, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Williamstown, Kentucky's general purpose 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 the City of Williamstown, Kentucky's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City of Williamstown, Kentucky in a separate letter dated December 16, 2003.

Honorable Mayor  
Members of the City Council  
City of Williamstown, Kentucky

This report is intended solely for the information and use of management, the Kentucky Department of Local Government 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.

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
December 16, 2003



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor  
Members of the City Council  
City of Williamstown, Kentucky

Compliance

We have audited the compliance of the City of Williamstown, Kentucky with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. City of Williamstown, Kentucky's major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion of the City's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A- 133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Williamstown, Kentucky's compliance with those requirements.

In our opinion, the City of Williamstown, Kentucky complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the City of Williamstown, Kentucky is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Williamstown, Kentucky's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Honorable Mayor  
Members of the City Council  
City of Williamstown, Kentucky

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Kentucky Department of Local Government 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.

*VonLehman & Company Inc.*

Fort Mitchell, Kentucky  
December 16, 2003

**CITY OF WILLIAMSTOWN, KENTUCKY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2003**

**SECTION 1 – SUMMARY OF AUDITORS' RESULTS**

<b>FINANCIAL STATEMENTS</b>	
Type of Financial Statement Opinion	Unqualified
Were there any material control weakness conditions reported at the financial statements level (GAGAS)?	No
Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	None Reported
Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<b>FEDERAL AWARDS</b>	
Were there any material internal control weakness conditions reported for major federal programs?	No
Were there any other reportable conditions identified, not considered to be material weaknesses reported for major programs?	None Reported
Type of Major Programs Compliance Opinion	Unqualified
Are there any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510?	No
Major Programs (list):	CDBG (CFDA #14.218)
Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: > all others
Low Risk Auditee?	No

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No matters to be reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters to be reported.

**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 Bonds, Series 2004 Bonds, dated July 1, 2004 (the "Series 2004 Bonds").

The Series 2004 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, as supplemented on July 20, 2004 (collectively, the "General Bond Ordinance") and a certain Series 2004 Bond Ordinance authorizing the Series 2004 Bonds adopted on July 6, 2004 (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 2004 Bonds for the purpose of paying certain costs of refunding and retiring outstanding obligations issued to finance improvements to the combined and consolidated water, wastewater, electric and cable television system of the City, and for paying the costs of issuance of the Series 2004 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 2004 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 2004 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 2004 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 2004 Bonds, or to the payment of premium, if any.

3. Interest on the Series 2004 Bonds is exempt from income taxation by the Commonwealth of Kentucky, and the Series 2004 Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

4. Interest on the Series 2004 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 2004 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 2004 Bonds.

5. The City has designated the Series 2004 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 2004 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

**OFFICIAL TERMS AND CONDITIONS OF BOND SALE  
CITY OF WILLIAMSTOWN, KENTUCKY  
UTILITY SYSTEM REVENUE BONDS, SERIES 2004**

SALE: July 20, 2004 at 11:00 A.M. E.D.S.T.

The City of Williamstown, Kentucky (the "City") is offering for sale an aggregate amount of \$2,505,000\* of the City's Utility System Revenue Bonds, Series 2004 (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.D.S.T. on July 20, 2004, at the office of the Mayor of the City, 400 North Main Street, Williamstown, Kentucky 41097. The Bonds shall be dated July 1, 2004; 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 December 1, 2004.

**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 98.0 percent of the par amount of the aggregate principal of the Bonds, plus accrued interest from the date of the Bonds (July 1, 2004) 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 98 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.

Bids may alternatively be submitted electronically via PARITY®. Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Bond Sale shall prevail. Electronic bids made

through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form. Official Bid Forms, together with a Preliminary Official Statement, may be obtained at the office of the Financial Advisor, First Kentucky Securities Corporation, 305 Ann Street, Suite 400, Frankfort, Kentucky 40601, Attention Mr. Stan Kramer (502) 875-4611.

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.

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\*Preliminary; subject to a permitted adjustment increasing or decreasing the principal amount of the Bonds by up to \$250,000.

### **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 \$2,505,000 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 \$250,000 (the "Permitted Adjustment") to a minimum of \$2,255,000 or a maximum of \$2,755,000. 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 \$2,505,000 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.D.S.T., July 20, 2004. 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 August 3, 2004.

### **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



**OFFICIAL BID FORM**

Subject to the terms and conditions set forth in the Official Terms and Conditions of Bond Sale for \$2,505,000 of Utility System Revenue Bonds, Series 2004 dated July 1, 2004 (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 \$2,505,000 principal amount of the Bonds, the total sum of \$\_\_\_\_\_ (not less than \$2,454,900), plus accrued interest from July 1, 2004, at the following annual rate(s), payable semiannually, commencing December 1, 2004 (rates on ascending scale, number of interest rates unlimited):

<u>Maturing</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Re-Offering Yield</u>	<u>Maturing</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Re-Offering Yield</u>
6/1/05	\$ 85,000	_____	_____	6/1/15	\$120,000	_____	_____
6/1/06	90,000	_____	_____	6/1/16	125,000	_____	_____
6/1/07	90,000	_____	_____	6/1/17	135,000	_____	_____
6/1/08	90,000	_____	_____	6/1/18	140,000	_____	_____
6/1/09	95,000	_____	_____	6/1/19	145,000	_____	_____
6/1/10	100,000	_____	_____	6/1/20	155,000	_____	_____
6/1/11	100,000	_____	_____	6/1/21	165,000	_____	_____
6/1/12	105,000	_____	_____	6/1/22	170,000	_____	_____
6/1/13	110,000	_____	_____	6/1/23	180,000	_____	_____
6/1/14	115,000	_____	_____	6/1/24	190,000	_____	_____

\*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 \$2,755,000 of Bonds or as little as \$2,255,000 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 July 1, 2004 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, 2005	\$ _____	_____ %	June 1, 2015	\$ _____	_____ %
June 1, 2006	\$ _____	_____ %	June 1, 2016	\$ _____	_____ %
June 1, 2007	\$ _____	_____ %	June 1, 2017	\$ _____	_____ %
June 1, 2008	\$ _____	_____ %	June 1, 2018	\$ _____	_____ %
June 1, 2009	\$ _____	_____ %	June 1, 2019	\$ _____	_____ %
June 1, 2010	\$ _____	_____ %	June 1, 2020	\$ _____	_____ %
June 1, 2011	\$ _____	_____ %	June 1, 2021	\$ _____	_____ %
June 1, 2012	\$ _____	_____ %	June 1, 2022	\$ _____	_____ %
June 1, 2013	\$ _____	_____ %	June 1, 2023	\$ _____	_____ %
June 1, 2014	\$ _____	_____ %	June 1, 2024	\$ _____	_____ %

\_\_\_\_\_  
Mayor, City of Williamstown, Kentucky

Dated: July 20, 2004