

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 19, 2021

NEW ISSUE

RATING: Moody's "MIG 1"

In the opinion of Bond Counsel for the Series 2021A Notes, based upon an analysis of laws, regulations, rulings, and court decisions, and assuming continuing compliance with certain covenants made by the District, and subject to the conditions and limitations set forth herein under the caption "TAX MATTERS," interest on the Series 2021A Notes is excludable from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax. Interest on the Series 2021A Notes is exempt from Kentucky income tax and the Series 2021A Notes are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. See "TAX MATTERS" herein.



\$25,000,000*
NORTHERN KENTUCKY WATER DISTRICT
REVENUE BOND ANTICIPATION NOTES, SERIES 2021A *

Dated: Date of Delivery

Due: February 1, 2023

Interest on the captioned Notes (the "Series 2021A Notes") will be payable, from the date of issuance, on February 1st and August 1st, commencing August 1, 2021.

Table with 6 columns: Year, Amount*, Interest Rate, Price, Yield, CUSIP†. Row 1: February 1, 2023, \$25,000,000, ___%, ___%, ___%, 665306 ___

The Series 2021A Notes will be fully registered notes in Authorized Denominations of \$5,000 or any integral multiple thereof without coupons. The Series 2021A Notes will be issuable under a book-entry-system, registered in the name of The Depository Trust Company or its nominee. There will be no distribution of the Series 2021A Notes to the ultimate purchasers. See "Book Entry" and APPENDIX F - "BOOK-ENTRY ONLY SYSTEM" herein. Principal and interest on the Series 2021A Notes is payable at the principal office of The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, as Paying Agent and Bond Registrar. The Series 2021A Notes are subject to optional redemption before maturity as described herein.

The Series 2021A Notes are special and limited obligations of the Northern Kentucky Water District (the "District"), a public body corporate and politic and a political subdivision of the Commonwealth of Kentucky organized under the provisions of Chapter 74 of the Kentucky Revised Statutes, and do not constitute a debt, liability, or general obligation of the District within the meaning of the Constitution and laws of the Commonwealth of Kentucky, or a pledge of the faith and credit or the taxing power of the District. See "SECURITY FOR THE SERIES 2021A NOTES" herein.

The Series 2021A Notes do not rank on the same basis of parity as the Outstanding Bonds (as defined herein) of the District. Interest due on the Series 2021A Notes before maturity will be paid from monies deposited from the Series 2021A Note into a subaccount of the Debt Service Fund established by the District's General Bond Resolution, which amount is planned to be adequate to pay all the interest on the Series 2021A Notes to their maturity date. Principal on the Series 2021A Notes and any interest due at maturity unaccounted for at maturity is payable from the proceeds of a future issuance of revenue bonds of the District or from a future issuance of renewal notes of the District issued before the maturity date of the Series 2021A Notes. The District reserves the right to issue additional series of notes and bonds payable from the revenues of the its public water system (the "Public Water System") which then will be considered Outstanding on a basis of parity and equality with all other Bonds and other parity obligations authorized and issued pursuant to the General Bond Resolution. See "SECURITY FOR THE SERIES 2021A NOTES," herein for a more complete description as to the sources of payment and security for the Series 2021A Notes and the bonds issued by the District.

The Series 2021A Notes are offered when, as and if issued, subject to the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel, Covington, Kentucky. Certain legal matters have been passed upon for the District by Thomas E. Edge, General Counsel & Manager of Legal, Compliance, and Regulatory Affairs, Northern Kentucky Water District, Erlanger, Kentucky. The Series 2021A Notes are expected to be available for delivery on or about March 18, 2021.

Dated March __, 2021.



* Preliminary, subject to change.

† The above CUSIP (Committee on Uniform Securities Identification Procedures) number has been assigned by an organization not affiliated with the District, the Financial Advisor, or the Underwriter, and such parties are not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of holders of the Series 2021A Notes and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including without limitation the refunding or defeasance of such securities or the use of secondary market financial products. None of the District, the Financial Advisor, or the Underwriter has agreed, and there is no duty or obligation, to update this Official Statement to reflect any change or correction in the CUSIP number set forth above.

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 before 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.

NORTHERN KENTUCKY WATER DISTRICT

Board of Commissioners

Douglas C. Wagner, CDT, Chair
Joseph J. Koester, Vice-Chair
Fred Macke, Secretary
Jody R. Lange, CPA, CGMA, Treasurer
Clyde Cunningham
Dr. Patricia J. Sommerkamp, PhD

President/CEO

C. Ronald Lovan, P.E.

Vice President of Finance and Support Services

Lindsey Rehtin, CPA

***General Counsel & Manager of Legal,
Compliance, and Regulatory Affairs***

Thomas E. Edge, Esq.

BOND COUNSEL

Dinsmore & Shohl LLP
Covington, Kentucky

FINANCIAL ADVISOR

RSA Advisors, LLC
Lexington, Kentucky

PAYING AGENT AND REGISTRAR

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

REGARDING THIS OFFICIAL STATEMENT

No dealer, broker, salesperson, or other person has been authorized by the District to give any information or to make any representation in connection with the Series 2021A Notes or the matters described herein, other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. 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 2021A Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

All quotations from and summaries and explanations of provisions of laws herein do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or holders of any of the Series 2021A Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinion and not as representations of fact. The information contained herein is 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 District since the date hereof.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed to be a determination of relevance, materiality, or importance, and this Official Statement, including the Appendices, must be considered in its entirety.

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

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with and as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information, which has been obtained from either the District or from sources other than the District.

The Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe,” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the District’s financial results could cause actual results to differ materially from those stated in the forward-looking statements.

Information concerning the District is available from the District’s website. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded. No such information is a part of or incorporated into this Official Statement, except as expressly noted.

THE SERIES 2021A NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, NOR HAS THE SERIES 2021A BOND ANTICIPATION NOTE RESOLUTION (AS DEFINED HEREIN) BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2021A NOTES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE SERIES 2021A NOTES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2021A NOTES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

TABLE OF CONTENTS

SUMMARY INFORMATION	1
INTRODUCTION.....	2
PLAN OF FINANCING	2
Series 2021A Notes.....	2
Series 2023A Bonds	2
FUTURE FINANCING PLANS.....	3
ESTIMATED SOURCES AND USES OF FUNDS	3
THE 2021A NOTES	3
General	3
Optional Redemption	4
Partial Redemption	4
Effect of Redemption	4
Notice of Redemption	4
Registration, Transfer, and Exchange of the Series 2021A Notes.....	5
SECURITY FOR THE SERIES 2021A NOTES	5
Special and Limited Obligations	5
Capitalized Interest.....	5
Principal Payments	5
Pledge of Proceeds of the Series 2023A Bond and Investment Obligations	6
Outstanding Debt of the District.....	6
Debt Service Reserve	6
Covenants	7
THE DISTRICT	7
THE CAPITAL IMPROVEMENT PLAN.....	7
GOVERNMENT REGULATION AND ENVIRONMENTAL MATTERS.....	7
CERTAIN NOTEHOLDERS' RISKS	7
Regulatory Approval of Long Term Financing or Related Increases in Water Rates	8
Execution of the Capital Improvement Plan.....	8
Government Regulation	8
Natural Disasters and Climate	8
Terrorist Attacks.....	8
Geographic Concentration.....	8
Age and Condition of Infrastructure.....	8
Water Supply.....	9
Insurance and Legal Proceedings	9
Changes in Management or Policies	9
Future Economic Conditions.....	9
Miscellaneous Factors	9
GLOBAL HEALTH EMERGENCY RISK – COVID-19 PANDEMIC	9

LITIGATION	10
TAX MATTERS	10
General	10
Premium	11
Original Issue Discount	11
Other.....	12
LEGAL OPINIONS	12
INDEPENDENT AUDITORS	12
RATING.....	12
CONTINUING DISCLOSURE	12
UNDERWRITING.....	14
FINANCIAL ADVISOR.....	14
MISCELLANEOUS.....	14
Appendix A Information regarding the District and the Public Water System	A-1
Appendix B Audited Financial Statements of the District for the fiscal year ended December 31, 2019.....	B-1
Appendix C Specimen Copy of General Bond Resolution	C-1
Appendix D Specimen Copy of Series 2021A Bond Anticipation Note Resolution.....	D-1
Appendix E..... Specimen Copy of Series 2023A Bond Resolution	E-1
Appendix F..... Book-Entry Only System.....	F-1
Appendix G Form of Bond Counsel Opinion.....	G-1
Appendix H Official Terms and Conditions of Sale	H-1
Appendix I..... Official Bid Form	I-1

SUMMARY INFORMATION

THIS SUMMARY STATEMENT IS SUBJECT IN ALL RESPECTS TO THE MORE COMPLETE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND OFFERING OF THE SERIES 2021A NOTES TO THE POTENTIAL PURCHASERS IS MADE ONLY BY MEANS OF THIS OFFICIAL STATEMENT. NO PERSON IS AUTHORIZED TO DETACH THIS SUMMARY FROM THE OFFICIAL STATEMENT OR OTHERWISE TO USE THE SAME WITHOUT THE ENTIRE OFFICIAL STATEMENT. CAPITALIZED TERMS USED IN THIS SUMMARY HAVE THE DEFINITIONS ASSIGNED THERETO IN THE BODY OF THIS OFFICIAL STATEMENT.

Issuer	Northern Kentucky Water District
Series 2021A Notes	\$25,000,000* Northern Kentucky Water District Revenue Bond Anticipation Notes, Series 2021A
Date of Series 2021A Notes	Date of Delivery
Maturity	February 1, 2023
Interest	Payable each February 1 st and August 1 st , commencing August 1, 2021
Security	The Series 2021A Notes are secured by a pledge of (i) the proceeds of the Series 2023A Bonds to be issued by the District before the maturity date of the Series 2021A Notes and (ii) any Investment Obligations purchased with the proceeds of the Series 2021A Notes. THE SERIES 2021A NOTES ARE SPECIAL AND LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE PROCEEDS OF THE SERIES 2023A BONDS AND OTHER LIMITED SECURITY PLEDGED THEREFOR UNDER THE SERIES 2021A BOND ANTICIPATION NOTE RESOLUTION. See “SECURITY FOR THE SERIES 2021A NOTES” herein.
Rating	Moody’s Investors Service has assigned a credit rating of “MIG 1” to the Series 2021A Notes.
CUSIP	665306 [___]
Use of Proceeds	The proceeds of the Series 2021A Notes will be used to finance (i) the costs of various additions and improvements to the District’s public water system (the “Public Water System”); (ii) the costs of issuance of the Series 2021A Notes; and (iii) capitalized interest on the Series 2021A Notes to their maturity date.
Redemption	The Series 2021A Notes are subject to optional redemption, in whole or in part, on any date beginning August 1, 2022, at a redemption price equal to the principal amount to be redeemed, plus interest accrued to the date of redemption, without premium.
Certain Noteholder Risks	Certain risks that could adversely affect the future of the District, the Public Water System, or the funds available for payment of the Series 2021A Notes are described herein under “CERTAIN NOTEHOLDERS’ RISKS”.
COVID-19	The impact on the District and the System of the global COVID-19 pandemic and the responses thereto of the Federal and Kentucky governments are discussed under “GLOBAL HEALTH EMERGENCY RISK – COVID 19 PANDEMIC”.
Continuing Disclosure Undertaking	The District has agreed to provide, or cause to be provided, in a timely manner, certain information in accordance with the requirements of Rule 15c2-12, as promulgated under the Securities Exchange Act of 1934, as amended and interpreted. (See “CONTINUING DISCLOSURE” herein.)
Registrar and Paying Agent	The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky.

* Preliminary, subject to change.

\$25,000,000*
NORTHERN KENTUCKY WATER DISTRICT
REVENUE BOND ANTICIPATION NOTES,
SERIES 2021A

INTRODUCTION

The purpose of this Official Statement, which includes this introduction, the cover page, the summary information, and the Appendices hereto, is to set forth certain information pertaining to the Northern Kentucky Water District (the “District”), a body corporate and politic duly created and existing under Chapter 74 of the Kentucky Revised Statutes (the “Act”), and the issuance by the District of the \$25,000,000* Revenue Bond Anticipation Notes, Series 2021A (the “Series 2021A Notes”).

The Series 2021A Notes are being issued pursuant to (i) an Amended and Restated General Bond Resolution adopted by the Board of Commissioners of the District (the “Board”) on November 19, 1985 as amended by the First Supplemental General Bond Resolution adopted by the Board on November 17, 1987 (as amended, the “General Bond Resolution”); (ii) a Series 2023A Bond Resolution (the “Series 2023A Bond Resolution”) adopted by the Board on February 18, 2021; and (iii) a Series 2021A Bond Anticipation Note Resolution (the “Series 2021A Bond Anticipation Note Resolution” and, together with the General Bond Resolution and the Series 2023A Resolution, the “Resolutions”) adopted by the Board on February 18, 2021. The Series 2021A Notes are being issued by the District to finance (a) the costs of various additions and improvements to the District’s public water system (the “Public Water System”); (b) the costs of issuance of the Series 2021A Notes; and (c) capitalized interest on the Series 2021A Notes to their maturity date. See “PLAN OF FINANCING” herein.

All capitalized terms not otherwise defined herein shall have the same meanings ascribed to them in the definitions set forth in APPENDIX C - “SPECIMEN COPY OF THE GENERAL BOND RESOLUTION” or in APPENDIX D - “SPECIMEN COPY OF THE SERIES 2021A BOND ANTICIPATION NOTE RESOLUTION”. All references herein to the Act, the Series 2021A Notes, the Series 2023A Bonds, the Resolutions, and the Undertaking (as defined herein) are qualified in their entirety by reference to the complete texts thereof. Copies of the Resolutions are attached as APPENDICES C through E hereof. Copies of such other documents may be obtained during the initial offering period from the principal offices of the Financial Advisor at RSA Advisors, LLC, 325 West Main Street, Suite 300, Lexington, Kentucky 40507, Telephone (800) 255-0795, and thereafter, executed copies may be obtained from the Paying Agent. All statements in this Official Statement involving matters of opinion, estimates, forecasts, projections, or the like, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized.

PLAN OF FINANCING

Series 2021A Notes

The Series 2021A Notes, which have been authorized by the District pursuant to Chapters 58 and 74 of the Kentucky Revised Statutes, Section 510(2) of the General Bond Resolution, and the Series 2021A Bond Anticipation Note Resolution, are being issued by the District to finance (i) the costs of various additions and improvements to the District’s public water system (the “Public Water System”); (ii) the costs of issuance of the Series 2021A Notes; and (iii) capitalized interest on the Series 2021A Notes to their maturity date.

Series 2023A Bonds

In accordance with Section 510(2) of the General Bond Resolution, the District has authorized the issuance and sale of the Series 2023A Bonds by its adoption of the Series 2023A Bond Resolution to (i) refund the principal of and accrued interest on the Series 2021A Notes on or before their maturity date; (ii) pay costs of issuance of the Series 2023A Bonds; and (iii) finance the costs of any additional additions or improvements to the Public Water System not previously financed by the Series 2021A Notes. The Series 2023A Bonds will be issued on or before the maturity date of the Series 2021A Notes.

* Preliminary, subject to change as set out in the Official Terms and Conditions of Sale for the Series 2021A Notes.

FUTURE FINANCING PLANS

The District expects to issue additional Bonds ranking on a parity with its Outstanding Bonds from time to time pursuant to the General Bond Resolution to fund the cost of ongoing Capital Improvement Projects (as defined herein), including without limitation the Series 2023A Bonds. At this time, the District does not currently expect to issue subordinate lien bonds, but retains the ability to do so in the future. The District is also authorized to enter into one or more additional assistance agreements with the Kentucky Infrastructure Authority (“KIA”) to finance the costs of additions and improvements to the Public Water System on a basis subordinate to Outstanding and additional Bonds. The District reasonably expects to expend all proceeds and to finalize amortization of two such loans with KIA before the scheduled maturity date of the Series 2021A Notes and also reasonably expects to enter into a new assistance agreement with KIA and begin expending funds for such agreement before the scheduled maturity date of the Series 2021A Notes.

See APPENDIX A - “INFORMATION REGARDING THE DISTRICT AND THE PUBLIC WATER SYSTEM” and pages 20 through 28 of APPENDIX B - “AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019”, for information regarding the existing indebtedness of the District.

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds:

Par amount of Series 2021A Notes	\$[_____]
Original Issue Premium/Discount	[_____]
Total Sources of Funds	\$[_____]

Uses of Funds:

Costs of additions and improvements to the Public Water System	\$[_____]
Costs of issuance**	[_____]
Capitalized interest	[_____]
Total Uses of Funds	\$[_____]

THE 2021A NOTES

General

The Series 2021A Notes will be issued as fully registered bonds in book-entry form. The Series 2021A Notes will be issued in Authorized Denominations of \$5,000 principal amount, or any multiple thereof, and will bear interest at the rates and will mature on the date and in the amount set forth on the cover page of this Official Statement. Principal and interest shall be paid in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts. Interest on the Series 2021A Notes will be computed on the basis of a 360-day year of twelve 30-day months.

Interest shall be payable on the Series 2021A Notes on February 1st and August 1st of each year, commencing August 1, 2021 (each an “Interest Payment Date”). Each Series 2021A Note will be initially dated the date of issuance, and thereafter will be dated as of its date of authentication. The Series 2021A Notes shall bear interest from the Interest Payment Date to which interest has been paid next preceding the date of authentication, unless the date of authentication (i) is an Interest Payment Date to which interest has been paid, in which event the Series 2021A Notes shall bear interest from the date of authentication, or (ii) is on or before the regular Record Date for the first Interest Payment Date for the Series 2021A Notes, in which event such Series 2021A Note shall bear interest from the Issuance Date, or (iii) is after a regular Record Date and on or before the succeeding Interest Payment Date, in which event the Series 2021A Notes shall bear interest from the succeeding Interest Payment Date. Interest on the Series 2021A Notes shall be paid on each Interest Payment Date. Both principal and interest shall, however, be payable at the designated corporate trust office of the Paying Agent in lawful money of the United States of America.

** Includes certain legal fees, financial advisory fees, rating fees, printing costs, underwriters’ discount, paying agent fees and other miscellaneous expenses of issuing the Series 2021A Notes.

The Series 2021A Notes are payable as to principal at the designated office of the Paying Agent or any successor paying agent. Payment of interest on the Series 2021A Notes shall be made to the holders of record on the registration books of the Registrar as of the close of business on the fifteenth day of the month (whether or not such day is a business day) next preceding the Interest Payment Date (the “Record Date”) by check mailed to such registered holder at the address shown on the registration books, by wire transfer under certain circumstances, as described below, or in any other manner as may be mutually acceptable to such registered holder and the Paying Agent. Defaulted interest with respect to any Series 2021A Note shall cease to be payable to the registered holder thereof on the relevant Record Date and shall be payable instead to the registered holder as of the close of business on a special Record Date for the payment of such defaulted interest established by the Paying Agent in accordance with the Series 2021A Bond Anticipation Note Resolution.

Payment of interest on any Series 2021A Note shall be made to any owner of \$1,000,000 or more in aggregate principal amount of such Series 2021A Notes by wire transfer to such owner on any Interest Payment Date upon written notice from such owner received by the Paying Agent not later than two Business Days next preceding the Record Date for the applicable Interest Payment Date, such notice to contain the wire transfer address within the continental United States to which such owner wishes to have such wire directed.

The Series 2021A Notes are available in book-entry form only. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM”. So long as Cede & Co. is the registered owner of the Series 2021A Notes, as nominee of The Depository Trust Company, New York, New York (“DTC”), references herein to the owners of the Series 2021A Notes means Cede & Co. and not the Beneficial Owners (as defined herein) of the Series 2021A Notes. The principal of and interest on the Series 2021A Notes will be payable by the Paying Agent to Cede & Co. The redemption of the Series 2021A Notes shall be made in the manner and upon the terms and conditions set forth in the Series 2021A Bond Anticipation Note Resolution and further described herein.

Optional Redemption

The Series 2021A Notes are subject to redemption, at the option of the District, in whole or in part, at any time on or after August 1, 2022. Any such redemption will be made at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption.

Partial Redemption

If less than all the Series 2021A Notes are to be redeemed, the particular Series 2021A Notes to be redeemed shall be selected by the Paying Agent by lot or by such other method as the Paying Agent shall deem fair and appropriate and which may provide for the selection for redemption of portions (in Authorized Denominations) of the principal of Series 2021A Notes in an Authorized Denomination larger than the smallest Authorized Denomination.

Effect of Redemption

Series 2021A Notes (or portions thereof as aforesaid) for which redemption and payment provision is made in accordance with the Series 2021A Bond Anticipation Note Resolution shall cease to bear interest from and after the date fixed for redemption.

Notice of Redemption

The District shall give notice in the name of the District of the redemption of Series 2021A Notes determined by the District to be redeemed, which notice shall specify the maturities of the Series 2021A Notes 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 2021A Notes of the same maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2021A Notes so to be redeemed and, in the case of Series 2021A Notes 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 Series 2021A Note to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal thereof of Series 2021A Notes 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 District shall mail a copy of such notice, postage prepaid, registered mail, not less than twenty days before the Redemption Date to the registered owners of any Series 2021A Notes or portions of Series 2021A Notes which are to be redeemed, at their last addresses, appearing upon the registry books.

Registration, Transfer, and Exchange of the Series 2021A Notes

The Paying Agent has been appointed registrar for the Series 2021A Notes (the “Registrar”) and as such shall keep a register at its designated office for the Series 2021A Notes. The Person in whose name any Series 2021A Note shall be registered on the register shall be deemed and regarded as the absolute owner of such Series 2021A Note for all purposes, and payment of or on account of the principal of, redemption premium, if any, and interest on any such Series 2021A Note shall be made only to or upon the order of the registered holder thereof or his or her legal representative. All such payments shall be valid and effectual to satisfy, and discharge, the liability upon such Series 2021A Note, including the interest thereon, to the extent of the sum or sums so paid.

Any Series 2021A Note may be transferred only upon the register upon surrender thereof to the Registrar duly endorsed for transfer or accompanied by an assignment duly executed by the registered holder or his or her attorney or legal representative in such form as shall be satisfactory to the Registrar. Upon any such transfer, the District shall execute and the Registrar shall authenticate and deliver in exchange for such Series 2021A Note a new Series 2021A Note or Series 2021A Notes, registered in the name of the transferee, of any Authorized Denomination and bearing interest at the same rate.

The Registrar may charge an amount sufficient to reimburse it for any tax, fee, or other governmental charge required to be paid in connection with any such transfer, registration, conversion, or exchange. The Registrar shall not be required to (i) transfer or exchange any Series 2021A Note during a period beginning at the opening of business fifteen days before the day of the mailing of a notice of redemption of such Series 2021A Note and ending at the close of business on the day of such mailing, or (ii) transfer or exchange any Series 2021A Note so selected for redemption in whole or in part, or (iii) during a period beginning on any Record Date for such Series 2021A Note and ending on the corresponding Interest Payment Date therefor. See APPENDIX F - “BOOK-ENTRY ONLY SYSTEM” for further information regarding registration, transfer and exchange of the Series 2021A Notes.

SECURITY FOR THE SERIES 2021A NOTES

Special and Limited Obligations

THE SERIES 2021A NOTES ARE SPECIAL AND LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE PROCEEDS OF THE SERIES 2023A BONDS AND OTHER LIMITED SECURITY PLEDGED THEREFOR UNDER THE SERIES 2021A BOND ANTICIPATION NOTE RESOLUTION. THE SERIES 2021A NOTES ARE NOT SECURED BY A PLEDGE OF THE GENERAL CREDIT OR TAXING POWER OF THE DISTRICT, THE COMMONWEALTH OF KENTUCKY (THE “COMMONWEALTH”), OR ANY POLITICAL SUBDIVISION THEREOF; NOR SHALL THE SERIES 2021A NOTES BE DEEMED A GENERAL OBLIGATION OF THE DISTRICT, THE COMMONWEALTH, OR ANY POLITICAL SUBDIVISION THEREOF; NOR SHALL THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) BE LIABLE FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2021A NOTES. THE DISTRICT HAS NO TAXING POWER.

Capitalized Interest

As described in “PLAN OF FINANCING - Series 2021A Notes” herein, the District will use a portion of the proceeds of the Series 2021A Notes to fund capitalized interest with respect to the Series 2021 Notes to their maturity date. In the Series 2021A Bond Anticipation Note Resolution, the District has established a subaccount within the Interest Account of the Debt Service Fund designated the “Series 2021A BAN Interest Subaccount” (the “Interest Subaccount”) into which such proceeds shall be deposited by the District and held and applied by the Paying Agent to pay accrued interest to registered holders of the Series 2021A Notes on each Interest Payment Date.

Principal Payments

As described in “PLAN OF FINANCING - Series 2023A Bonds” herein, the District will use a portion of the proceeds of the Series 2023A Bonds, to be issued on or before the maturity date of the Series 2021A Notes, to pay all principal of and, to the extent not provided for by available monies in the Interest Subaccount, interest accrued, to the date of redemption or maturity of the Series 2021A Notes.

Pledge of Proceeds of the Series 2023A Bond and Investment Obligations

In the Series 2021 Bond Anticipation Note Resolution, the District has pledged (i) the proceeds of the Series 2023A Bonds and (ii) any Investment Obligations purchased with the proceeds of the Series 2021A Notes as security for payment of the Series 2021A Notes. As permitted by Section 510(2) of the General Bond Resolution and Chapter 58 of the Kentucky Revised Statutes, the pledge of the proceeds of the Series 2023A Bonds shall be superior to any other right granted by the District in such proceeds. The District may also utilize any District Revenues to pay principal of and interest on the Series 2021A Notes, but any such use shall be subordinate in all respects to the security granted by the District in District Revenues to holders of Bonds under the General Bond Resolution, as amended, and no District Revenues have been pledged for such purpose.

Outstanding Debt of the District

Senior Lien Bonds

Pursuant to the General Bond Resolution, as amended, the District has previously issued Bonds which have a parity claim to the District's Pledged Receipts, less Operational and Maintenance Costs. After the issuance and delivery of the Series 2021A Notes, the following parity issues will be Outstanding under the General Bond Resolution, as amended:

Series	Principal Outstanding
Refunding Revenue Bonds, Series 2012	\$29,310,000
Revenue Bonds, Series 2013A	\$20,890,000
Refunding Revenue Bonds, Series 2013B	\$11,485,000
Refunding Revenue Bonds, Series 2014B	\$4,210,000
USDA Water District Revenue Bonds, Series 2014	\$1,679,500
Refunding Revenue Bonds, Series 2016	\$30,830,000
Revenue Bonds, Series 2019	\$16,855,000
Refunding Revenue Bonds, Series 2020	\$21,055,000

See APPENDIX A - "INFORMATION REGARDING THE DISTRICT AND THE PUBLIC WATER SYSTEM" and pages 20 through 28 of APPENDIX B - "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019", for information regarding the existing indebtedness of the District.

Subordinated Debt

The District has \$26,115,089 of subordinated indebtedness outstanding as of December 31, 2020, which is secured by various subordinated pledges of the District Revenues. The subordinated indebtedness is substantially comprised of assistance agreements between the District and the Kentucky Infrastructure Authority ("KIA"), which are each structured as draw-down loans. Amortization schedules for KIA's programs are established after construction funds are fully drawn under the assistance agreements governing the loans. Consequently, at any particular time the District may have incurred obligations with KIA for which no amortization schedules have been established. See APPENDIX A - "INFORMATION REGARDING THE DISTRICT AND THE PUBLIC WATER SYSTEM" and pages 20 through 28 of APPENDIX B - "AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019", for information regarding the existing indebtedness of the District.

Debt Service Reserve

The General Bond Resolution established a Debt Service Reserve for the benefit of Bonds issued by the District pursuant to the General Bond Resolution. The Debt Service Reserve will *not* secure payments of principal or interest on the Series 2021A Notes.

Covenants

In the Series 2021 Bond Anticipation Note Resolution, the District has elected to apply certain covenants contained within the General Bond Resolution to the Series 2021A Notes in the same manner as such covenants apply to Bonds issued pursuant to the General Bond Resolution and supplemental resolutions issued thereunder. Such covenants include duties of the District regarding (i) keeping adequate books and records, (ii) performing all duties of the District required by the Constitution and laws of the Commonwealth, (iii) continuously operating the Public Water System on a revenue producing basis, (iv) generally not disposing of Public Water System facilities, (v) maintaining adequate rates and charges, (vi) obtaining regular financial audits, (vii) obtaining adequate fidelity bonding of District personnel, (viii) insuring the District's facilities and operations, (ix) terminating services to delinquent users, and (x) other relevant matters. For additional information see Article VII of APPENDIX C - "SPECIMEN COPY OF THE GENERAL BOND RESOLUTION" and Article VI of APPENDIX D - "SPECIMEN COPY OF THE SERIES 2021A BOND ANTICIPATION NOTE RESOLUTION."

THE DISTRICT

The Northern Kentucky Water District is a body corporate and politic duly created and existing under Chapter 74 of the Kentucky Revised Statutes. The District is the lawful successor to the Campbell County, Kentucky Water District and the Kenton County Water District No. 1 (collectively the "Prior Districts"). On May 24, 1996, the Prior Districts petitioned the Commonwealth of Kentucky Public Service Commission (the "PSC") for approval to merge and operate as the Northern Kentucky Water District. On August 28, 1996, the PSC by Order in Case No. 96-234 approved the merger of the Prior Districts. The rates, rules, and regulations of the Prior Districts were adopted by the District. The District is established pursuant to Chapter 74 of the Kentucky Revised Statutes and is authorized to issue the Series 2021A Bond Anticipation Notes pursuant to Chapters 74 and 58 of the Kentucky Revised Statutes. Additional information regarding the District and its operations is provided in APPENDIX B - "CERTAIN INFORMATION REGARDING THE DISTRICT AND THE PUBLIC WATER SYSTEM".

THE CAPITAL IMPROVEMENT PLAN

The District maintains a five-year rolling Capital Improvement Plan (the "CIP") to manage its water assets. The CIP identifies upgrades to maintain and enhance the performance of the Public Water System based upon a nomination and risk assessment process. The current CIP outlines a five-year capital expenditure estimate that addresses known and predicted repair and replacement needs to enable the District staff and Board to plan future rate adjustments and develop capital borrowing needs. The CIP is subject to prior approval by the Board of the District.

In the time since the CIP process was implemented, the District has continued to improve the process for planning its capital investments. Condition assessments are undertaken to inform management of the condition and criticality of District assets and all candidates are vetted internally and with input from internal and external engineers. Performance metrics are used to identify capital projects which are vital to improving service levels to customers and all nominated projects are ranked and scheduled according to their impact on service levels, asset condition, and system criticality.

The District's current five-year CIP forecasts expenditures for the years 2021 through 2025 of \$165,110,792.

GOVERNMENT REGULATION AND ENVIRONMENTAL MATTERS

The District is subject to federal, state, and local regulations in connection with its ownership and operation of the Public Water System. The District currently meets or has instituted processes by which the District will comply with all applicable regulations, permits, and licenses. The District continuously studies, plans, designs, and implements improvements to maintain compliance with existing and new environmental regulations.

CERTAIN NOTEHOLDERS' RISKS

Investment in the Series 2021A Notes may involve certain risks and each investor should carefully consider the risks involved to determine whether to purchase any of the Series 2021A Notes. Each prospective investor should carefully examine this Official Statement and his or her own financial condition (including the diversification of his or her investment portfolio) in order to make a judgment regarding whether the Series 2021A Notes are an appropriate investment.

The District has identified and summarized below certain noteholders' risks that could adversely affect the finances of the District, the operation of the Public Water System, or the monies available for payment of the Series 2021A Notes, which should be considered by prospective investors. The following discussion is not intended to be exhaustive, but includes certain major factors, which should be considered along with other factors set forth elsewhere in this Official Statement, including the Appendices hereto.

Regulatory Approval of Long Term Financing or Related Increases in Water Rates

The issuance of the Series 2023A Bonds by the District is subject to the prior approval of the PSC. No assurance can be provided by the District that the PSC will provide such approval, although the District has no reason to believe such approval will not be provided.

Section 726 of the General Bond Resolution requires the District to satisfy a 1.20 times debt service coverage test as a necessary condition to the issuance of the Series 2023A Bonds under the General Bond Resolution. In certain circumstances, it may be necessary to increase the rates and charges of the District to satisfy the coverage requirement. The rates and charges of the District are subject to the oversight of the PSC and any such increase would require approval by the PSC. No assurance can be provided by the District that the PSC would provide such approval, although the District has no reason to believe such approval would not be provided.

Execution of the Capital Improvement Plan

The District's five-year Capital Improvement Plan forecasts the need to spend over \$165,110,792 to address critical upgrades, maintenance, and new capital projects necessary for the District to continue its mission to provide safe water to its customers. See "THE CAPITAL IMPROVEMENT PLAN" herein. There is no assurance the District will be able to access the capital markets to obtain the funding to pay for the Capital Improvement Plan, nor is there any assurance that the District will revise rates to support increased debt service associated with any Bonds issued to fund the Capital Improvement Plan. There is no assurance that the District will be able to employ the workforce that will be required to execute the improvements identified in the Capital Improvement Plan. Further, additional changes to federal, state, or local environmental regulations could impede the District's ability to execute the Capital Improvement Plan.

Government Regulation

The federal, state, and local governments significantly regulate providers of water systems. Future regulations and conditions affecting the acquisition, development, ownership, and operation of the Public Water System could increase the operating expenses of the Public Water System or could otherwise have a material adverse effect on the financial condition of the District.

Natural Disasters and Climate

The occurrence of natural disasters, such as tornados, earthquakes, floods, or droughts, could damage the facilities of the District, interrupt services, or otherwise impair operations and the ability of the District to produce revenues.

Terrorist Attacks

Although potential terrorist attacks could temporarily disrupt water services, the District has taken, and continues to take, precautions to minimize this risk, but does not represent that any existing or additional safety or security measures will be adequate if terrorist activities are directed at the Public Water System.

Geographic Concentration

The number of customers using the System may be adversely affected by regional and local economic conditions, competitive conditions, changes in population, and market conditions. There can be no assurance that the System will be able to maintain the current number of existing users, if there are changes in the resident, commercial, or industrial population of the service area.

Age and Condition of Infrastructure

Certain physical components of the District's system were first constructed or installed many years ago. Although the District constantly evaluates the conditions of the various segments of the Public Water System, there is still the possibility of damage as a result of the age and condition of the System, which could in term interrupt the District's ability to generate revenues or pay for necessary repairs.

Water Supply

Although the quantity of water available from the District's sources of water is believed to be adequate, it is possible that circumstances could change this condition. A less than adequate source or supply of water could impact the ability of the District to generate revenues, thereby adversely impacting the District's financial condition.

Insurance and Legal Proceedings

The District carries property insurance in amounts deemed adequate by the Board and consistent with industry practices. There are no pending liability claims against the District, if decided adversely to the District, would be likely to result, either individually or in the aggregate, in final judgments against the District that would materially adversely affect the financial condition of the District. It is possible, however, that future claims, if adversely determined, could have a material adverse effect on the financial condition of the District.

Changes in Management or Policies

Changes in key management personnel or policies of the District could adversely affect the financial condition of the District.

Future Economic Conditions

Increased unemployment or other adverse economic conditions or changes in the demographics of the District, an inability to control expenses in periods of inflation and difficulties in increasing charges could adversely affect the District's financial condition.

Miscellaneous Factors

The water industry has generally experienced, or may in the future experience, problems including (i) the effects of inflation on the costs of operation of facilities, (ii) increased financing requirements coupled with the increased cost and uncertain availability of capital, and (iii) compliance with rapidly changing environmental, safety, and licensing regulations and requirements.

GLOBAL HEALTH EMERGENCY RISK – COVID-19 PANDEMIC

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. On March 6, 2020, Kentucky's Governor, Andy Beshear, declared a state of emergency, directing state agencies to use all resources necessary to prepare for and respond to the outbreak. On March 13, 2020, President Donald Trump declared a national emergency to unlock federal funds to help states and local governments fight the pandemic. Governor Beshear and the Kentucky Public Service Commission subsequently issued orders suspending all utility disconnections. The Kentucky Public Service Commission allowed some utilities to resume disconnections in an order dated September 21, 2020.

The current spread of COVID-19 has resulted in the required suspension or limited operation of certain businesses and is altering the behavior of businesses and people in a manner that has had and in the foreseeable future may have negative effects on economic activity. The negative economic effects from COVID-19 may adversely affect the financial condition of the District and its rate paying customers, either directly or indirectly. The District actively monitors its revenue collections, and continually evaluates possible mitigation and expense reduction measures. The District has already taken the following measures: tracked, and continuing to track, all COVID-19 related expenses and applied for federal funding reimbursement for those expenses, resumed collection efforts where allowed, and continually comparing actual expenses to budgeted expenses to adjust actual expenses, if necessary. The District will continue to monitor the impact of COVID-19 on the District's revenue collections and will implement, if necessary, additional expense containment and reduction measures.

LITIGATION

In the opinion of District Counsel, there is no litigation pending or threatened seeking to enjoin the issuance, sale, or delivery of the Series 2021A Notes or affecting the security pledged therefor. There are no pending claims or actions against the District arising from the operation and maintenance of the Public Water System that, if determinations or settlements were made adverse to the District, and upon consideration of statutory liability limitations, would have, in the opinion of the District Counsel, a material adverse effect on the District's financial position.

The District is a defendant in certain suits arising out of its operations and activities. These actions include contract claims arising from the District's capital projects as well as personal injury and property damage claims. To the best knowledge of the District Counsel, no litigation is pending or threatened which, in the opinion of the District Counsel, if decided adversely to the District, would be likely to result, either individually or in the aggregate, in final judgments against the District that would materially adversely affect (i) its ability to utilize monies held within the Debt Service Fund to meet debt service payments on the Series 2021A Notes, when due, (ii) its ability to issue the Series 2023A Bonds or any renewal notes to refund the Series 2021A Notes when necessary, (iii) its obligations under the Resolutions, or (iv) its financial condition.

In addition, due to the nature and scope of the Capital Improvement Plan, the substantial number of District construction projects may result from time to time in the bringing of material claims for damages in tort or contract against the District. While the outcome of such litigation cannot be predicted, the District believes that it has made adequate provision through insurance, indemnification, performance bonds, construction monitoring, contingencies, and reserves, among other measures, to limit its exposure to liability as a result of such claims.

TAX MATTERS

General

In the opinion of Bond Counsel for the Series 2021A Notes, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Series 2021A Notes will be excludible from gross income for federal income tax purposes. Bond Counsel for the Series 2021A Notes is also of the opinion that interest on the Series 2021A Notes will not be a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of computing the alternative minimum tax. Furthermore, Bond Counsel for the Series 2021A Notes is of the opinion that interest on the Series 2021A Notes is exempt from income taxation by the Commonwealth and the Series 2021A Notes are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions.

A copy of the form of opinion of Bond Counsel for the Series 2021A Notes is set forth in APPENDIX G - "FORM OF BOND COUNSEL OPINION", attached hereto.

The Code imposes various restrictions, conditions, and requirements relating to the qualification of the Series 2021A Notes as so-called "tax-exempt" obligations. The District has covenanted to comply with certain restrictions designed to ensure that interest on the Series 2021A Notes will not be includable in gross income for federal income tax purposes. Failure to comply with these covenants could result in the Series 2021A Notes not qualifying as "tax-exempt" obligations, and thus interest on the Series 2021A Notes being includable in the gross income of the holders thereof for federal income tax purposes. Such failure to qualify and the resulting inclusion of interest could be required retroactively to the date of issuance of the Series 2021A Notes. 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 2021A Notes may adversely affect either the federal or Kentucky tax status of the Series 2021A Notes.

Certain requirements and procedures contained or referred to in the Resolutions and other relevant documents may be changed and certain actions (including without limitation defeasance of the Series 2021A Notes) 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 2021A Notes 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 Dinsmore & Shohl LLP.

Although Bond Counsel for the Series 2021A Notes is of the opinion that interest on the Series 2021A Notes will be excludible from gross income for federal income tax purposes and the Series 2021A Notes will be exempt from Kentucky income tax, as described above, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2021A

Notes may otherwise affect a Holder'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 holder or the holder'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 holder or potential holder is urged to consult with tax counsel with respect to the effects of purchasing, holding, or disposing the Series 2021A Notes on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition the Series 2021A Notes may result in other collateral federal, state, or local tax consequence for certain taxpayers. Such effects may include without limitation increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code; increasing the federal tax liability of certain insurance companies, under Section 832 of the Code; increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code; increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code; and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Series 2021A Notes may also result in the limitation of interest and certain other deductions for financial institutions and other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the Holder of the Series 2021A Notes 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 2021A Notes.

The District has *not* designated the Series 2021A Notes as "qualified tax-exempt obligations" under Section 265 of the Code.

Premium

"Acquisition Premium" is the excess of the cost of an obligation over the stated redemption price of such obligation at maturity or, for obligations that have one or more earlier call dates, the amount payable at the next earliest call date. The Series 2021A Notes having a yield that is lower than their stated interest rate, as shown on the cover page hereto (the "Premium Notes"), are being initially offered and sold to the public at an Acquisition Premium. For federal income tax purposes, the amount of Acquisition Premium on each obligation, the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt obligations") must be amortized and will reduce the holder's adjusted basis in that obligation. However, no amount of amortized Acquisition Premium on tax-exempt obligations may be deducted in determining holder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Notes, or on any of the Series 2021A Notes, that must be amortized during any period will be based on the "constant yield" method, using the original holder's basis in such obligations and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Series 2021A Notes, including any Premium Notes, purchased at an Acquisition Premium should consult their own tax advisors as to the actual effect of such Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state tax purposes.

Original Issue Discount

Series 2021A Notes having a yield that is higher than their stated interest rate, as shown on the cover page hereto (the "Discount Notes"), are being offered and sold to the public at an original issue discount ("OID") from the amounts payable at maturity thereon. OID is the excess of the stated redemption price of an obligation at maturity (the face amount) over the "issue price" of such obligation. The issue price is the initial offering price to the public (other than to bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of obligations of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each obligation will accrue over the term of the obligation, and for the Discount Notes, the amount of accretion will be based on a single rate of interest, compounded semiannually (the "yield to maturity"). The amount of OID that accrues during each semi-annual period will do so ratably over that period on a daily basis. With respect to an initial purchaser of a Discount Note at its issue price, the portion of OID that accrues during the period that such purchaser owns the Discount Note is added to such purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale, or other disposition of that Discount Note and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

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

Other

THE ABOVE SUMMARY OF POSSIBLE TAX CONSEQUENCES IS NOT EXHAUSTIVE OR COMPLETE. ALL PURCHASERS OF THE SERIES 2021A NOTES SHOULD CONSULT THEIR TAX ADVISORS REGARDING THE POSSIBLE FEDERAL, STATE, AND LOCAL INCOME TAX CONSEQUENCES OF OWNERSHIP OF THE SERIES 2021A NOTES AND ANY CHANGES IN THE STATUS OF PENDING OR PROPOSED FEDERAL TAX LEGISLATION. ANY STATEMENT REGARDING TAX MATTERS HEREIN CANNOT BE RELIED UPON BY ANY PERSON TO AVOID TAX PENALTIES.

LEGAL OPINIONS

The purchase of the Series 2021A Notes by the Underwriter is subject to the receipt of the approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel. The unqualified approving opinion of Bond Counsel will be substantially in the form attached to this Official Statement as APPENDIX G - "FORM OF BOND COUNSEL OPINION" hereto. Certain legal matters for the District will be passed upon by its counsel, Thomas E. Edge, General Counsel & Manager of Legal, Compliance, and Regulatory Affairs, Northern Kentucky Water District, Erlanger, Kentucky.

INDEPENDENT AUDITORS

The audited financial statements of the District, as of and for the years ended December 31, 2019, included in APPENDIX B hereto have been audited by VonLehman & Company Inc., Fort Wright, Kentucky, independent certified public accountants, as indicated in their report with respect thereto.

RATING

Moody's Investors Service ("Moody's") is expected to assign credit ratings to the Series 2021A Notes of "MIG 1" based on the creditworthiness of the District. The rating reflects only the view of such organization, and an explanation of the significance of such rating may be obtained from the rating agency furnishing the same at the following addresses: Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. A rating is not a recommendation to buy, sell, or hold securities. There is no assurance that such rating will continue for any given period of time or that it may not be lowered or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any such downward revision in or withdrawal of such rating may have an adverse effect on the market price of the Series 2021A Notes.

The Underwriter, the Financial Advisor, and the District have not undertaken any responsibility to maintain any rating assigned to the Series 2021A Notes.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the District will agree, pursuant to a Continuing Disclosure Certificate (the "Undertaking"), to be delivered on the date of delivery of the Series 2021A Notes, to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board (the "MSRB"), certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles as applied to governmental units, generally consistent with the information contained in "Appendix A" and "Appendix B" (the "Financial Data") of this Official Statement; such information shall be provided on or before October 1st following the fiscal year ending on the preceding December 31st, commencing with the fiscal year ended December 31, 2020, provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditor to the Obligated Person;
- (ii) to the MSRB, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events, with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
 - (b) Non-payment related defaults, if material;
 - (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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
 - (g) Modifications to rights of security holders, if material;
 - (h) Bond calls, if material, and tender offers (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, if material;
 - (k) Rating changes;
 - (l) Bankruptcy, insolvency, receivership, or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);
 - (m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (o) Incurrence of a financial obligation of an obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of an obligated person, any of which affect security holders, if material; and
 - (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of an obligated person, any of which reflect financial difficulties.
- (iii) to the MSRB, timely notice of a failure of an obligated person to provide the required annual financial information on or before the date specified in the Undertaking.

The Undertaking provides holders of the Series 2021A Notes, including beneficial owners of the Series 2021A Notes, with certain enforcement rights in the event of a failure by the District to comply with the terms thereof; however, a default under the Undertaking does not constitute an event of default under the Resolutions. The Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Holders of the Series 2021A Notes are advised that the Undertaking, the form of which is obtainable from the Financial Advisor, should be read in its entirety for more complete information regarding its contents.

For purposes of this transaction with respect to events as set forth in the Rule:

- (i) there are no credit enhancements applicable to the Series 2021A Notes;
- (ii) there are no liquidity providers applicable to the Series 2021A Notes; and
- (iii) there is no property securing the repayment of the Series 2021A Notes.

Pursuant to outstanding continuing disclosure agreements (the “Existing Undertakings”) the District is required to file certain annual financial information with the MSRB by October 1st of each year. The District operates on a fiscal year ending each December 31st and the General Bond Resolution requires that annual audits be completed within sixty days of the end of each fiscal year. Certain Existing Undertakings correctly reference a fiscal year ending December 31st while others

reference a fiscal year ending June 30th. The District has filed its annual audits by the following October 1st in accordance with the Existing Agreements but not within sixty days of the end of each fiscal year in accordance with the General Bond Resolution. The District depends on County Employees Retirement System (“CERS”) to provide state pension information in their annual audit as required by Statement No. 68 of the Governmental Accounting Standards Board. For the years ended December 31, 2015 through December 31, 2019, CERS did not publish the state pension information in sufficient time for the District to meet the annual audit submission deadline. Since CERS is not in the employ of the District, the District cannot control the date of the preparation of state pension information. The District intends to meet its obligation to provide an annual audit for all future periods in a timely manner, to the extent the District can control the preparation process.

The District has procedures in place to assure compliance with the Rule and the Existing Undertakings and is in compliance with the continuing disclosure undertaking requirements of the Rule in connection with its outstanding obligations that are subject to such requirements.

UNDERWRITING

The Series 2021A Notes are being purchased for reoffering by [____] (the “Underwriter”). The Underwriter has agreed to purchase the Series 2021A Notes at an aggregate purchase price of \$[____] (reflecting the par amount of the Series 2021A Notes, plus premium of \$[____], and less underwriter’s discount of \$[____]). The initial public offering prices, which produce the yields set forth on the cover page of this Official Statement, may be changed by the Underwriter and the Underwriter may offer and sell the Series 2021A Notes to certain dealers (including dealers depositing Series 2021A Notes into investment trusts) and others at prices lower than the offering prices which produce the yields set forth on the cover page.

FINANCIAL ADVISOR

RSA Advisors, LLC is employed as Financial Advisor to the District in connection with the issuance of the Series 2021A Notes. The Financial Advisor’s fee for services rendered with respect to the sale of the Series 2021A Notes is contingent upon the issuance and delivery thereof. The information set forth herein was obtained from the District and other sources believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Financial Advisor.

MISCELLANEOUS

The references, excerpts, and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the Series 2021A Notes, the security for the payment of the Series 2021A Notes, and the rights of the owners thereof. All capitalized terms used herein are used with the meaning set forth in the respective Resolutions unless otherwise so specified.

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of its date.

Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. 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 District since the date hereof.

[Signature page to follow]

SIGNATURE PAGE TO OFFICIAL STATEMENT

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

Dated March __, 2021.

NORTHERN KENTUCKY WATER DISTRICT

By: _____
Chair

[Remainder of this page intentionally left blank.]

APPENDIX A

**NORTHERN KENTUCKY WATER DISTRICT
REVENUE BOND ANTICIPATION NOTES, SERIES 2021A**

INFORMATION REGARDING THE DISTRICT AND THE PUBLIC WATER SYSTEM

[Page intentionally left blank]

GENERAL INFORMATION CONCERNING THE DISTRICT AND THE SYSTEM

The Northern Kentucky Water District (the “District”) is the lawful successor to the Campbell County Kentucky Water District (originally established in 1953) and the Kenton County Water District No. 1 (originally established in 1926). On May 24, 1996, the Prior Districts petitioned the PSC for approval to merge and operate as the Northern Kentucky Water District. On August 28, 1996 the PSC by Order Case #96-234 approved the merger of the Prior Districts. The rates, rules and regulations of the Prior Districts were adopted by the District. The District is governed by a Board of Commissioners appointed by the county judge/executives from the District's service area.

The District serves more than 300,000 customers in the northern Kentucky area. The District is the largest water service special district in the Commonwealth of Kentucky and the largest supplier of potable water outside of the major metropolitan areas of Lexington and Louisville, Kentucky. The District has the authority and duty to plan, design, finance, construct, install, operate, replace and maintain a waterworks and water distribution system within the service area approved by the Kentucky Public Service Commission (the “PSC”).

Service Area

Customers and Sales

The District's service area lies within Campbell and Kenton counties and portions of Boone County in Kentucky. The Service area is bound to the west by Boone County, to the south by Grant and Pendleton Counties and to the east by Bracken County. The Ohio River forms a natural boundary to the north. Kenton, Boone and Campbell counties in Kentucky, and three counties in Ohio, form the Cincinnati Standard Metropolitan Statistical Area (SMSA).

The following table and chart reflects the number of general service customers and water sales by each class served by the District at the beginning and end of calendar year 2019.

	2019 Beginning Year Customers	2019 Year End Customers	Year End Customers by Class	Sales	Sales by Class
Residential	77,145	77,767	92.25%	\$34,204,142	61.34%
Commercial	4,009	4,051	4.81%	\$7,752,357	13.90%
Industrial	109	107	0.13%	\$4,239,685	7.60%
Public Authorities	471	462	0.55%	\$2,673,446	4.79%
Multiple Family Dwellings	1,698	1,746	2.07%	\$5,048,482	9.05%
Bulk Loading Stations	6	6	0.01%	\$66,697	0.12%
Fire Hydrants	408	157	0.19%	\$66,062	0.12%
Wholesale Customers	<u>3</u>	<u>3</u>	<u>0.00%</u>	<u>\$ 1,713,358</u>	<u>3.07%</u>
Total:	<u>83,849</u>	<u>84,299</u>	<u>100.00%</u>	<u>\$55,764,229</u>	<u>100.00%</u>

Source: Northern Kentucky Water District

Wholesale Customers

At the end of calendar year 2020, the District served as a supplier to three (3) water distribution systems in the Northern Kentucky area (the “Resale Customers”). Resale Customers purchase treated water from the District for resale to their general customers. A wholesale rate, based on 1,000 gallon increments, is approved by the PSC for sale to the Resale Customers.

The following table shows the number of gallons sold and the amount billed to each of the three (3) water distribution systems at the end of calendar year 2020.

	Consumption	
	Gallons	Revenue
City of Walton	179,293,400	\$ 707,824
Bullock Pen Water District	183,319,800	\$ 726,556
Pendleton County Water	91,149,800	\$ 362,018
Total:	453,763,000	\$ 1,796,398

Change in Wholesale Water Contracts

During February 2001, the District amended its water purchase contracts with the City of Florence, Kentucky and the Boone County Water District. Both contracts were amended such that the City of Florence and the Boone County Water District have no further obligation to purchase treated water from the District, except in case of an emergency. Collectively, the City of Florence and the Boone County Water District paid to the District approximately \$3.5 million in order to amend the contracts. The amended contracts provide that the City of Florence and the Boone County Water District will only purchase treated water from the District through December 31, 2003. Thereafter, except in case of an emergency, the City of Florence and the Boone County Water District have made plans to purchase their treated water from the City of Cincinnati, Ohio.

During 2000 and 2001, the District took over the management and operations of three waterworks systems. The District acquired for one dollar (\$1.00) each, the Winston Park Water District consisting of about 300 customers, the City of Ludlow, Kentucky waterworks system consisting of about 1,400 customers and the City of Bromley, Kentucky waterworks system consisting of about 350 customers. Additionally, the District has entered into a long-term supply contract with the Bullock Pen Water District.

On March 9, 2004, the District purchased the City of Taylor Mill waterworks system for three million dollars to be paid to the City of Taylor Mill over a fifteen (15) year period. The City of Taylor Mill waterworks system currently serves approximately 5,400 customers.

The Northern Kentucky Water District (NKWD) updated two key wholesale agreements with its two largest wholesale customers. Key provisions include:

City of Walton

- The agreement establishes a 40 year term and encompasses Walton’s entire service area.
- The agreement gives the District the first right of refusal to purchase Walton’s system in the event of merger or sale.
- The agreement establishes the District as the City of Walton’s exclusive supplier as compared to the old agreement that did not obligate the City of Walton to purchase any specific amount from the District. Walton could purchase any amount that they needed with no minimum under the provisions of the old agreement.

Bullock Pen Water District

- The agreement expires in 2040.
- The agreement doubles Bullock Pen's minimum purchase requirement from 150,000 gallons per day to 300,000 gallons per day as compared to the old agreement.
- The agreement establishes NKWD as the Bullock Pen Water District's premier supplier and defines a service area within Grant County that will be exclusively served by the District or Bullock Pen's Treatment Plant which is near capacity. The old agreement did not establish any service area. This will increase the amount of water that the District sells to Bullock Pen in the future and also puts the District in position to provide additional service if Bullock Pen takes its plant out of service in the future.
- The agreement contains provisions that require Bullock Pen to: 1) notify the District if it decides to sell any or all of its system, 2) sell any new lines extended in Kenton County at actual cost to the District if Bullock Pen does sell its system in the future to someone other than the District and 3) requires that the agreement would remain in force to any newly created merged District within Grant County.

City of Newport Waterworks Acquisition

On January 2, 2002, the District filed a second amendment and restated application to the PSC to issue approximately \$46,045,00 of its Series 2002A revenue and refunding bonds in connection with Case # 2001-198. In addition to refinancing its Series 1992A Bonds, the District in its application proposed to use \$17,100,000 of its Series 2002A Bond proceeds to refinance all of its then outstanding Bond Anticipation Notes; however, if the agreement to acquire the City of Newport, Kentucky Waterworks System was consummated prior to the discharging of the then outstanding Bond Anticipation Notes, the District requested that it be given the opportunity to petition the Commission for approval to use the Bond proceeds for the acquisition of the Newport facilities.

An Order of the PSC was granted on January 8, 2002 and the District acquired and took over the management and operations of the City of Newport, Kentucky waterworks system on June 13, 2002 at a cost of approximately \$17.1 million which was paid from a portion of the net proceeds of the Series 2002A Bonds.

Newport is a former second class city, now a "home rule class" city, located in Campbell County, Kentucky on the Ohio River. The City, founded in 1795, has a population of approximately 17,000 persons. In addition to the water mains and distribution lines and an elevated water tower storage system, its waterworks system primarily consists of an Ohio River pumping facility originally built in 1872 and a treatment facility originally built in 1962 that has had two major renovations since that time.

Major Customers

The ten largest customers of the District during calendar year 2020 were:

Customer Name	Total Consumption (Gallons, HCF)	Total Water Sales
Continental Silver Grove, LLC	271,754	889,373
Bullock Pen Water	245,080	728,763
City of Walton	239,697	707,824
Sara Lee	206,324	712,193
Kenton County Airport	158,430	534,220
Newport Steel	134,442	453,397
Taylor Farms Tennessee Inc.	134,413	453,335
Pendleton Co. Water	121,858	363,427
St. Elizabeth Healthcare	111,699	408,981
U.S. Housing	99,273	376,402
Totals:	1,722,970	5,627,915

Water Supply and Water Quality

The District obtains its raw water supply from the Ohio and Licking rivers. Treatment is provided at the Newport, Campbell County, Ft. Thomas and Taylor Mill water treatment plants. The total pumping capacity of all the District's plants is 64 million gallons per day. The average daily demand is 26-30 mgd or slightly under 50% of capacity.

The District utilizes a computerized Supervisory Control and Data Acquisition (SCADA) system to monitor and control physical assets installed throughout its service area. The present SCADA system was installed in 2003 and 2004 and is maintained by an in-house staff of instrumentation specialists. The District secured FCC licenses for the use of fixed frequency radios to transmit to and receive data from the Fort Thomas Treatment Plant (FTTP), which serves as the communication hub of the SCADA system. This system provides operators and management with real-time data about water quantity and quality, and stores all operation and alarm data for generating daily, weekly and monthly operation reports.

The distribution system consists of more than 1,000 miles of water mains and distribution lines. The distribution main system is primarily constructed of cast or ductile iron with some of the larger mains constructed of concrete and the distribution lines are constructed of PVC piping.

According to the District, compliance is met with all requirements of the Safe Drinking Water Act of the Environmental Protection Agency and they are planning accordingly for increased monitoring and reporting requirements of the Act.

Water Rates

Current Rates

PSC Order 2018-00291, dated March 26, 2019 (the “Order”), provides that the District is authorized to adjust certain rates charged by the System to its customers in order to produce additional revenues in two phases.

Each customer pays a minimum charge by meter size in addition to the cost of water usage as set forth below:

Effective March 26, 2020 Phase II

	Monthly Charge	Quarterly Charge
Meter Size		
5/8 inch	\$18.50	\$40.50
3/4 inch	\$19.00	\$42.50
1 inch	\$20.80	\$48.80
1 1/2 inch	\$23.40	\$57.70
2 inch	\$29.60	\$80.90
3 inch	\$71.30	\$251.80
4 inch	\$89.50	\$315.50
6 inch	\$132.40	\$466.20
8 inch	\$178.80	\$637.10
10 inch and larger	\$237.80	\$831.90

	Monthly Block/Quarterly Block	Rate
First	1,500 cubic feet/4,500 cubic feet	\$4.77 Per 100 cubic feet
Next	163,500 cubic feet/490,500 cubic feet	\$4.44 Per 100 cubic feet
Over	165,000 cubic feet/495,000 cubic feet	\$3.25 Per 100 cubic feet

Wholesale	\$3.98 per 1,000 gallons
	\$2.98 Per 100 cubic feet
Bulk Sales (Fill Stations)	\$6.38 Per 1,000 gallons
Overtime Charge	\$60

Certain customers pay a surcharge that has been approved by the PSC as set forth below:

Sub-district Charges

- Sub-district B shall be assessed a monthly surcharge in the amount of \$12.07
- Sub-district C shall be assessed a monthly surcharge in the amount of \$10.71
- Sub-district D shall be assessed a monthly surcharge in the amount of \$28.96
- Sub-district E shall be assessed a monthly surcharge in the amount of \$29.83
- Sub-district F shall be assessed a monthly surcharge in the amount of \$14.88
- Sub-district G shall be assessed a monthly surcharge in the amount of \$19.85
- Sub-district H shall be assessed a monthly surcharge in the amount of \$30.00
- Sub-district I shall be assessed a monthly surcharge in the amount of \$30.00
- Sub-district K shall be assessed a monthly surcharge in the amount of \$6.39

Sub-district M shall be assessed a monthly surcharge in the amount of \$30.00
 Sub-district R shall be assessed a monthly surcharge in the amount of \$18.75
 Sub-district RF shall be assessed a monthly surcharge in the amount of \$21.61
 Sub-district RL shall be assessed a monthly surcharge in the amount of \$24.84

District Production, Usage and Sales Trends

	2015	2016	2017	2018	2019
Customers					
Residential	75,376	76,055	76,616	77,145	77,767
Commercial	4,006	4,006	4,004	4,009	4,051
Industrial	112	110	110	109	107
Other	2,630	2,371	2,578	2,586	2,374
Total	82,124	82,542	83,308	83,849	84,299
Water Sales					
Residential	\$29,945,579	\$31,146,733	\$32,144,608	\$32,997,415	\$34,204,142
Commercial	\$7,060,232	\$7,246,450	\$7,468,981	\$7,450,952	\$7,752,357
Industrial	\$3,724,937	\$3,966,911	\$4,013,168	\$4,084,359	\$4,239,685
Other	\$8,045,555	\$8,617,046	\$8,832,459	\$9,072,366	\$9,568,045
Total	\$48,776,303	\$50,977,140	\$52,459,216	\$53,605,092	\$55,764,299
Avg Monthly Bill by Customer					
Residential	\$33.11	\$34.13	\$34.96	\$35.64	\$36.65
Commercial	\$146.87	\$150.74	\$155.45	\$154.88	\$159.47
Industrial	\$2,771.53	\$3,005.24	\$3,040.28	\$3,122.60	\$3,301.94
Other	\$254.93	\$302.86	\$285.51	\$292.36	\$335.86
Line Loss (as % of Production)	8.32%	15.10%	12.65%	17.02%	16.53%

Source: Northern Kentucky Water District

Debt Service Coverage

Historical debt service calculations are set forth below:

	Year Ending 12/31/2017	Year Ending 12/31/2018	Year Ending 12/31/2019
Total Operating Revenue	\$54,085,214	\$55,326,624	57,567,896
Total Operating Expense	<u>24,467,676</u>	<u>26,138,403</u>	<u>28,738,889</u>
Net Operating Income	29,617,538	29,188,221	28,829,007
Other Revenues			
Interest Income	944,480	1,664,146	1,881,532
Service Applications	<u>446,018</u>	<u>420,303</u>	<u>631,675</u>
Net Annual Income and Revenues	<u>\$31,008,036</u>	<u>\$31,272,670</u>	<u>31,342,214</u>
Maximum Annual Debt Service Requirement	<u>\$17,434,169</u>	<u>\$17,434,169</u>	<u>18,467,359</u>
Debt Service Coverage	<u>1.78</u>	<u>1.79</u>	<u>1.70</u>

Source: Northern Kentucky Water District

Outstanding Indebtedness

The table below lists the District's outstanding bond issues as of 02/01/2021, including the estimates on the proposed debt:

Debt Capsule Summary Report

Bond Series	Original Par Amount	Amount Outstanding	Interest Rate Range	Final Maturity	Call Information
2008KIA F08-07	\$4,000,000	\$2,495,049	1.000%	12/01/32	N/A
2010KIA F09-02	\$24,000,000	\$16,097,481	2.000%	06/01/33	N/A
2012-Ref	\$54,840,000	\$29,310,000	4.000 - 5.000%	02/01/27	Feb 2022 @ 100%
2013	\$26,400,000	\$20,890,000	2.000 - 5.000%	02/01/38	Feb 2023 @ 100%
2013-REF	\$24,120,000	\$11,485,000	5.000 - 4.000%	02/01/28	Aug 2023 @ 100%
2014-REF	\$15,805,000	\$4,210,000	3.125 - 5.000%	02/01/29	Aug 2023 @ 100%
2016-REF	\$41,905,000	\$30,830,000	5.000 - 3.000%	02/01/31	Feb 2026 @ 100%
2019	\$17,845,000	\$16,855,000	3.000 - 5.000%	02/01/44	Aug 2027 @ 100%
USDA Loan 91-03	\$1,733,000	\$1,679,500	2.750%	02/01/57	N/A
KIA Fund B 15-003	\$1,392,195	\$1,197,745	0.950%	12/01/37	N/A
KIA Loan F15-011	\$3,535,094	\$3,157,576	2.0%	06/01/38	N/A
KIA Loan F14-015	\$3,545,910	\$3,167,236	2.0%	06/01/38	N/A
Series 2020-REF Bonds	\$22,325,000	\$21,055,000	5.000 - 2.000%	02/01/35	Feb 2028 @ 100%
Totals:	\$241,446,199	\$162,429,587			
<i>Proposed Debt</i>					
KIA Loan F13-012*	\$8,000,000	\$4,523,000	2.000%		
KIA Loan F16-027*	\$4,000,000	\$1,304,928	2.000%		
KIA Loan F20-044*	\$8,000,000	\$0	1.750%		
Estimated Series 2021 BAN	\$25,000,000	\$25,000,000	TBD		
Total Proposed:	\$45,000,000	\$30,827,928	---	---	---
Total Existing + Proposed	\$286,446,199	\$193,257,515			

*Not Yet Closed

Source: Northern Kentucky Water District

APPENDIX B

**NORTHERN KENTUCKY WATER DISTRICT
REVENUE BOND ANTICIPATION NOTES, SERIES 2021A**

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019

[Page intentionally left blank]

NORTHERN KENTUCKY WATER DISTRICT

December 31, 2019

*FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS'
REPORT INCLUDING SUPPLEMENTARY INFORMATION*

**NORTHERN KENTUCKY WATER DISTRICT
TABLE OF CONTENTS**

	PAGE
Independent Auditors' Report	
Management's Discussion and Analysis (Unaudited).....	1
Basic Financial Statements	
Statements of Net Position	6
Statements of Revenues, Expenses and Changes in Net Position	8
Statements of Cash Flows.....	9
Notes to the Financial Statements.....	11
Required Supplementary Information	
Schedule of the District's Proportionate Share of the Net Pension Liability	47
Schedule of the District's Pension Contributions.....	48
Schedule of the District's Proportionate Share of the Net OPEB Liability.....	49
Schedule of the District's OPEB Contributions.....	50
Other Supplementary Information	
Statement of Revenues, Expenses and Changes in Net Position – Budget to Actual.....	51
Statements of Water Operating Revenue	52
Statements of Combined Operation and Maintenance Expenses	53
Schedule of Insurance Coverages	54
Schedule of Rates, Rules and Regulations	55
Members of the Commission and Administrative Staff.....	57
Required Regulatory Section	
Schedule of Expenditures of Federal Awards	58
Notes to the Schedule of Expenditures of Federal Awards.....	59
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	62
Schedule of Findings and Questioned Costs	64
Schedule of Status of Prior Year Findings and Questioned Costs.....	65



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Northern Kentucky Water District
Erlanger, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Northern Kentucky Water District (the District) as of and for the years ended December 31, 2019 and 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Northern Kentucky Water District as of December 31, 2019 and 2018 and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the District's proportionate share of the net pension liability, schedule of the District's pension contributions, schedule of the District's proportionate share of the net OPEB liability, and schedule of the District's OPEB contributions on pages 1 – 5 and 47 – 50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Northern Kentucky Water District's basic financial statements. The other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated June 18, 2020, on our consideration of the Northern Kentucky Water District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Northern Kentucky Water District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Northern Kentucky Water District's internal control over financial reporting and compliance.

VonLehman & Company Inc.

NORTHERN KENTUCKY WATER DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Northern Kentucky Water District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2019. This information is presented in conjunction with the audited financial statements that follow this section.

Financial Highlights

The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows at the close of the most recent year by \$210,590,259 (net position). This was an increase of \$11,049,203 in comparison to the prior year.

- Operating revenues increased \$2,150,270 or 3.9% from 2018.
- The debt coverage ratio decreased from 1.79 in 2018 to 1.70 in 2019.

Overview of the Financial Statements

The discussion and analysis serves as an introduction to the District's basic financial statements. The basic financial statements are comprised of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the Notes to the Financial Statements. The report also contains additional required supplementary information and other supplementary information in addition to the basic financial statements themselves.

The financial statements of the District are designed to provide the readers with a broad overview of the District's finances in a manner similar to a private sector business.

The Statement of Net Position presents information on all the District's assets, liabilities, deferred inflows and deferred outflows with the differences between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the District's net position changed during the years presented. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The Statement of Cash Flows presents information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Basis of Accounting

The District's financial statements are prepared using the accrual basis of accounting.

**NORTHERN KENTUCKY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
(Continued)**

Overview of Annual Financial Report

Table 1 provides a summary of the District's net position for 2019 compared to 2018.

**Table 1
Net Position**

	December 31,	
	2019	2018
Assets		
Current Assets	\$ 53,909,267	\$ 45,915,129
Restricted Assets Noncurrent	44,662,876	47,560,997
Miscellaneous Deferred Charges	4,480,782	4,898,364
Capital Assets	343,654,137	344,987,843
Total Assets	446,707,062	443,362,333
Deferred Outflows of Resources	10,676,186	9,744,133
Liabilities		
Current Liabilities	20,614,679	36,263,459
Restricted Liabilities Noncurrent	1,220,428	1,193,712
Other Noncurrent Liabilities	222,172,952	212,947,721
Total Liabilities	244,008,059	250,404,892
Deferred Inflows of Resources	2,784,930	3,160,518
Net Position		
Net Investment in Capital Assets	140,884,382	131,196,839
Restricted	43,442,448	46,734,744
Unrestricted	26,263,429	21,609,473
Total Net Position	\$ 210,590,259	\$ 199,541,056

The District's net position for 2019 increased 5.5% to \$210,590,259 compared to \$199,541,056 for 2018. The increase was mainly attributable to the Phase I rate adjustment that was approved by the Kentucky Public Service Commission in Case No. 2018-00291.

A portion of the District's net position (20.6%) is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used.

An additional portion of the District's net position (67.0%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment); less any related debt used to acquire those assets still outstanding. The District uses these capital assets to provide services to its customers. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position (12.4%) may be used to meet the District's ongoing obligations to customers and creditors.

**NORTHERN KENTUCKY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
(Continued)**

Table 2 shows the changes in net assets for 2019, as well as revenue and expense comparisons to 2018.

**Table 2
Changes in Net Position**

	Years Ended December 31,	
	2019	2018
Operating Revenues		
Water Sales	\$ 55,764,229	\$ 53,605,092
Forfeited Discounts	830,599	856,519
Rents From Property	385,845	389,526
Other Water Revenues	587,221	566,487
Total Operating Revenues	<u>57,567,894</u>	<u>55,417,624</u>
Operating Expenses		
Operating and Maintenance Expense	28,738,889	26,129,086
Depreciation Expense	12,179,078	12,089,960
Total Operating Expenses	<u>40,917,967</u>	<u>38,219,046</u>
Net Operating Income	<u>16,649,927</u>	<u>17,198,578</u>
Non-Operating Income (Expense)		
Investment Income	1,881,532	1,664,146
Miscellaneous Non-Operating Income	494,748	366,664
Loss on Abandonment of Mains	(532,386)	(454,332)
Interest on Long-Term Debt and Customer Deposits	(7,075,292)	(7,997,633)
Amortization of Debt Premiums and Defeasance Costs	887,155	1,050,606
Bond Issuance Costs	(103,192)	-
Pension Expense	(2,476,972)	(1,489,278)
Other Post Employment Benefit Revenue	(97,596)	(214,646)
Arbitrage Expense	(178,770)	(133,418)
Gain on Sale of Capital Assets	48,374	800
Total Non-Operating Expenses	<u>(7,152,399)</u>	<u>(7,207,091)</u>
Change in Net Position Before Capital Contributions	9,497,528	9,991,487
Capital Contributions	<u>1,551,675</u>	<u>1,471,935</u>
Change in Net Position	<u>\$ 11,049,203</u>	<u>\$ 11,463,422</u>

In reviewing income before capital contributions, the financial statements showed net income for the year of \$9,497,528. Operating revenues increased 3.9% mainly as a result of the Phase I rate adjustment that was implemented March 26, 2019. Operating expenses (including depreciation) increased 7.1% due mainly to an increase in materials and services needed for the efficient operation of the District, including personnel related expenses. Capital contributions increased by \$79,740 (5.4%) primarily due to the increase of mains constructed by other entities and contributed to the District.

The District budgeted for \$55,631,752 in operating revenues. Actual revenues were \$57,567,894, a difference of \$1,936,142. The largest difference was due to water sales being over budget by \$1,688,777. Operation, maintenance, and administration expenses were budgeted at \$30,205,444. Actual expenses were \$28,738,889, a difference of \$1,466,555. The largest portion of this difference was related to salaries and wages, and employee pension and benefits having a total combined budget of \$15,368,926, while actual expenses totaled \$14,581,815. The District budgeted for all full-time positions to be filled for the entire year, but experienced some vacancies that resulted in various positions being filled for less than the entire year.

**NORTHERN KENTUCKY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
(Continued)**

Capital Assets

At December 31, 2019, the capital assets reported were \$343,654,137 including land, buildings, water systems, equipment, and vehicles. This represents a net decrease of \$1,333,706, or (0.4%), over last year due. Additional information on the District's capital assets can be found in Note 6 of this report.

**Table 3
Capital Assets, Net of Depreciation**

	December 31,	
	2019	2018
Not Being Depreciated		
Land	\$ 3,267,226	\$ 3,267,226
Construction in Progress	13,054,992	7,333,224
Plant Acquisition Adjustment	5,516,136	5,516,136
Other Capital Assets		
Utility Plants		
Transmission and Distribution, Source of Supply, Pumping System, Power Generation, Water Treatment, and General Plant and Equipment	495,430,358	491,531,835
Subtotal	517,268,712	507,648,421
Less Accumulated Depreciation	173,614,575	162,660,578
Totals	\$ 343,654,137	\$ 344,987,843

Major capital additions during the year included adding mains for approximately \$3,271,000 and services for approximately \$776,000.

Long-Term Liabilities

Table 4 summarizes the District's long-term liabilities at the end of 2019 as compared to 2018.

**Table 4
Outstanding Long-Term Liabilities at Year End**

Compensated Absences	\$ 1,005,126	\$ 662,920
Arbitrage Liability	734,477	555,707
Bond Indebtedness	173,779,113	166,682,895
Bond Anticipation Notes	-	17,414,267
Notes Payable	32,997,722	34,088,348
	<u>\$ 208,516,438</u>	<u>\$ 219,404,137</u>

At year-end, the District had \$206,776,835 in outstanding notes and bonds compared to \$218,185,510 last year. That is a decrease of 5.2% as shown in Table 4.

**NORTHERN KENTUCKY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
(Continued)**

Economic Factors and Next Year's Budget

The District's budget for 2020 projects a modest increase in water revenue due to the rate recovery of the second step of the approved rate adjustment from KY PSC Case No. 2018-00291. A modest increase is anticipated for operating expenses as a result of the modest increase in employee related expenses along with projected increases in materials and supplies coupled with the increase in cost for competitively bid chemicals.

The District is not legally required to adopt and adhere to a budget or to present budgetary comparison information. However, the Board chooses to approve an annual budget as a management tool, which serves as the foundation for the District's financial planning and control. Additionally, the Board also chooses to present the budgetary comparison as part of the supplementary information to the financial statements. The Board does not formally amend the budget after approval.

Contacting the District's Financial Management

This report is designed to provide our customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District Administrative Office at 2835 Crescent Springs Road, Erlanger, KY, 41018.

**NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF NET POSITION**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	December 31,	
	2019	2018
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and Cash Equivalents	\$ 31,557,833	\$ 27,545,107
Investments	2,341,386	905,611
Accounts Receivable		
Customers, Net	6,756,320	5,291,901
Unbilled Customers	6,500,000	6,100,000
Others	425,504	230,799
Assessments Receivable	155,813	147,073
Inventory Supplies for New Installation and Maintenance, at Cost	1,667,269	1,570,034
Prepaid Items	813,405	473,114
Restricted Assets - Cash and Cash Equivalents		
Bond Proceeds Fund	339,698	367,457
Debt Service Account	2,898,212	3,084,127
Improvement, Repair & Replacement	453,827	199,906
Total Current Assets	53,909,267	45,915,129
Noncurrent Assets		
Restricted Assets - Cash and Cash Equivalents		
Bond Proceeds Fund	2,960,095	6,025,577
Debt Service Account	20,021,398	17,120,875
Improvement, Repair and Replacement	689,509	4,356,847
Customer Deposits Fund	942,820	1,032,152
Restricted Assets - Investments		
Debt Service Reserve Account	20,049,054	19,025,546
Miscellaneous Deferred Charges	4,480,782	4,898,364
Capital Assets		
Land, System, Buildings and Equipment	504,213,720	500,315,197
Construction in Progress	13,054,992	7,333,224
Total Capital Assets	517,268,712	507,648,421
Less Accumulated Depreciation	173,614,575	162,660,578
Total Capital Assets, Net of Accumulated Depreciation	343,654,137	344,987,843
Total Noncurrent Assets	392,797,795	397,447,204
Total Assets	446,707,062	443,362,333
Deferred Outflows of Resources		
Deferred Outflows Related to Pension	4,558,221	4,027,097
Deferred Outflows Related to Other Postemployment Benefits	2,110,885	1,322,530
Deferred Loss on Refundings	4,007,080	4,394,506
Total Deferred Outflows of Resources	10,676,186	9,744,133
Total Assets and Deferred Outflows of Resources	\$ 457,383,248	\$ 453,106,466

See accompanying notes.

**NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF NET POSITION
(Continued)**

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	December 31,	
	2019	2018
Liabilities and Deferred Inflows of Resources		
Current Liabilities		
Bonded Indebtedness	\$ 12,966,128	\$ 11,813,753
Bond Anticipation Note	-	17,414,267
Notes Payable	1,690,053	1,660,208
Accounts Payable	1,011,597	950,976
Accrued Payroll and Taxes	457,014	389,448
Compensated Absences	107,575	131,032
Arbitrage Liability	412,209	-
Other Accrued Liabilities	278,366	252,285
Liabilities Payable - Restricted Assets		
Accrued Interest Payable	2,898,212	3,084,127
Accounts Payable	793,525	567,363
	<u>20,614,679</u>	<u>36,263,459</u>
Long-Term Liabilities (Net of Current Portion)		
Liabilities Payable - Restricted Assets		
Accounts Payable	277,608	161,560
Customer Deposits	942,820	1,032,152
Compensated Absences	897,551	531,888
Arbitrage Liability	322,268	555,707
Bond Indebtedness	160,812,985	154,869,142
Notes Payable	31,307,669	32,428,140
Net Pension Liability	23,269,110	19,018,499
Net Other Postemployment Benefits Liability	5,563,369	5,544,345
	<u>223,393,380</u>	<u>214,141,433</u>
Total Long-Term Liabilities	<u>223,393,380</u>	<u>214,141,433</u>
Total Liabilities	<u>244,008,059</u>	<u>250,404,892</u>
Deferred Inflows of Resources		
Deferred Inflows Related to Pension	726,617	1,969,132
Deferred Inflows Related to Other Postemployment Benefits	2,058,313	1,191,386
	<u>2,784,930</u>	<u>3,160,518</u>
Total Deferred Inflows of Resources	<u>2,784,930</u>	<u>3,160,518</u>
Total Liabilities and Deferred Inflows of Resources	<u>246,792,989</u>	<u>253,565,410</u>
Net Position		
Net Investment in Capital Assets	140,884,382	131,196,839
Restricted For Debt Service Funds	40,070,452	36,146,421
Restricted For Capital Improvement Projects	3,371,996	10,588,323
Unrestricted	26,263,429	21,609,473
	<u>210,590,259</u>	<u>199,541,056</u>
Total Net Position	<u>210,590,259</u>	<u>199,541,056</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 457,383,248</u>	<u>\$ 453,106,466</u>

See accompanying notes.

**NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

	Years Ended December 31,	
	2019	2018
Operating Revenues		
Water Sales	\$ 55,764,229	\$ 53,605,092
Forfeited Discounts	830,599	856,519
Rents From Property	385,845	389,526
Other Water Revenues	587,221	566,487
	<u>57,567,894</u>	<u>55,417,624</u>
Operating Expenses		
Operating and Maintenance Expense	28,738,889	26,129,086
Depreciation Expense	12,179,078	12,089,960
	<u>40,917,967</u>	<u>38,219,046</u>
Net Operating Income	<u>16,649,927</u>	<u>17,198,578</u>
Non-Operating Income (Expense)		
Investment Income	1,881,532	1,664,146
Miscellaneous Non-Operating Income	494,748	366,664
Loss on Abandonment of Mains	(532,386)	(454,332)
Interest on Long-Term Debt and Customer Deposits	(7,075,292)	(7,997,633)
Amortization of Debt Premiums and Defeasance Costs	887,155	1,050,606
Bond Issuance Costs	(103,192)	-
Pension Expense	(2,476,972)	(1,489,278)
Other Post Employment Benefit Expense	(97,596)	(214,646)
Arbitrage Expense	(178,770)	(133,418)
Gain on Sale of Capital Assets	48,374	800
	<u>(7,152,399)</u>	<u>(7,207,091)</u>
Change in Net Position Before Capital Contributions	9,497,528	9,991,487
Capital Contributions	<u>1,551,675</u>	<u>1,471,935</u>
Change in Net Position	11,049,203	11,463,422
Net Position - Beginning of Year	<u>199,541,056</u>	<u>188,077,634</u>
Net Position - End of Year	<u>\$ 210,590,259</u>	<u>\$ 199,541,056</u>

See accompanying notes.

**NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2019	2018
Cash Flows From Operating Activities		
Received From Customers	\$ 55,410,698	\$ 55,805,197
Paid to Suppliers for Goods and Services	(13,748,106)	(14,345,583)
Paid to or on Behalf of Employees for Services	(14,172,043)	(12,854,041)
Net Cash Provided by Operating Activities	<u>27,490,549</u>	<u>28,605,573</u>
Cash Flows From Investing Activities		
Purchase of Investments	(65,223,668)	(39,802,641)
Proceeds From Sale of Investments	64,516,409	39,487,736
Investment Income	132,255	1,278,149
Net Cash (Used) Provided by Investing Activities	<u>(575,004)</u>	<u>963,244</u>
Cash Flows From Capital and Related Financing Activities		
Principal Paid on Debt	(12,309,207)	(24,750,290)
Debt Proceeds	2,174,496	1,224,824
Interest Paid on Bonds and Notes	(7,261,207)	(8,250,080)
Acquisition and Construction of Capital Assets	(9,857,174)	(8,736,128)
Proceeds on Sale of Capital Assets	(52,661)	24,701
Payment on Arbitrage Liability	-	(62,840)
Miscellaneous Non-Operating Income	521,552	366,664
Net Cash Used by Capital and Related Financing Activities	<u>(26,784,201)</u>	<u>(40,183,149)</u>
Net Change in Cash	131,344	(10,614,332)
Cash and Cash Equivalents Beginning of Year	<u>59,732,048</u>	<u>70,346,380</u>
Cash and Cash Equivalents End of Year	<u>\$ 59,863,392</u>	<u>\$ 59,732,048</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Net Operating Income	\$ 16,649,927	\$ 17,198,578
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Depreciation	12,179,078	12,089,960
Change in Assets and Liabilities		
Accounts Receivable, Net	(2,059,124)	401,842
Assessments Receivable	(8,740)	(8,231)
Inventory Supplies	(97,235)	(16,425)
Prepaid Expenses	(340,291)	148,106
Miscellaneous Deferred Charges	417,582	(587,406)
Accounts Payable	402,831	(652,447)
Accrued Payroll and Taxes	67,566	(9,697)
Accrued Compensated Absences	342,206	58,483
Other Accrued Liabilities	26,081	(11,152)
Customer Deposits	(89,332)	(6,038)
Net Cash Provided by Operating Activities	<u>\$ 27,490,549</u>	<u>\$ 28,605,573</u>

See accompanying notes.

**NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF CASH FLOWS
(Continued)**

	Years Ended December 31,	
	2019	2018
Supplemental Schedule of Noncash Capital and Related Financing Activities		
Change in Fair Value of Investments	\$ <u>(1,139,986)</u>	\$ <u>(152,523)</u>
Contributions of Capital Assets	\$ <u>1,551,675</u>	\$ <u>1,471,935</u>
Bond Anticipation Note Retired through Bond Issuance	\$ <u>17,325,000</u>	\$ <u>-</u>
Pension Expense	\$ <u>(2,476,972)</u>	\$ <u>(1,489,278)</u>
Other Post Employment Benefit Expense	\$ <u>(97,596)</u>	\$ <u>(214,646)</u>
Amortization Expense	\$ <u>(886,538)</u>	\$ <u>(1,050,606)</u>
Reconciliations of Cash and Cash Equivalents to the Statement of Net Position		
Cash and Cash Equivalents - Current	\$ 31,557,833	\$ 27,545,107
Cash and Cash Equivalents - Restricted	<u>28,305,559</u>	<u>32,186,941</u>
Total Cash and Cash Equivalents	\$ <u>59,863,392</u>	\$ <u>59,732,048</u>

See accompanying notes.

NORTHERN KENTUCKY WATER DISTRICT NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Northern Kentucky Water District (the District) was established August 28, 1996 and became operational January 1, 1997 as a result of a merger agreement executed by the Kenton District Water District No. 1 and the Campbell District Kentucky Water District. The District was organized and operates under the provisions of Kentucky Revised Statutes (Chapter 74). The District owns and operates water production and distribution facilities which are used to furnish water supplies within their service area as approved by the Commonwealth of Kentucky Public Service Commission.

Presentation, Basis of Accounting, and Measurement Focus

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) for state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments in the United States of America.

The District's operations are presented, in a proprietary, as a single enterprise fund. Proprietary funds report operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charged; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The enterprise fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses when they are incurred. Claims incurred but not reported are included in payables and expenses.

The enterprise fund is reported using an economic resources measurement focus. This measurement focus includes all assets and liabilities (whether current or noncurrent) associated with the activity in the fund's statement of net position.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

Operating Revenues and Expenses

Enterprise funds distinguish operating revenues and expenses from non-operating items in accordance with the flow of economic resources measurement focus and the accrual basis of accounting. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues from water sales, forfeited discounts, rents from property, and other water revenues are reported as operating revenues. Operating expenses for enterprise funds includes the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the District considers all highly liquid unrestricted debt instruments purchased with a maturity of three months or less to be cash equivalents.

The District is authorized by bond resolution to invest in direct obligations of the United States, or obligations guaranteed by the United States, obligations of certain federal agencies and instrumentalities, including U.S. dollar-denominated deposits in commercial banks which are insured by the Federal Deposit Insurance Corporation or fully collateralized by the foregoing, and public housing bonds or project notes issued by public housing authorities annual contribution contracts with the United States or by requisition or payment agreement with the United States.

Investments

Investments are reported at fair value based on quoted market prices.

Accounts Receivable - Customers

The District follows a quarterly cycle billing procedure with approximately one-third of the meter readings billed each month. When meter readings are delayed, bills are rendered based on estimated meter readings to promote consistency of water revenue. In order to accomplish a proper matching of revenues with expenses and to fairly state assets, an analysis is prepared of the final quarterly billings in the year to determine the estimated amount of water delivered but unbilled at year end.

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 District 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 District's collection history, the financial stability and recent payment history of the customer, and other pertinent factors. Receivables are written off as uncollectible after the District has used reasonable collection efforts and deems them uncollectible. Based on these criteria, the District has estimated an allowance for doubtful accounts of \$35,000 at December 31, 2019 and 2018.

Assessments Receivable

Direct assessments from property owners are recorded as a receivable by the District at the time the improvement project is completed.

Inventory

Inventory is valued at the lower of cost, using the moving average method, or market. Inventories consist of expendable supplies held for new water line installations and maintenance and are charged to expenditures on an "as used" basis.

Deferred Inflows and Outflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and is therefore deferred until that time. A deferred gain on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The District also recognizes deferred inflows of resources related to pensions and other postemployment benefits.

Deferred outflows of resources represent a consumption of net positions that applies to a future period, and therefore deferred until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. The District also recognizes deferred outflows of resources related to pensions and other postemployment benefits.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Prior to 1978, capital assets were recorded as expenditures at the time of purchase and capitalized to the Plant Fund. No depreciation was provided on capital assets and continuing property records were not maintained.

The District obtained an independent appraisal which includes a detailed listing of District buildings, structures and contents. The appraisal serves as the basis for detailed property records that is updated on a continuous basis.

Capital assets are stated at cost or appraised value and depreciated over the estimated useful lives of the related assets. The cost of current repairs and maintenance is charged to expense, while the cost of replacements or betterments is capitalized.

Depreciation of the capital assets is computed on the straight-line method over the estimated the following useful lives of the assets:

Structures and Improvements	35 - 40 Years
Supply Mains	35 - 45 Years
Pumping and Water Treatment Equipment	20 - 40 Years
Distribution Reservoirs and Mains	30 - 75 Years
Services, Meters, Hydrants	35 - 75 Years
Office Furniture and Equipment	5 - 25 Years
Other Equipment	7 - 20 Years

Prior to the year ended December 31, 2018, the interest cost of borrowed funds used to finance construction projects was capitalized when material. Interest earned on the proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets was offset against interest costs in determining the amount to be capitalized. For the year ended December 31, 2018, the District adopted Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred before the End of Construction Period*. This guidance requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest costs incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are applied prospectively.

Construction in Progress

Capitalizable costs incurred on projects which are not in use or ready for use are held in construction in progress. When the asset is ready for use, related costs are transferred to the appropriate capital asset account.

Capital Contributions

These contributions represent assessments/reimbursements to recover the costs of new services and extensions of the distribution system. The District does not include the amount of costs incurred and contributed by outside contractors for installation of distribution systems which the District absorbs and provides for their operations and maintenance.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

Employees of the District are entitled to paid vacation and sick depending on length of service and other factors. The amounts recorded for accumulated vacation and sick for the years ended December 31, 2019 and 2018 were \$1,005,126 and \$662,920, respectively.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is classified as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. All other net position that does not meet the definition of "restricted" or "net investment in capital assets" is considered unrestricted.

Bond Premiums and Issue Costs

Bonds payable are reported, net of any premium, which are amortized over the life of the applicable bonds using the straight-line method, which approximates the effective interest method. Issuance costs are recognized as an expense in the year incurred.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purpose to confirm with the presentation in the current year financial statements.

Adoption of New Accounting Standards*Certain Asset Retirement Obligations*

GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued to address accounting and financial reporting for certain retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government has a legal obligation to perform future asset retirement activities related to its tangible capital assets and should recognize a liability based on the guidance in this statement. The requirements of GASB Statement No. 83 are effective for fiscal years beginning after June 15, 2018. The District implemented the applicable requirements of GASB Statement No. 83 in fiscal year 2019 with no significant impact to the financial statements.

Fiduciary Activities

GASB Statement No. 84, *Fiduciary Activities* was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The requirements of GASB Statement No. 84 are effective for fiscal years beginning after December 15, 2019. The District implemented the applicable requirements of GASB Statement No. 84 in fiscal year 2019 with no significant impact to the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Majority Equity Interests*

GASB Statement No. 90, *Majority Equity Interests—an Amendment of GASB Statement No. 14 and No. 61*, was issued to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of GASB Statement No. 90 are effective for fiscal years beginning after December 15, 2018. The District implemented the applicable requirements of GASB Statement No. 90 in fiscal year 2019 with no significant impact to the financial statements.

Recently Issued Significant Accounting Standards*Lease Accounting Standard*

GASB Statement No. 87, *Leases*, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of GASB Statement No. 87 are effective for fiscal year beginning after December 15, 2019. The District is currently evaluating the impact GASB Statement No. 87 may have on its financial statements.

Certain Disclosures Related to Debt

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued to improve the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of GASB Statement No. 88 are effective for fiscal years beginning after June 15, 2019. The District is currently evaluating the impact GASB Statement No. 88 may have on its financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS**Investment Policy***General Policy*

It is the policy of the District to invest public funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the District and conforming to all state statutes and District regulations governing the investments of public funds.

Authorized Investment Instruments

1. 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.
2. 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.
3. Obligations of any corporation of the United States government.
4. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by Section 41.240(4) of the Kentucky Revised Statutes.

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Limitations of Investment Transactions

With regard to the investments authorized, the following limitations shall apply:

No investment shall be purchased for the District on a margin basis or through the use of any similar leveraging technique.

Deposits and Investments

The District had investments in certificates of deposit as of December 31, 2019 and 2018 in the amounts of \$2,341,386 and \$905,611, respectively.

Custodial Credit Risk – Deposits. For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned. The District maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of December 31, 2019 and 2018, the District's deposits are entirely insured and/or collateralized with securities held by the financial institutions on the District's behalf and the FDIC insurance.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District had no custodial credit risk at December 31, 2019 and 2018.

Credit Risk – Investments. The District's investments are subject to minimal credit risk because they are invested in Federal Agency securities which are generally considered free of default risk due to the perceived stability of the U.S. Government.

NOTE 3 – RESTRICTED ASSETS

Restricted assets consist of monies and other resources which are restricted legally as described below:

Bond Proceeds Fund – These assets contain the bond proceeds plus investment interest earned that are available for paying the cost of construction and acquisition contracts relating to the water system as provided in the various bond ordinances.

	December 31	
	2019	2018
Cash and Cash Equivalents	\$ 3,299,793	\$ 6,393,034

NOTE 3 – RESTRICTED ASSETS (Continued)

Debt Service Reserve Account – These assets hold an amount that will equal the aggregate debt service reserve requirement (defined as the maximum annual debt service requirement in any succeeding bond fiscal year). The account assets are:

	December 31	
	2019	2018
Cash and Cash Equivalents	\$ 10,199,049	\$ 10,018,475
Purchase and Resale Agreements	2,003,619	2,569,827
FAMC and FHLB Discount Notes	4,118,452	4,101,219
FHLB Bonds	-	2,229,383
United States Treasuries	3,093,614	-
FNMA	499,645	-
Accrued Interest Receivable and CD Market Change	134,675	106,642
	\$ 20,049,054	\$ 19,025,546

Debt Service Account – These assets accumulate monies for the purpose of paying interest on the bonds when due and payable and paying the principal of the bonds when due and payable. The account assets are:

Cash and Cash Equivalents	\$ 22,919,610	\$ 20,205,002
---------------------------	---------------	---------------

Improvement, Repair, and Replacement – These assets are available to make major repairs and replacements and to pay the cost of construction of additions, extensions and improvements to the water system. The account assets are:

Cash and Cash Equivalents	\$ 1,143,336	\$ 4,556,753
---------------------------	--------------	--------------

Customer Deposits – These assets are available to secure deposits paid by customers that have been collected in accordance with the District's tariff. When services are terminated, the deposit, plus interest, is applied to any unpaid bills or refunded to the customer if all billings have been paid. The account assets are:

Cash and Cash Equivalents	\$ 942,820	\$ 1,032,152
---------------------------	------------	--------------

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts Receivable Arising From Billings of Metered Water Sales, Net of Allowance	\$ 6,756,320	\$ 5,291,901
Accrual for Estimated Unbilled Water Revenue	6,500,000	6,100,000
Other	425,504	230,799
	\$ 13,681,824	\$ 11,622,700
Total		

NOTE 5 – FAIR VALUE MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the markets for the security type and the inputs used to determine their fair value, as follows:

LEVEL 1 – Unadjusted price quotations in active markets/exchanges for identical assets or liabilities that the District has the ability to access.

LEVEL 2 – Other observable inputs (included but no limited to, quotes process for similar assets or liabilities in the markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets and liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks, and default rates) or other market- corroborated inputs).

LEVEL 3 – Unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Restricted assets are classified in Level 2 and are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Restricted Assets				
Purchase and Resale Agreements	\$ -	\$ 2,003,619	\$ -	\$ 2,003,619
FAMC and FHLB Discount Notes	-	4,118,452	-	4,118,452
United States Treasuries	-	3,093,614	-	3,093,614
FNMA	-	499,645	-	499,645
Total Restricted Assets at Fair Value	<u>\$ -</u>	<u>\$ 9,715,330</u>	<u>\$ -</u>	<u>\$ 9,715,330</u>

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value at December 31, 2018:

Restricted Assets				
Purchase and Resale Agreements	\$ -	\$ 2,569,827	\$ -	\$ 2,569,827
FAMC and FHLB Discount Notes	-	4,101,219	-	4,101,219
FHLB Bonds	-	2,229,383	-	2,229,383
Total Restricted Assets at Fair Value	<u>\$ -</u>	<u>\$ 8,900,429</u>	<u>\$ -</u>	<u>\$ 8,900,429</u>

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the District for the year ended December 31, 2019, was as follows:

	Balance December 31, 2018	Additions	Deductions	Balance December 31, 2019
Land, System, Buildings and Equipment				
Land and Land Rights	\$ 3,267,226	\$ -	\$ -	\$ 3,267,226
Structures and Improvements	127,487,622	162,873	-	127,650,495
Lake River and Other Intakes	1,463,171	-	-	1,463,171
Supply Mains	2,865,693	-	-	2,865,693
Power Generation Plant	3,491,523	-	-	3,491,523
Pumping Equipment	11,852,274	68,132	-	11,920,406
Water Treatment Equipment	30,149,040	57,453	(11,429)	30,195,064
Distribution Reservoirs and Standpipes	11,414,093	-	-	11,414,093
Transmissions and Distribution Mains	218,938,595	3,271,377	(873,646)	221,336,326
Services	32,193,133	776,330	(68,952)	32,900,511
Meters and Meter Installations Hydrants	19,708,705	546,059	(95,888)	20,158,876
10,743,513	118,161	(482,617)	10,379,057	
Other Plant and Miscellaneous Equipment	3,419,128	-	-	3,419,128
Office Furniture and Equipment	4,034,707	56,388	(4,760)	4,086,335
Transportation Equipment	4,048,093	497,755	(218,462)	4,327,386
Tools, Shop, and Garage Equipment	802,344	63,914	(6,000)	860,258
Laboratory Equipment	801,805	19,443	-	821,248
Power Operated Equipment	1,249,998	22,392	-	1,272,390
Communication Equipment	6,287,274	-	-	6,287,274
Miscellaneous Equipment	581,124	-	-	581,124
Utility Plant Acquisition Adjustment	545,925	-	-	545,925
Acquisition Adjustment - Newport	4,970,211	-	-	4,970,211
Total Land, System, Buildings and Equipment	500,315,197	5,660,277	(1,761,754)	504,213,720
Construction in Progress	7,333,224	8,426,673	(2,704,905)	13,054,992
Total Capital Assets	507,648,421	14,086,950	(4,466,659)	517,268,712
Less Accumulated Depreciation	162,660,578	12,179,078	(1,225,081)	173,614,575
Capital Assets - Net	\$ 344,987,843	\$ 1,907,872	\$ (3,241,578)	\$ 343,654,137

NOTE 7 – ARBITRAGE

The Tax Reform Act of 1986 (Act) substantially revised the treatment to be afforded to earnings on the proceeds of tax-exempt debt, and requires the District to calculate and remit rebatable arbitrage earnings to the Internal Revenue Service. Certain of the District's debt and interest earned on the proceeds thereof are subject to the requirements of the Act. The District has accrued a liability for estimated rebatable arbitrage earnings and has set aside such earnings as restricted cash. At December 31, 2019 and 2018, the arbitrage rebate liability was \$734,477 and \$555,707, respectively.

Rebate calculations are prepared annually. However, any liability due is only required to be paid every 5 years from the original date of the bond. In the upcoming year, a payment of \$412,209 is due and accrued as a current portion for the year ending December 31, 2019.

NOTE 8 – LONG-TERM DEBT

Revenue Bonds

Water District Revenue Bonds, Series 2011

In May 2011, the District sold \$30,830,000 of its Revenue Bonds in order to fund various construction projects. The bonds maturing on or after February 1, 2021 are subject to redemption, in whole or in part, beginning February 1, 2021.

The Water District Revenue Bonds, Series 2011 are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2020	4.00%	\$ 1,055,000	\$ 1,022,662	\$ 2,077,662
2021	4.00%	1,095,000	979,662	2,074,662
2022	4.00%	1,140,000	934,962	2,074,962
2023	4.00%	1,185,000	888,462	2,073,462
2024	4.00%	1,235,000	840,062	2,075,062
2025-2029	4.00-4.25%	7,000,000	3,378,456	10,378,456
2030-2034	4.50-5.00%	8,755,000	1,626,450	10,381,450
2035	5.00%	2,025,000	50,625	2,075,625
Total		\$ 23,490,000	\$ 9,721,341	\$ 33,211,341

Water District Refunding Revenue Bonds, Series 2012

In June 2012, the District issued \$54,840,000 of Refunding Revenue Bonds, Series 2012 for the purpose of refunding in advance of maturity the District's outstanding Revenue Bonds Series 1997, 1998, 2001A and 2002A-REF in the principal amount of \$63,350,000. The bonds were sold at a premium of \$9,620,827, for total source of funds of \$64,460,827. The 2012 bonds maturing on or after February 2022 are subject to redemption after 2022 at a redemption price of 100%.

NOTE 8 – LONG-TERM DEBT (Continued)

The Water District Refunding Revenue Bonds, Series 2012 are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2020	5.00%	\$ 4,150,000	\$ 1,787,500	\$ 5,937,500
2021	5.00%	4,365,000	1,574,625	5,939,625
2022	5.00%	4,590,000	1,350,750	5,940,750
2023	5.00%	4,720,000	1,118,000	5,838,000
2024	5.00%	4,970,000	875,750	5,845,750
2025-2027	5.00%	15,030,000	1,082,000	16,112,000
Total		\$ 37,825,000	\$ 7,788,625	\$ 45,613,625

Water District Revenue Bonds, Series 2013A

In June 2013, the District sold \$26,400,000 of its Revenue Bonds in order to fund various construction projects. The 2013 bonds maturing on or after February 2023 are subject to redemption after 2023 at a redemption price of 100%.

The Water District Revenue Bonds, Series 2013A are scheduled to mature as follows:

2020	5.00%	\$ 755,000	\$ 971,151	\$ 1,726,151
2021	5.00%	795,000	932,401	1,727,401
2022	5.00%	835,000	891,651	1,726,651
2023	5.00%	880,000	848,776	1,728,776
2024	5.00%	925,000	803,651	1,728,651
2025-2029	4.00-5.00%	5,325,000	3,309,180	8,634,180
2030-2034	4.00-4.50%	6,570,000	2,069,798	8,639,798
2035-2038	4.13-4.25%	6,355,000	550,461	6,905,461
Total		\$ 22,440,000	\$ 10,377,069	\$ 32,817,069

Water District Refunding Revenue Bonds, Series 2013B

In September 2013, the District issued \$24,120,000 of Refunding Revenue Bonds, Series 2013B for the purpose of refunding in advance of maturity the District's outstanding Revenue Bonds Series 2002B, 2003A, and 2003B in the principal amount \$25,685,000. The bonds were sold at a premium of \$1,789,625, for a total source of funds of \$25,909,625. The 2013 bonds maturing on or after February 2023 are subject to redemption after 2023 at a redemption price of 100%.

The reacquisition price exceeded the net carrying amount of the refunded debt by \$364,880. This amount is netted against the new debt and amortized over the remaining life of the new debt. The refunding reduces its total debt service over 18 years by \$1,302,804 and obtains an economic gain (difference between the present values of the old and new debt service) of \$1,081,327.

NOTE 8 – LONG-TERM DEBT (Continued)

The Water District Refunding Revenue Bonds, Series 2013B are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2020	5.00%	\$ 1,295,000	\$ 625,325	\$ 1,920,325
2021	5.00%	1,355,000	559,075	1,914,075
2022	5.00%	1,430,000	489,450	1,919,450
2023	5.00%	1,500,000	416,200	1,916,200
2024	4.00%	1,570,000	347,300	1,917,300
2025-2028	4.00-5.00%	6,985,000	684,450	7,669,450
Total		\$ 14,135,000	\$ 3,121,800	\$ 17,256,800

Water District Refunding Revenue Bonds, Series 2014B

In December 2014, the District issued \$15,805,000 of Refunding Revenue Bonds, Series 2014B for the purpose of refunding in advance of maturity the District's outstanding Revenue Bonds Series 2003C and 2004 in the principal amount \$16,715,000. The bonds were sold at a premium of \$1,263,374, for a total source of funds of \$17,068,374. The 2014 bonds maturing on or after August 2023 are subject to redemption after 2023 at a redemption price of 100%.

The reacquisition price exceeded the net carrying amount of the refunded debt by \$290,040. This amount is netted against the new debt and amortized over the remaining life of the new debt. The refunding reduces its total debt service over 15 years by \$1,678,190 and obtains an economic gain (difference between the present values of the old and new debt service) of \$1,469,689.

The Water District Refunding Revenue Bonds, Series 2014B are scheduled to mature as follows:

2020	5.00%	\$ 1,505,000	\$ 206,513	\$ 1,711,513
2021	5.00%	440,000	157,888	597,888
2022	5.00%	465,000	135,263	600,263
2023	3.00%	485,000	116,363	601,363
2024	3.00%	495,000	101,663	596,663
2025-2029	3.00-4.00%	2,765,000	226,771	2,991,771
Total		\$ 6,155,000	\$ 944,461	\$ 7,099,461

Water District Refunding Revenue Bonds, Series 2016A

In November 2016, the District issued \$41,905,000 of Refunding Revenue Bonds, Series 2016A for the purpose of refunding in advance of maturity the District's outstanding Revenue Bonds Series 2009 and for the current refunding of the outstanding Revenue Bond Series 2006 in the principal amount \$44,340,000. The bonds were sold at a premium of \$5,161,005, for a total source of funds of \$47,066,005. The 2016 bonds maturing on or after August 2026 are subject to redemption after 2026 at a redemption price of 100%.

The reacquisition price exceeded the net carrying amount of the refunded debt by \$2,629,474. This amount is netted against the new debt and amortized over the remaining life of the new debt. The refunding reduces its total debt service over 15 years by \$1,678,190 and obtains an economic gain (difference between the present values of the old and new debt service) of \$7,844,962.

NOTE 8 – LONG-TERM DEBT (Continued)

The Water District Refunding Revenue Bonds, Series 2016A are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2020	5.00%	\$ 2,380,000	\$ 1,472,900	\$ 3,852,900
2021	5.00%	2,325,000	1,355,275	3,680,275
2022	5.00%	2,450,000	1,235,900	3,685,900
2023	5.00%	2,685,000	1,107,525	3,792,525
2024	5.00%	2,715,000	972,525	3,687,525
2025-2029	3.00-5.00%	15,775,000	2,737,750	18,512,750
2030-2031	3.00%	7,205,000	217,875	7,422,875
Total		\$ 35,535,000	\$ 9,099,750	\$ 44,634,750

Water District Refunding Revenue Bonds, Series 2019

In September 2019, the District issued \$17,845,000 of Revenue Bonds, Series 2019 for the purpose of refunding Revenue Bond Anticipation Notes, Series 2017. The bonds were sold at a premium of \$1,804,915, for a total source of funds of \$18,929,915. The Series 2019 bonds maturing on or after February 2028 are subject to redemption after August 2027 at a redemption price of 100%.

The Water District Refunding Revenue Bonds, Series 2019 are scheduled to mature as follows:

2020	3.00%	\$ 535,000	\$ 498,190	\$ 1,033,190
2021	3.00%	455,000	574,625	1,029,625
2022	3.00%	470,000	560,750	1,030,750
2023	4.00%	485,000	544,000	1,029,000
2024	4.00%	505,000	524,200	1,029,200
2025-2029	4.00%-5.00%	2,935,000	2,221,100	5,156,100
2030-2034	3.00%	3,550,000	1,609,350	5,159,350
2035-2039	3.00%	4,125,000	1,034,625	5,159,625
2040-2044	3.00%	4,785,000	367,425	5,152,425
Total		\$ 17,845,000	\$ 7,934,265	\$ 25,779,265

Rural Development Loan 91-02

In August 2000, the District closed on a loan agreement with the Department of Agriculture for the Sub District C Construction project. The amount of the loan was \$2,287,000 with an annual interest rate of 5.00%. The repayment of the loan is on a 40 year amortization schedule.

NOTE 8 – LONG-TERM DEBT (Continued)

The following is a schedule of future debt service requirements to maturity:

Years	Principal Amount	Interest Amount	Total Debt Service
2020	\$ 51,000	\$ 83,325	\$ 134,325
2021	54,000	80,700	134,700
2022	56,000	77,950	133,950
2023	59,000	75,075	134,075
2024	62,000	72,050	134,050
2025-2029	359,000	309,375	668,375
2030-2034	460,000	207,600	667,600
2035-2039	591,000	76,775	667,775
Total	<u>\$ 1,692,000</u>	<u>\$ 982,850</u>	<u>\$ 2,674,850</u>

Rural Development Loan 91-03

In December 2017, the District closed on a loan agreement with the Department of Agriculture for the purpose of making certain improvements to the Water System. The amount of the loan was \$1,733,000 with an annual interest rate of 2.75%. The repayment of the loan is on a 40 year amortization schedule.

The following is a schedule of future debt service requirements to maturity:

2020	\$ 26,500	\$ 47,293	\$ 73,793
2021	27,000	46,558	73,558
2022	28,000	45,801	73,801
2023	28,500	45,024	73,524
2024	29,500	44,227	73,727
2025-2029	160,000	208,326	368,326
2030-2034	182,500	184,834	367,334
2035-2039	209,500	157,913	367,413
2040-2044	240,000	127,063	367,063
2045-2049	275,000	91,712	366,712
2050-2054	314,500	51,253	365,753
2055-2057	212,000	8,883	220,883
Total	<u>\$ 1,733,000</u>	<u>\$ 1,058,887</u>	<u>\$ 2,791,887</u>

The District is in compliance with Section 726-subsection (iii) of the 1985 General Bond Resolution (as amended November 17, 1987) which requires that the net annual income and revenues, as adjusted, be equal to at least one and twenty hundredths (1.20) times the maximum annual debt service requirement coming due in any future twelve (12) month period beginning February 1, and ending January 31, on all Bonds outstanding payable from pledged receipts.

Fiscal Court of Kenton District, Kentucky

The Kenton District Water District received a \$100,000 deferred payment loan at 3.0%. This loan was required as a local match to qualify for a \$750,000 Community Development Block Grant for Phase 1 of a water project in southern Kenton District. This loan will become due and payable only after sufficient customers in southern Kenton District are obtained in order to reduce the user rates, including surcharges, to approximately \$26 per month.

NOTE 8 – LONG-TERM DEBT (Continued)

Kentucky Infrastructure Authority Loan F06-03

In January 2007, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds was \$4,000,000 at an interest rate of 3.0% and with a scheduled maturity date in June 2028. As of December 31, 2010, all funds have been received. The balance of this loan was paid in full in December 2018.

Kentucky Infrastructure Authority Loan C08-01

In January 2009, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds was \$6,000,000 at an interest rate of 3.0%. As of December 31, 2010, all funds have been received. The balance of this loan was paid in full in December 2018.

Kentucky Infrastructure Authority Loan F08-07

In November 2008, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is \$4,000,000 at an interest rate of 1.0%. As of December 31, 2013, all funds have been received.

The Kentucky Infrastructure Authority Loan F08-07 is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2020	\$ 194,752	\$ 33,015	\$ 227,767
2021	196,704	30,575	227,279
2022	198,676	28,110	226,786
2023	200,668	25,620	226,288
2024	203,693	23,106	226,799
2025-2029	1,043,275	74,783	1,118,058
2030-2032	652,032	16,458	668,490
Total	\$ 2,689,800	\$ 231,667	\$ 2,921,467

Kentucky Infrastructure Authority Loan F09-02

In October 2010, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is \$8,000,000 at an interest rate of 2.0%. As of December 31, 2013, all funds have been received.

NOTE 8 – LONG-TERM DEBT (Continued)

The Kentucky Infrastructure Authority Loan F09-02 is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2020	\$ 1,123,045	\$ 381,176	\$ 1,504,221
2021	1,145,619	355,782	1,501,401
2022	1,168,646	329,876	1,498,522
2023	1,192,135	303,450	1,495,585
2024	1,216,098	276,493	1,492,591
2025-2029	6,457,116	958,757	7,415,873
2030-2033	4,917,868	223,506	5,141,374
Total	<u>\$ 17,220,527</u>	<u>\$ 2,829,040</u>	<u>\$ 20,049,567</u>

Kentucky Infrastructure Authority Loan F13-012

In May 2013, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is \$8,000,000 at an interest rate of 2.0%. As of December 31, 2017, \$4,523,000 has been received. Payments will not begin until one year after the initiation of operation of the project, and therefore a maturity date has not been determined.

Kentucky Infrastructure Authority Loan F14-015

In December 2013, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is \$4,000,000 at an interest rate of 2.0%. As of December 31, 2018, all funds have been received.

The Kentucky Infrastructure Authority Loan F14-015 is scheduled to mature as follows:

2020	\$ 153,452	\$ 65,650	\$ 219,102
2021	156,149	62,567	218,716
2022	158,893	59,431	218,324
2023	161,686	56,239	217,925
2024	164,528	52,991	217,519
2025-2029	867,047	197,864	1,064,911
2030-2034	945,972	136,901	1,082,873
2035-2038	712,962	32,210	745,172
Total	<u>\$ 3,320,689</u>	<u>\$ 663,853</u>	<u>\$ 3,984,542</u>

Kentucky Infrastructure Authority Loan F15-011

In November 2014, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is \$4,000,000 at an interest rate of 2.0%. As of December 31, 2018, all funds have been received.

NOTE 8 – LONG-TERM DEBT (Continued)

The Kentucky Infrastructure Authority Loan F15-011 is scheduled to mature as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2020	\$ 152,983	\$ 65,450	\$ 218,433
2021	155,672	62,377	218,049
2022	158,409	59,249	217,658
2023	161,193	56,067	217,260
2024	164,026	52,830	216,856
2025-2029	864,403	213,550	1,077,953
2030-2034	943,086	123,626	1,066,712
2035-2038	710,787	28,679	739,466
Total	<u>\$ 3,310,559</u>	<u>\$ 661,828</u>	<u>\$ 3,972,387</u>

Kentucky Infrastructure Authority Loan B15-003

In July 2016, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is \$1,500,000 at an interest rate of 0.75%. As of December 31, 2018, all funds have been received.

The Kentucky Infrastructure Authority Loan B15-003 is scheduled to mature as follows:

2020	\$ 65,821	\$ 11,848	\$ 77,669
2021	66,315	11,221	77,536
2022	66,814	10,590	77,404
2023	67,316	9,954	77,270
2024	67,821	9,313	77,134
2025-2029	346,829	36,788	383,617
2030-2034	360,057	20,608	380,665
2035-2037	222,593	3,137	225,730
Total	<u>\$ 1,263,566</u>	<u>\$ 113,459</u>	<u>\$ 1,377,025</u>

Kentucky Infrastructure Authority Loan F16-027

In July 2017, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is \$5,385,000 at an interest rate of 1.75%. As of December 31, 2019, \$569,581 has been received. Payments will not begin until one year after the initiation of operation of the project, and therefore a maturity date has not been determined.

NOTE 8 – LONG-TERM DEBT (Continued)

Changes in long-term debt are as follows:

Governmental Activities	Debt Outstanding December 31, 2018	Additions of New Debt	Retirements and Repayments	Debt Outstanding December 31, 2019	Amounts Due Within 1 Year
Bond Indebtedness					
Rural Development Loan 91-02	\$ 1,741,000	\$ -	\$ 49,000	\$ 1,692,000	\$ 51,000
Rural Development Loan 91-03	1,733,000	-	-	1,733,000	26,500
Series 2011	24,505,000	-	1,015,000	23,490,000	1,055,000
Series 2011 Bond Premium	170,753	-	9,804	160,949	9,804
Series 2012	41,475,000	-	3,650,000	37,825,000	4,150,000
Series 2012 Bond Premium	5,344,624	-	562,592	4,782,032	562,592
Series 2013 A	23,160,000	-	720,000	22,440,000	755,000
Series 2013 A Bond Premium	979,590	-	50,235	929,355	50,235
Series 2013 B	15,365,000	-	1,230,000	14,135,000	1,295,000
Series 2013 B Bond Premium	1,163,256	-	119,308	1,043,948	119,308
Series 2014 B	8,135,000	-	1,980,000	6,155,000	1,505,000
Series 2014 B Bond Premium	926,474	-	84,225	842,249	84,225
Series 2016	37,540,000	-	2,005,000	35,535,000	2,380,000
Series 2016 Bond Premium	4,444,198	-	344,067	4,100,131	344,064
Series 2019	-	17,845,000	-	17,845,000	535,000
Series 2019 Bond Premium	-	1,084,915	14,466	1,070,449	43,400
Total Bond Indebtedness	166,682,895	18,929,915	11,833,697	173,779,113	12,966,128
Bond Anticipation Notes					
Series 2017	17,325,000	-	17,325,000	-	-
Series 2017 BAN Premium	89,267	-	89,267	-	-
Total Bond Anticipation Notes	17,414,267	-	17,414,267	-	-
Notes Payable					
KIA Loan F08-07	2,882,619	-	192,819	2,689,800	194,752
KIA Loan F09-02	18,321,443	-	1,100,916	17,220,527	1,123,045
KIA Loan F13-012	4,523,000	-	-	4,523,000	-
KIA Loan F14-015	3,471,489	-	150,800	3,320,689	153,452
KIA Loan F15-011	3,460,901	-	150,342	3,310,559	152,983
KIA Loan B15-003	1,328,896	-	65,330	1,263,566	65,821
KIA Loan F16-027	-	569,581	-	569,581	-
Kenton County Fiscal Court	100,000	-	-	100,000	-
Total Notes Payable	34,088,348	569,581	1,660,207	32,997,722	1,690,053
Arbitrage Liability	555,707	178,770	-	734,477	412,209
Compensated Absences	662,920	431,811	89,605	1,005,126	107,575
Total Long-Term Debt	\$ 219,404,137	\$ 20,110,077	\$ 30,997,776	\$ 208,516,438	\$ 15,175,965

NOTE 9 – PENSION PLAN

General Information about the Pension Plan

Plan description: County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS. The District only participates in the non-hazardous plan.

Benefits provided: These systems provide for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

**Tier 1: Retirement Eligibility for Members
Whose Participation Began Before 09/01/2009**

<u>Age</u>	<u>Years of Service</u>	<u>Allowance Reduction</u>
65	1 month	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.

**Tier 2: Retirement Eligibility for Members
Whose Participation Began On or After 09/01/2008 but before 01/01/2014**

<u>Age</u>	<u>Years of Service</u>	<u>Allowance Reduction</u>
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service).

**Tier 3: Retirement Eligibility for Members
Whose Participation Began On or After 01/01/2014**

<u>Age</u>	<u>Years of Service</u>	<u>Allowance Reduction</u>
65	5	None
57	Rule of 87	None

NOTE 9 – PENSION PLAN (Continued)

Benefit Formula for Tiers 1 & 2			
Final Compensation X	Benefit Factor		X Years of Service
Average of the five highest years of compensation if participation began before 09/01/2008.	2.20% if:	Member begins participating prior to 08/01/2004.	Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
	2.00% if:	Member begins participating on or after 08/01/2004 and before 09/01/2008.	
Average of the last complete five years of compensation if participation began on or after 09/01/2008 but before 01/01/2014.	Increasing percent based on service at retirement up to 30 years* plus 2.00% for each year of service over 30 if.	Member begins participating on or after 09/01/2008 but before 01/01/2014.	

* *Service (and Benefit Factor): 10 years or less (1.10%); 10 - 20 years (1.30%); 20 - 26 years (1.50%); 26 - 30 years (1.75%)*

Benefit Formula for Tier 3					
(A-B) = C X 75% = D then B+D = Interest					
A	B	C	D	Interest Rate Earned (4% + Upside)	Total Interest Credited to Members' Accounts
5 Year Geometric Average Return	Less Guarantee Rate	Upside Sharing Interest	Upside Sharing Interest X 75% = Upside Gain	5.13%	\$ 6,360,000
5.51%	4.00%	1.51%	1.13%		

For post-retirement death benefits, if the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

For disability benefits, members participating before August 1, 2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after August 1, 2004 but before January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed as the greater of 20% for non-hazardous of final rate of pay or the amount calculated under the benefit formula based upon actual service. Members participating on or after January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 20% for non-hazardous of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

For pre-retirement death benefits, the beneficiary of a deceased active member will be eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

NOTE 9 – PENSION PLAN (Continued)

The Kentucky General Assembly has the authority to increase, suspend, or reduce Cost of Living Adjustments (COLAs). Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100.00% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

During the 2018 legislative session, House Bill 185 was enacted, which provided increased pension benefits for the beneficiaries of active members who die in the line of duty.

Contributions: The employee contribution rate is set by state statute. Non-Hazardous employees contribute 5% of their annual creditable compensation. Employees hired on or after September 1, 2008, contribute an additional 1% to health insurance.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These member were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5.00% non-hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal years ended June 30, 2020, 2019, and 2018, participating employers contributed 24.06% (19.30% pension fund and 4.76% insurance fund, 21.48% (16.22% pension fund and 5.26% insurance fund), and 19.18% (14.48% pension fund and 4.70% insurance fund), respectively, for the non-hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the pension fund (excluding the insurance portion) from the District were \$1,557,127 and \$1,230,042 for the years ended December 31, 2019 and 2018, respectively.

Plan Information for December 31, 2019 Financial Statements

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019, the District reported a liability of \$23,269,110 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2019, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion for the non-hazardous system was 0.330854% which was an increase of 0.018579% from its proportion measured as of December 31, 2018.

NOTE 9 – PENSION PLAN (Continued)

For the year ended December 31, 2019, the District recognized pension expense of \$2,476,972. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 375,107
Difference between expected and actual experience	594,130	98,318
Changes of assumptions	2,355,098	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	752,506	253,192
District contributions after measurement date	<u>856,487</u>	<u>-</u>
Total	<u>\$ 4,558,221</u>	<u>\$ 726,617</u>

\$856,487 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending December 31,</u>	
2020	\$ 1,741,617
2021	845,880
2022	361,006
2023	<u>26,614</u>
Total	<u>\$ 2,975,117</u>

Actuarial assumptions: The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	26 years, closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.30% to 11.55%, varies by service (non-hazardous)
Investment Rate of Return	6.25% net of pension plan investment expense, including inflation

NOTE 9 – PENSION PLAN (Continued)

The mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Growth		
US Equity	18.75 %	4.30 %
Non-US Equity	18.75	4.80
Private Equity	10.00	6.65
Specialty Credit/High Yield	15.00	2.60
Liquidity		
Core Bonds	13.50	1.35
Cash	1.00	0.20
Diversifying Strategies		
Real Estate	5.00	4.85
Opportunistic	3.00	2.97
Real Return	<u>15.00</u>	4.10
Total	<u>100.00 %</u>	

Discount rate: The discount rate used to measure the total pension liability was 6.25%. The single discount rate was based on the expected rate of return on pension plan investments for the system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability for the system. The projection of cash flows used to determine the single discount rate assumes that each fund receives the employer required contributions each future year as determined by the current funding policy established in statute, which includes the phase-in provisions from House Bill 362 (passed in 2018) that applies to CERS.

NOTE 9 – PENSION PLAN (Continued)

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following presents the District's proportionate share of the net pension liability using the discount rate of 6.25%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Non-Hazardous	\$ 29,103,056	\$ 23,269,110	\$ 18,406,571

Changes of assumptions: As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdraw rates, and rates of disablement were updated for the 2019 actuarial valuation.

Plan Information for December 31, 2018 Financial Statements

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the District reported a liability of \$19,018,499 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 and was rolled-forward from the valuation date to June 30, 2018, using generally accepted actuarial principles. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the District's proportion for the non-hazardous system was 0.312275%, which was a decrease of 0.008315% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2018, the District recognized pension expense of \$1,489,278. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 884,374	\$ 1,112,417
Difference between expected and actual experience	620,330	278,391
Changes of assumptions	1,858,661	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	578,324
District contributions after measurement date	<u>663,732</u>	<u>-</u>
Total	<u>\$ 4,027,097</u>	<u>\$ 1,969,132</u>

NOTE 9 – PENSION PLAN (Continued)

The \$663,732 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending December 31,</u>	
2019	\$ 1,207,022
2020	563,239
2021	(273,952)
2022	<u>(102,076)</u>
Total	<u>\$ 1,394,233</u>

Actuarial assumptions: The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	25 years
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	2.30%
Salary Increase	3.05%, Average
Investment Rate of Return	6.25% Net of pension plan investment expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

NOTE 9 – PENSION PLAN (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US Equity:		
US Large Cap	5.00 %	4.50 %
US Mid Cap	6.00	4.50
US Small Cap	6.50	5.50
Non-US Equity:		
International Developed	12.50	6.50
Emerging Markets	5.00	7.25
Global Bonds	4.00	3.00
Credit Fixed:		
Global IG Credit	2.00	3.75
High Yield	7.00	5.50
EMD	5.00	6.00
Illiquid Private	10.00	8.50
Private Equity	10.00	6.50
Real Estate	5.00	9.00
Absolute Return	10.00	5.00
Real Return	10.00	7.00
Cash	2.00	1.50
Total	<u>100.00 %</u>	

Discount rate: The discount rate used to measure the total pension liability was 6.25%. The single discount rate was based on the expected rate of return on pension plan investments for the system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan’s fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability for the system. The projection of cash flows used to determine the single discount rate assumes that the participating employers in the system contributes the actuarially determined contribution rate in all future years.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate: The following presents the District’s proportionate share of the net pension liability using the discount rate of 6.25%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Non-Hazardous	\$ 23,942,321	\$ 19,018,499	\$ 14,893,199

NOTE 9 – PENSION PLAN (Continued)

Changes of assumptions: There have been no changes in actuarial assumptions since June 30, 2017.

Payable to the pension plan: At December 31, 2019 and 2018, the District reported a payable of \$130,935 and \$102,843 for the outstanding amount of contributions to the pension plan required for the years ended December 31, 2019 and 2018, respectively.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

401(k) Plan and 457 Plan: The District also permits employees to participate in a voluntary 401(k) or 457 plan. There is no employer match.

NOTE 10 – OPEB PLAN**General Information about the OPEB Plan**

Plan description: County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS. The District only participates in the non-hazardous plan.

Benefits provided: The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

NOTE 10 – OPEB PLAN (Continued)

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<u>Portion Paid by Insurance Fund</u>	
<u>Years of Service</u>	<u>Paid by Insurance Fund (%)</u>
20 + Years	100.00%
15 - 19 Years	75.00%
10 - 14 Years	50.00%
4 - 9 Years	25.00%
Less Than 4 Years	0.00%

Contributions: The employee contribution rate is set by state statute. Non-Hazardous employees contribute 5% of their annual creditable compensation. Employees hired on or after September 1, 2008, contribute an additional 1% to health insurance.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These member were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5.00% non-hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal years ended June 30, 2020, 2019, and 2018, participating employers contributed 24.06% (19.30% pension fund and 4.76% insurance fund), 21.48% (16.22% pension fund and 5.26% insurance fund), and 19.18% (14.48% pension fund and 4.70% insurance fund), respectively, for the non-hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the insurance fund from the District were \$438,448 and \$399,058 for the years ended December 31, 2019 and 2018, respectively.

NOTE 10 – OPEB PLAN (Continued)

Plan Information for December 31, 2019 Financial Statements

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2019, the District reported a liability of \$5,563,369 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2019, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion for the non-hazardous system was 0.330768%, which was an increase of 0.018495% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2019, the District recognized OPEB expense of \$97,596. At December 31, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 247,100
Difference between expected and actual experience	-	1,678,597
Changes of assumptions	1,646,252	11,008
Changes in proportion and difference between employer contributions and proportionate share of contributions	253,396	121,608
District contributions after measurement date	<u>211,237</u>	<u>-</u>
Total	<u>\$ 2,110,885</u>	<u>\$ 2,058,313</u>

\$211,237 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending December 31,</u>	
2020	\$ (22,267)
2021	(22,267)
2022	56,297
2023	(94,244)
2024	(69,873)
Thereafter	<u>(6,311)</u>
Total	<u>\$ (158,665)</u>

NOTE 10 – OPEB PLAN (Continued)

Actuarial assumptions: The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Amortization Period	26 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	2.00%
Inflation	2.30%
Salary Increases	3.30% to 11.55%, varies by services (non-hazardous)
Investment Rate of Return	7.50%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

The mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

NOTE 10 – OPEB PLAN (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Growth		
US Equity	18.75 %	4.30 %
Non-US Equity	18.75	4.80
Private Equity	10.00	6.65
Specialty Credit/High Yield	15.00	2.60
Liquidity		
Core Bonds	13.50	1.35
Cash	1.00	0.20
Diversifying Strategies		
Real Estate	5.00	4.85
Opportunistic	3.00	2.97
Real Return	<u>15.00</u>	4.10
Total	<u>100.00 %</u>	

Discount rate: The discount rate used to measure the total OPEB liability was 5.68% for non-hazardous and 5.69% for hazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.25% and a municipal bond rate of 3.13%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2019. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan's insurance fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance Plan investments was applied to all period of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy will not be paid out of the Plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the single discount rate assumes that the fund receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018).

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate: The following present's the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.68% for non-hazardous) or 1-percentage-point higher (6.68% for non-hazardous) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Non-Hazardous \$	7,452,625 \$	5,563,369 \$	4,006,747

NOTE 10 – OPEB PLAN (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates: The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Non-Hazardous \$	4,137,506 \$	5,563,369 \$	7,292,397

Changes of assumptions: As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdraw rates, and rates of disablement were updated for the 2019 actuarial valuation. The medical trend assumption rate was also updated for the 2019 actuarial valuation as a result of an annual review of this particular assumption.

Plan Information for December 31, 2018 Financial Statements

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the District reported a liability of \$5,544,345 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2018, the District's proportion for the non-hazardous system was 0.312275%, which was a decrease of 0.008315% from its proportion measured as of December 31, 2017.

For the year ended December 31, 2018, the District recognized OPEB expense of \$214,646. At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 381,897
Difference between expected and actual experience	-	646,120
Changes of assumptions	1,107,288	12,810
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	150,559
District contributions after measurement date	<u>215,242</u>	<u>-</u>
Total	<u>\$ 1,322,530</u>	<u>\$ 1,191,386</u>

NOTE 10 – OPEB PLAN (Continued)

\$215,242 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending December 31,		
2019	\$	(9,220)
2020		(9,220)
2021		(9,220)
2022		64,951
2023		(77,058)
Thereafter		<u>(44,331)</u>
Total	\$	<u>(84,098)</u>

Actuarial assumptions: The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2017
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Amortization Period	27 Years, Closed
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Payroll Growth Rate	4.00%
Inflation	3.25%
Salary Increase	4.00%, Average
Investment Rate of Return	7.50%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

The mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

NOTE 10 – OPEB PLAN (Continued)

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US Equity:		
US Large Cap	5.00 %	4.50 %
US Mid Cap	6.00	4.50
US Small Cap	6.50	5.50
Non-US Equity:		
International Developed	12.50	6.50
Emerging Markets	5.00	7.25
Global Bonds	4.00	3.00
Credit Fixed:		
Global IG Credit	2.00	3.75
High Yield	7.00	5.50
EMD	5.00	6.00
Illiquid Private	10.00	8.50
Private Equity	10.00	6.50
Real Estate	5.00	9.00
Absolute Return	10.00	5.00
Real Return	10.00	7.00
Cash	2.00	1.50
Total	<u>100.00 %</u>	

Discount rate: The discount rate used to measure the total OPEB liability was 5.85% for non-hazardous and 5.97% for hazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.25% and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate: The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85% for non-hazardous) or 1-percentage-point higher (6.88% for non-hazardous) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Non-Hazardous \$	7,201,215 \$	5,544,345 \$	4,132,994

NOTE 10 – OPEB PLAN (Continued)

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates: The following present's the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>		<u>Current Healthcare Cost Trend Rate</u>		<u>1% Increase</u>
Non-Hazardous \$	4,127,820	\$	5,544,345	\$	7,214,020

Changes of assumptions: There have been changes in actuarial assumptions since June 30, 2017.

Payable to the OPEB Plan: At December 31, 2019 and 2018, the District reported a payable of \$32,293 and \$33,351 for the outstanding amount of contributions to the OPEB plan required for the years ended December 31, 2019 and 2018, respectively.

Pension plan fiduciary net position: Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at www.kyret.ky.gov.

NOTE 11 – OPERATING LEASES

The District is obligated under certain non-cancelable leases for equipment. The leases expire at various dates through June 2024. Lease expense for the years ended December 31, 2019 and 2018 were \$11,312 and \$36,484, respectively.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year are:

<u>Years Ending December 31,</u>	
2020	\$ 16,041
2021	16,041
2022	16,041
2023	16,041
2024	<u>4,729</u>
	<u>\$ 68,893</u>

NOTE 12 – ECONOMIC DEPENDENCY

The District receives the majority of its operating revenues from customers in Kenton, Campbell, Boone, and Pendleton counties of Kentucky.

NOTE 13 – CONTINGENT LIABILITIES

The District is a defendant in various lawsuits. Although the outcome of certain of these lawsuits is not presently determinable, in the opinion of the District's Management the resolution of these matters will not result in a material uninsured liability to the District.

NOTE 14 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through June 18, 2020, which is the date the financial statements were available to be issued.

Subsequent to the date of these financial statements, the world has been responding to an outbreak of a respiratory disease caused by a novel coronavirus. This coronavirus outbreak has been declared a pandemic by the World Health Organization, and declared a national emergency in the United States of America. The outbreak and response has impacted financial and economic markets across the world and within the United States of America. While the District continues to monitor this emergency and adjust accordingly, the impact to the District is uncertain as of the date of these financial statements, and as such no adjustment has been made to these financial statements as a result.

The District has evaluated events and conditions related to the valuation of its investment portfolio to determine if an impairment exists. In order to determine if an impairment is other-than-temporary, the District considers all available information relevant to the collectability of the security, including past events, current conditions, and reasonable and supportable forecasts. Evidence considered in this assessment includes the reasons for the decline in value, the severity of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the geographic area or industry in which the investee operates. Based on the above criteria, management has determined that an other-than-temporary impairment does not exist as of December 31, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHERN KENTUCKY WATER DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 DECEMBER 31, 2019

County Employees Retirement System
 Last 10 Calendar Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability (Asset) - Non-Hazardous	0.330854%	0.312275%	0.320590%	0.335200%	0.344120%	0.333600%
Total District's Proportionate Share of the Net Pension Liability (Asset)	\$ <u>23,269,110</u>	\$ <u>19,018,499</u>	\$ <u>18,765,118</u>	\$ <u>16,504,154</u>	\$ <u>14,819,690</u>	\$ <u>11,002,199</u>
District's Covered Payroll	\$ <u>8,040,890</u>	\$ <u>7,779,594</u>	\$ <u>7,880,340</u>	\$ <u>7,925,067</u>	\$ <u>7,972,340</u>	\$ <u>7,931,952</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	289.38%	244.47%	238.13%	208.25%	185.89%	138.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non-Hazardous	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

* Only six years of information available. Additional years' information will be displayed as it becomes available.

**NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
DECEMBER 31, 2019**

**County Employees Retirement System
Last 10 Calendar Years***

<u>Non-Hazardous</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 1,557,127	\$ 1,230,042	\$ 1,099,103	\$ 1,045,628	\$ 1,429,517	\$ 1,483,609
Contributions in Relation to the Contractually Required Contribution	<u>(1,557,127)</u>	<u>(1,230,042)</u>	<u>(1,099,103)</u>	<u>(1,045,628)</u>	<u>(1,429,517)</u>	<u>(1,483,609)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 8,757,359	\$ 8,040,890	\$ 7,732,260	\$ 7,925,067	\$ 7,972,340	\$ 7,931,952
Contributions as a Percentage of Covered Payroll	17.78%	15.30%	14.21%	13.19%	17.93%	18.70%

** Only six years of information available. Additional years' information will be displayed as it becomes available.*

NORTHERN KENTUCKY WATER DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 DECEMBER 31, 2019

County Employees Retirement System
 Last 10 Calendar Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's Proportion of the Net Pension Liability (Asset) - Non-Hazardous	0.330768%	0.312275%	0.320590%	0.335200%
Total District's Proportionate Share of the Net Pension Liability (Asset)	\$ <u>5,563,369</u>	\$ <u>5,544,345</u>	\$ <u>6,444,956</u>	\$ <u>5,055,231</u>
District's Covered Payroll	\$ <u>8,040,890</u>	\$ <u>7,779,594</u>	\$ <u>7,880,340</u>	\$ <u>7,925,067</u>
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	69.19%	71.27%	81.79%	63.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability - Non-Hazardous	60.44%	57.62%	52.39%	55.24%

* Only four years of information available. Additional years' information will be displayed as it becomes available.

NORTHERN KENTUCKY WATER DISTRICT
 SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
 DECEMBER 31, 2019

County Employees Retirement System
 Last 10 Calendar Years*

<u>Non-Hazardous</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 438,448	\$ 399,058	\$ 364,575	\$ 371,330
Contributions in Relation to the Contractually Required Contribution	<u>(438,448)</u>	<u>(399,058)</u>	<u>(364,575)</u>	<u>(371,330)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 8,757,359	\$ 8,040,890	\$ 7,732,260	\$ 7,925,067
Contributions as a Percentage of Covered Payroll	5.01%	4.96%	4.71%	4.69%

* Only four years of information available. Additional years' information will be displayed as it becomes available.

OTHER SUPPLEMENTARY INFORMATION

**NORTHERN KENTUCKY WATER DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET TO ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues			
Water Sales	\$ 54,075,452	\$ 55,764,229	\$ 1,688,777
Forfeited Discounts	826,000	830,599	4,599
Rents From Property	405,000	385,845	(19,155)
Other Water Revenues	<u>325,300</u>	<u>587,221</u>	<u>261,921</u>
Total Operating Revenues	<u>55,631,752</u>	<u>57,567,894</u>	<u>1,936,142</u>
Operating Expenses			
Operation and Maintenance Expense	30,205,444	28,738,889	1,466,555
Depreciation Expense	<u>11,952,000</u>	<u>12,179,078</u>	<u>(227,078)</u>
Total Operating Expenses	<u>42,157,444</u>	<u>40,917,967</u>	<u>1,239,477</u>
Net Operating Income	<u>13,474,308</u>	<u>16,649,927</u>	<u>3,175,619</u>
Non-Operating Income (Expense)			
Investment Income	942,600	1,881,532	938,932
Miscellaneous Non-Operating Income	128,500	494,748	366,248
Loss on Abandonment of Mains	-	(532,386)	(532,386)
Interest on Long-Term Debt and Customer Deposits	(7,499,875)	(7,075,292)	424,583
Amortization of Debt Premiums and Defeasance Costs	-	887,155	887,155
Bond Issuance Costs	-	(103,192)	(103,192)
Other Post Employment Benefit Revenue	-	(97,596)	(97,596)
Arbitrage Expense	-	(178,770)	(178,770)
Gain on Sale of Capital Assets	<u>-</u>	<u>48,374</u>	<u>48,374</u>
Total Non-Operating Expense	<u>(6,428,775)</u>	<u>(4,675,427)</u>	<u>1,753,348</u>
Change in Net Position Before Capital Contributions	7,045,533	11,974,500	4,928,967
Capital Contributions	<u>-</u>	<u>1,551,675</u>	<u>1,551,675</u>
Change in Net Position	<u>\$ 7,045,533</u>	<u>\$ 13,526,175</u>	<u>\$ 6,480,642</u>

**NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF WATER OPERATING REVENUE**

	<u>Years Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Operating Revenues		
Metered Sales		
Sales to Residential Customers	\$ 34,204,142	\$ 32,997,415
Sales to Commercial Customers	7,752,357	7,450,952
Sales to Industrial Customers	4,239,685	4,084,359
Sales to Public Authorities	2,673,446	2,570,607
Sales to Multiple Family Dwellings	5,048,482	4,825,434
Sales Through Bulk Loading Stations	<u>66,697</u>	<u>56,293</u>
Total Metered Sales	53,984,809	51,985,060
Fire Protection Revenue	66,062	57,227
Sales For Resale	<u>1,713,358</u>	<u>1,562,805</u>
Total Sales of Water	55,764,229	53,605,092
Other Revenue	<u>1,803,665</u>	<u>1,812,532</u>
Total Operating Revenues	<u>\$ 57,567,894</u>	<u>\$ 55,417,624</u>

**NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF COMBINED OPERATION AND MAINTENANCE EXPENSES**

	Years Ended December 31,	
	2019	2018
Operating and Maintenance Expenses		
Salaries and Wages	\$ 9,158,236	\$ 8,021,941
Employee Pensions and Benefits	5,423,579	4,880,886
Taxes Other Than Income Taxes	648,930	589,987
Purchased Power	2,718,677	2,565,536
Chemicals	2,664,632	2,237,457
Materials and Supplies	2,375,356	2,131,234
Contractual Services	3,744,244	3,884,861
Transportation Expenses	605,498	570,758
Insurance	614,425	564,492
Bad Debt Expense	424,805	372,140
Miscellaneous Expense	228,075	180,111
Regulatory Commission Assessment	132,432	129,683
 Total Operating and Maintenance Expenses	 \$ 28,738,889	 \$ 26,129,086

**NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF INSURANCE COVERAGES
December 31, 2019**

<u>Company</u>	<u>Policy Number</u>	<u>Description of Coverage</u>	<u>Amount of Coverage</u>	<u>Effective Period</u>	
				<u>From</u>	<u>To</u>
Travelers Insurance	ZLP14T8065319	General Liability	\$ 1,000,000	1/1/2019	1/1/2020
	ZUP14T8066519	Umbrella	19,000,000		
	ZLP14T8065319	Public Officials	1,000,000		
	H8102721X112COF19	Business Auto	1,000,000		
	H6302721X112TIL19	Property-Incl Equipment	299,407,063		
	H6302721X112TIL19	Equipment Breakdown			
	ZPL14P0759919	Employee Dishonesty	500,000		
Kentucky Employers Mutual Insurance	WC 338786	Worker's Compensation	1,000,000	7/1/2018	7/1/2019
	WC 338786	Worker's Compensation	1,000,000	7/1/2019	7/1/2020
Cincinnati Insurance	8877070	Fidelity Bond	Per Application	8/20/2018	12/31/2019
Great American Insurance	PEL1093742-02	Pollution Liability	15,000,000	1/1/2019	1/1/2022

**NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF RATES, RULES AND REGULATIONS
DECEMBER 31, 2019**

RETAIL WATER RATES

1. Monthly Service Rate

First	1,500 Cubic Feet	\$4.56 per 100 Cubic Feet
Next	163,500 Cubic Feet	\$4.19 per 100 Cubic Feet
Over	165,000 Cubic Feet	\$3.07 per 100 Cubic Feet

Sub District B shall be assessed a monthly surcharge in the amount of	\$	12.78
Sub District C shall be assessed a monthly surcharge in the amount of	\$	11.07
Sub District D shall be assessed a monthly surcharge in the amount of	\$	30.00
Sub District E shall be assessed a monthly surcharge in the amount of	\$	30.00
Sub District F shall be assessed a monthly surcharge in the amount of	\$	17.30
Sub District G shall be assessed a monthly surcharge in the amount of	\$	20.93
Sub District H shall be assessed a monthly surcharge in the amount of	\$	30.00
Sub District I shall be assessed a monthly surcharge in the amount of	\$	30.00
Sub District K shall be assessed a monthly surcharge in the amount of	\$	6.82
Sub District M shall be assessed a monthly surcharge in the amount of	\$	30.00
Sub District R shall be assessed a monthly surcharge in the amount of	\$	19.09
Sub District RF shall be assessed a monthly surcharge in the amount of	\$	23.77
Sub District RL shall be assessed a monthly surcharge in the amount of	\$	24.84

2. Quarterly Rates

First	4,500 Cubic Feet	\$4.65 per 100 Cubic Feet
Next	490,500 Cubic Feet	\$4.19 per 100 Cubic Feet
Next	495,000 Cubic Feet	\$3.07 per 100 Cubic Feet

3. Fixed Service Charge

<u>Meter Size</u>	<u>Monthly</u>	<u>Quarterly</u>
5/8"	\$ 17.50	\$ 36.65
3/4"	\$ 17.90	\$ 38.45
1"	\$ 19.60	\$ 44.15
1½"	\$ 22.10	\$ 52.20
2"	\$ 27.90	\$ 73.20
3"	\$ 67.30	\$ 227.85
4"	\$ 84.40	\$ 285.50
6"	\$ 124.90	\$ 421.90
8"	\$ 168.70	\$ 576.55
10" and Larger	\$ 224.30	\$ 752.80

**NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF RATES, RULES AND REGULATIONS
DECEMBER 31, 2019
(CONTINUED)**

WHOLESALE WATER RATES

Bullock Pen Water District	\$3.78 per 1,000 Gallons (or) \$2.83 per 100 Cubic Feet
City of Walton	\$3.78 per 1,000 Gallons (or) \$2.83 per 100 Cubic Feet
Pendleton District	\$3.78 per 1,000 Gallons (or) \$2.83 per 100 Cubic Feet

MISCELLANEOUS SERVICE FEES

Service Area Non-Recurring Charges

Returned Check Charge	\$	20.00
Water Hauling Station	\$	6.22 / per 1,000 Gallons
Reconnection Fee	\$	25.00
Overtime Charge	\$	60.00

**NORTHERN KENTUCKY WATER DISTRICT
MEMBERS OF THE COMMISSION AND ADMINISTRATIVE STAFF
DECEMBER 31, 2019**

<u>COMMISSIONERS</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Clyde Cunningham	Chair	August 28, 2023
Douglas C Wagner, CDT	Vice-Chair	August 26, 2021
Joseph J. Koester	Treasurer	July 31, 2020
Dr. Patricia Sommercamp	Secretary	August 28, 2021
Jody R. Lange, CPA, CGMA		August 28, 2023
Fred A. Macke, Jr.		August 26, 2020

<u>ADMINISTRATIVE STAFF</u>	<u>TITLE</u>
C. Ronald Lovan, PE	President/CEO
Lindsey Rehtin, CPA	Vice President of Finance and Support Services
Amy Kramer, PE	Vice President of Engineering, Production, and Distribution

REQUIRED REGULATORY INFORMATION

NORTHERN KENTUCKY WATER DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2019

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Environmental Protection Agency <i>Passed Through Kentucky Infrastructure Authority Kenton and Campbell County Water Main Projects</i> Capitalization Grants for Drinking Water State Revolving Funds	66.468	F16-027	\$ <u> -</u>	\$ <u>947,240</u>

**NORTHERN KENTUCKY WATER DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal awards (the Schedule) include the federal award activity of the Northern Kentucky Water District under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Northern Kentucky Water District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Northern Kentucky Water District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Northern Kentucky Water District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – LOANS

The Capitalization Grants for Drinking Water State Revolving Funds (CFDA 66.468) includes two loans administered by the District. Balances and transactions relating to these programs are included in the District's basic financial statements. Current year expenditures are included in the Federal expenditures presented in the schedule as required by the Compliance Supplement issued by the Office and Management and Budget in August 2019. The balance of the loans outstanding as of December 31, 2019 is \$5,092,581.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Northern Kentucky Water District
Erlanger, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Northern Kentucky Water District (the District) as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Northern Kentucky Water District's basic financial statements, and have issued our report thereon dated June 18, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control in financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

VonLehman & Company Inc.

Fort Wright, Kentucky
June 18, 2020



**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Commissioners
Northern Kentucky Water District
Erlanger, Kentucky

Report on Compliance for Each Major Federal Program

We have audited the Northern Kentucky Water District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 District'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Report on Internal Control over Compliance

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

VonLehman & Company Inc.

Fort Wright, Kentucky
June 18, 2020

**NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019**

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS	
Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No
FEDERAL AWARDS	
Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major programs: CFDA Number(s)	Capitalization Grants for Drinking Water State Revolving Funds [CFDA 66.468]
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as 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.

**NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

No matters were reported.

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

APPENDIX C

**NORTHERN KENTUCKY WATER DISTRICT
REVENUE BOND ANTICIPATION NOTES, SERIES 2021A**

SPECIMEN COPY OF GENERAL BOND RESOLUTION

[Page intentionally left blank]

R E S T A T E D

1985 GENERAL BOND RESOLUTION
AUTHORIZING THE ISSUANCE OF AND SECURING
WATER DISTRICT REVENUE BONDS

* * * * *

KENTON COUNTY WATER DISTRICT NO. 1
OF KENTON COUNTY, KENTUCKY

A Water District Duly Organized Pursuant to
Chapter 74 of the Kentucky Revised Statutes

ADOPTED

November 19, 1985

with

November 17, 1987 Amendments

INDEX

		Page Number
PREAMBLES		1
ARTICLE I - SHORT TITLE, DEFINITIONS, CONSTRUCTION.		
Section 101.	Short Title.	3
Section 102.	Definitions.	3
Section 103.	Construction of General Bond Resolution.	11
ARTICLE II - AUTHORIZATION AND ISSUANCE OF BONDS.		
Section 201.	Authorization for General Bond Resolution.	11
Section 202.	General Bond Resolution to Constitute Contract.	11
Section 203.	Authorization of Bonds.	12
Section 204.	Authorization for Bonds in Series.	12
Section 205.	Issuance and Delivery of Bonds.	14
Section 206.	Conditions Precedent to Authorization and Delivery of Bonds.	15
Section 207.	Provision for Refunding Issue.	16
ARTICLE III - GENERAL TERMS AND PROVISIONS OF BONDS.		
Section 301.	Date of Bonds.	18
Section 302.	Interest Payment Dates.	18
Section 303.	Principal Installment Dates.	18
Section 303a.	References to Coupon Bonds.	18
Section 304.	Medium of Payment; Form and Date.	18
Section 305.	Legends.	19
Section 306.	Execution.	19
Section 307.	Interchangeability of Bonds.	19
Section 308.	Negotiability, Transfer and Registration.	20
Section 309.	Transfer and Registration of Coupon Bonds.	20
Section 310.	Transfer of Registered Bonds.	20
Section 311.	Regulations With Respect to Exchanges and Transfers.	21
Section 312.	Bonds Mutilated, Destroyed, Stolen or Lost.	21
Section 313.	Preparation of Definitive Bonds, Temporary Bonds.	21
Section 314.	Form of Bonds.	22

	Page Number
ARTICLE IV - APPLICATION OF BOND PROCEEDS.	
Section 401. Application of Bond Proceeds.	33
ARTICLE V - ESTABLISHMENT OF FUNDS AND ACCOUNTS APPLICATION OF PLEDGED RECEIPTS.	
Section 501. The Pledge Effected by the General Bond Resolution.	33
Section 502. Transition of Funds and Accounts for 1981 Bonds into Funds and Accounts for Bonds Authorized by this Resolution.	34
Section 503. Bond Proceeds Fund.	35
Section 504. General Revenue Fund.	39
Section 505. Debt Service Fund.	40
Section 506. Debt Service Reserve.	42
Section 507. Operation and Maintenance Fund	44
Section 508. Improvement, Repair and Replacement Fund.	45
Section 509. Investment of Funds.	46
Section 510. Notes and Other Obligations.	47
ARTICLE VI - REDEMPTION OF BONDS.	
Section 601. Privilege of Redemption and Redemption Price.	48
Section 602. Redemption at the Election or Direction of the District.	48
Section 603. Selection of Bonds to be Redeemed by Lot.	49
Section 604. Notice of Redemption.	49
Section 605. Payment of Redeemed Bonds.	49
ARTICLE VII - PARTICULAR COVENANTS OF THE DISTRICT.	
Section 701. Effect of Covenants.	50
Section 702. Payment of Bonds.	50
Section 703. Offices for Servicing Bonds.	51
Section 704. Further Assurance.	51
Section 705. Powers as to Bonds and Pledge.	51
Section 706. Tax Covenant.	51
Section 707. Accounts and Reports.	53
Section 708. General Compliance with All Duties.	53

		Page Number
Section 709.	Operation and Maintenance; No Free Service.	53
Section 710.	Public Water System Not to Be Disposed Of.	53
Section 711.	Rates and Charges; Coverage; Annual Budget.	54
Section 712.	No Decrease in Rates, Rentals and Charges.	55
Section 713.	Segregation of Funds.	55
Section 714.	Annual Audit Required.	55
Section 715.	Fidelity Bonding of Personnel.	56
Section 716.	Insurance of Facilities.	56
Section 717.	Liability Coverage Required.	56
Section 718.	Public Water System to be Expediently Completed.	57
Section 719.	Personnel and Servicing of Program.	57
Section 720.	Compliance with Conditions Precedent.	57
Section 721.	General.	58
Section 722.	Waiver of Laws.	58
Section 723.	Termination of Water Services to Delinquent Users.	58
Section 724.	Extension of Payment of Bonds.	58
Section 725.	Statutory Mortgage Lien.	59
Section 726.	Parity Bond Provisions Adopted.	59
Section 727.	Effect of Defeasance.	62
ARTICLE VIII - SERIES RESOLUTIONS AND SUPPLEMENTS TO GENERAL RESOLUTIONS.		
Section 801.	Modification and Amendment Without Consent.	62
Section 802.	Supplemental Resolutions Effective With Consent of Bondholders.	62
Section 803.	General Provisions Relating to Series Resolutions and Supplemental Resolutions.	63
ARTICLE IX - AMENDMENTS OF GENERAL BOND RESOLUTION - FURTHER PROVISIONS.		
Section 901.	Modification or Amendment.	63
Section 902.	Consent of Bondholders.	64
Section 903.	Mailing.	65
Section 904.	Modifications by Unanimous Action.	66

		Page Number
Section 905.	Exclusion of Bonds.	66
Section 906.	Notation on Bonds.	66
Section 907.	Contracts or Indentures.	66
 ARTICLE X - DEFAULTS AND REMEDIES.		
Section 1001.	Events of Default.	67
Section 1002.	Remedies.	67
Section 1003.	Priority of Payments After Default.	68
Section 1004.	Termination of Proceedings.	70
Section 1005.	Bondholders' Direction of Proceedings.	70
Section 1006.	Remedies Not Exclusive.	70
Section 1007.	No Waiver of Default.	70
Section 1008.	Notice of Event of Default.	71
 ARTICLE XI - CONCERNING THE FIDUCIARIES.		
Section 1101.	Appointment and Acceptance of Duties of Paying Agents and Registrars.	71
Section 1102.	Responsibility of Fiduciaries.	71
Section 1103.	Evidence on Which Fiduciaries May Act.	72
Section 1104.	Compensation.	72
Section 1105.	Permitted Acts and Functions.	73
Section 1106.	Consolidation.	73
Section 1107.	Resignation or Removal of the Paying Agents, Registrars and Other Fiduciaries and Appointment of Successors.	73
 ARTICLE XII - MISCELLANEOUS.		
Section 1201.	Defeasance.	74
Section 1202.	Evidence of Signatures of Bondholders and Ownership of Bonds.	76
Section 1203.	Preservation and Inspection of Documents.	77
Section 1204.	Parties in Interest.	77
Section 1205.	No Recourse under General Bond Resolution or on Bonds.	77
Section 1206.	Severability.	77
Section 1207.	Headings.	77
Section 1208.	Conflict.	78
Section 1209.	Effective Date.	78
 SIGNATURES AND SEAL		

1985 GENERAL BOND RESOLUTION AUTHORIZING THE ISSUANCE OF
AND SECURING WATER DISTRICT REVENUE BONDS OF KENTON COUNTY
WATER DISTRICT NO. 1

KENTON COUNTY, KENTUCKY

This GENERAL BOND RESOLUTION made and adopted as of the 19th day of November, 1985, by KENTON COUNTY WATER DISTRICT NO. 1, Kenton County, Kentucky, (hereinafter sometimes referred to as the "District"), a body corporate and politic constituting a de jure public corporation and a political subdivision of the Commonwealth of Kentucky, existing pursuant to authority of Chapter 74 of the Kentucky Revised Statutes, for the establishment of the rules, regulations and conditions for the issuance from time to time by the District of its Water District Revenue Bonds:

W I T N E S S E T H:

THAT WHEREAS, Kenton County Water District No. 1 has been heretofore duly created and established pursuant to law as a Water District and, pursuant to the provisions of Chapter 74 of the Kentucky Revised Statute, the District has the authority and duty to plan, design, finance, construct, install, operate, replace and maintain water works and water distribution system facilities within the service area of the District and the District owns and operates substantial water works and water distribution system facilities, which are used throughout the service area of the District for the provision of potable water for human consumption and for fire protection; and

WHEREAS, the District, pursuant to Chapter 74 of the Kentucky Revised Statutes, has and possesses authority to establish water service rates and charges, subject to the regulatory jurisdiction of the Public Service Commission of Kentucky and its successors; and the District is in compliance with all regulatory laws governing its operations and has the legal authority to levy, bill and collect a schedule of water service rates, rentals and charges, which rates, rentals and charges have been approved by the Public Service Commission of Kentucky; and

WHEREAS, the District, acting by and through its Board of Commissioners, has heretofore constructed, installed and placed into service major extensions, additions and improvements to its existing water works and water distribution facilities, for which the District has been granted appropriate Certificates of Public Convenience and Necessity therefor by the Public Service Commission of Kentucky or its predecessor; and

WHEREAS, a comprehensive General Bond Resolution authorizing the issuance of the District's water revenue bonds was adopted by the District on January 29, 1981, pursuant to which Water District Revenue Bonds, 1981 Series A were issued, of which \$13,050,000 are presently outstanding (the "1981 Bonds"), there being no other outstanding bonds under the 1981 General Bond Resolution; and

WHEREAS, the 1981 General Bond Resolution contains provisions for the defeasance of bonds issued thereunder; and

WHEREAS, the Board of Commissioners of the District have determined the necessity of defeasing the 1981 Bonds; and

WHEREAS, changes in the law and other circumstances make it inappropriate for the 1981 General Bond Resolution to be the vehicle for the issuance of Bonds of the District, in conjunction with defeasance of the 1981 Bonds; and

WHEREAS, bonds issued under this 1985 General Bond Resolution can be used to defease outstanding bonds which are secured by a lien on the District's income and revenues, which 1985 General Bond Resolution further makes provision for the continued operation, maintenance, and expansion of the District in the future from time to time, by the issuance of parity bonds of the District pursuant to terms and conditions contained in such 1985 General Bond Resolution; and

WHEREAS, in conjunction with the defeasance of the 1981 Bonds, it is now necessary that the District adopt this 1985 General Bond Resolution in order to secure the rights of those who may become holders of the Water District Revenue Bonds of the District issued hereunder and to make provision for: (a) the issuance of the District's Water District Revenue Bonds, (b) providing for the security in respect of such Bonds, (c) protecting and enforcing the rights and remedies of the Bondholders, (d) the custody, safeguarding and application of all District income and revenues, (e) the duties and responsibilities of Fiduciaries, as hereinafter defined, and (f) inter alia, all other necessary and desirable provisions with respect to said Water District Revenue Bonds, including covenants of the District; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the Commonwealth of Kentucky and by the requirements of the District to happen, to exist, and to be performed precedent to and in the execution and delivery of this 1985 General Bond Resolution have happened, have existed and have been performed as so required in order to make this 1985 General Bond Resolution a valid and binding legal basis for the security of the Water District Revenue Bonds hereinafter authorized and described, in accordance with its terms;

NOW, THEREFORE, THIS GENERAL BOND RESOLUTION
WITNESSETH, that in consideration of the premises and of the purchase and acceptance of the Water District Revenue Bonds by the holders thereof, and for the purpose of fixing and declaring the terms and conditions upon which the Water District Revenue Bonds of the District are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become holders thereof, and in order to secure the payment of all the Water District Revenue Bonds at any time issued and outstanding hereunder and the interest thereon according to their tenor, purport and effect, and in order to secure the performance and observance of all the covenants, agreements and conditions therein and herein contained, the District has executed and delivered this General Bond Resolution, and the District does hereby agree and covenant for the equal and proportionate benefit and security of all and singular the present and future holders of the Water District Revenue Bonds issued under this General Bond Resolution, without preference, priority or distinction as to lien or otherwise, except as otherwise hereinafter provided, of any one Bond over any other Bond by reason or priority in the issue, sale or negotiation thereof or otherwise, as follows:

ARTICLE I

SHORT TITLE, DEFINITIONS, CONSTRUCTION

101. Short Title. This General Bond Resolution may hereafter be cited by the District, the holders of the Bonds and any Fiduciaries, and is hereinafter sometimes referred to as the "1985 General Bond Resolution", the "General Bond Resolution" or the "Resolution."

102. Definitions. Unless the context clearly indicates some other meaning, the following words and terms shall, for all purposes of the General Bond Resolution, have the following meanings:

"Account or Accounts" - shall mean one or more of the separate accounts for each Series of Bonds which are created and established pursuant to the Resolution.

"Act" - shall mean the Water District Law of Kentucky, being codified as Chapter 74 of the Kentucky Revised Statutes and, pursuant to KRS 74.370(2), shall include Sections 96.350 to 96.510, inclusive, of the Kentucky Revised Statutes.

"Aggregate Debt Service Reserve Requirement" - shall mean the maximum Annual Debt Service Requirement in any succeeding Bond Fiscal Year with respect to Outstanding Bonds of all Series.

"Annual Budget" - shall mean the annual budget, as amended or supplemented, for a particular calendar year adopted by the District under the General Bond Resolution as provided in Section 711.

"Annual Debt Service Requirement" - for any Bond Fiscal Year, as applied to the Bonds, shall mean the interest on the Bonds which shall be due and payable August 1 of such Bond Fiscal Year and February 1 of the ensuing Bond Fiscal Year, the principal of the Bonds which shall be due and payable on February 1 of the ensuing Bond Fiscal Year, and any Sinking Fund Installments in respect of the Bonds which shall be due and payable on February 1 of the ensuing Bond Fiscal Year.

"Authorized Newspapers" - shall mean a newspaper of general circulation in the service area of the District which meets the requirements of a qualified newspaper as established by law, a daily newspaper of general circulation in Kentucky, and a newspaper or financial journal printed in the English language, customarily published and circulated, for at least five days (other than legal holidays) in each calendar week, in the Borough of Manhattan, City and State of New York, or as otherwise provided by Kentucky law.

"Authorized Officer" - shall mean the Chairman, Secretary, Treasurer and General Manager of the District, and any other of its officers, agents or employees duly authorized by resolution of the District to perform the act or sign the document in question.

"Board" - shall mean and refer to the Board of Commissioners of the District described in KRS 74.020, which is vested and empowered with the management, control and operation of the activities and affairs of the District.

"Bond or Bonds" - shall mean any Water District Revenue Bond or Bonds, or the issue of Bonds, as the case may be, authenticated and delivered under the 1985 General Bond Resolution and authorized and issued pursuant to a Series Resolution.

"Bond Proceeds Fund" - shall mean the Fund so designated which is established and created by Section 502.

"Bond Fiscal Year" - shall mean each annual period which begins on February 1 in any year and ends on January 31 in the following calendar year.

"Bondholder," or "Holder," or "Holder of Bonds" or any similar term (when used with reference to Bonds) - shall mean the registered owner of any Outstanding Bond or Bonds which shall at the time be registered other than to bearer.

Recognizing that bearer bonds may become possible in the future, it shall also mean the bearer of any Outstanding Bond or Bonds registered to bearer or not registered. "Holder" (when used with reference to coupons) shall mean any person who shall be the bearer of such coupons.

"Certificate" - shall mean a document signed by an Authorized Officer attesting to or acknowledging the circumstances or other matters therein stated.

"Construction" - shall mean and shall include, inter alia, (a) preliminary planning to determine the economic and engineering feasibility of Water Works constituting a part of the District's Public Water System, now or in the future, the engineering, architectural, legal, fiscal and marketing costs in respect thereto, economic investigations and studies necessary thereto, and surveys, designs, plans, working drawings, specifications, procedures and other actions necessary to the construction of Water Works; (b) the erection, building, acquisition, alteration, remodeling, improvement or extension of Water Works; and (c) the inspection and supervision of the construction of Water Works, and all costs incidental to the acquisition and financing of same; and such term shall also relate to and mean any other physical devices or appurtenances in connection with, or reasonably attendant to, Water Works.

"Construction and Acquisition Account" - shall mean, for each Series of Bonds which has one, the account created by Section 502.

"Consulting Engineer of National Recognition" - shall mean and refers to an Engineer or a firm of Engineers, who, by virtue of experience, reputation and ability, bear a reputation in the field of sanitary engineering which is nationally recognized and known, and upon whose professional judgment sophisticated investors rely in connection with securities which are issued for water purposes.

"Costs of Issuance" - shall mean the costs of issuing a Series of Bonds, which may include the costs allowable in computing the adjusted yield on the Bonds pursuant to Section 103(c) of the Internal Revenue Code of 1954, as amended, and in effect on the date of adoption of any Series Resolution, and the applicable Regulations of the Department of the Treasury thereunder and Rulings of the Commissioner of the Internal Revenue Service issued to the District thereunder or a Counsel's Opinion thereunder.

"Costs of Issuance Account" - shall mean, for each Series, the respective Account so designated which is established and created pursuant to Section 502.

"Counsel's Opinion" - shall mean an opinion, including supplemental opinions thereto, signed by such attorney or firm of attorneys of recognized national standing in the field of law relating to municipal bonds and municipal finance as may be selected by the District.

"Debt Service Fund" - shall mean the Fund so designated which is established and created by Section 502.

"Debt Service Reserve" - shall mean the reserve for payment of principal of, interest on, and redemption requirements in respect of the Bonds, created by Section 502.

"District" - shall mean Kenton County Water District No. 1, Kenton County, Kentucky, a de jure Water District, duly organized and existing pursuant to Chapter 74 of the Kentucky Revised Statutes, a body corporate and politic and a political subdivision of the Commonwealth of Kentucky.

"District Revenues" - shall mean the totality of all water service rates, rentals and charges of any and all types and varieties imposed, enforced and collected by the District for any services rendered by the works and facilities of the District, together with other income received by the District, if any, from any agency of government, both federal and state, as representing income or operating subsidies, as distinguished from capital grants, to the extent not otherwise required to be treated and applied.

"Engineer" or "Engineers" - shall mean any firm or firms of consulting engineers who have been or who will be in the future retained by the District for the purpose of preparing plans and specifications for present or future portions of the Public Water System.

"Fiduciary" or "Fiduciaries" - shall mean any Paying Agent, any Registrar, and the depositories of all District funds, or any or all of them, as may be appropriate.

"Interest Payment Date" - shall mean, for each Series, the date upon which interest on the Bonds of such Series shall be payable pursuant to Section 302.

"Improvement, Repair and Replacement Fund" - shall mean the Fund created by Section 502.

"Investment Obligations" - shall mean and include any of the following:

- (a) Direct obligations of or obligations guaranteed by the United States of America;

(b) Obligations issued by any of the following agencies: Federal Home Loan Bank System; Export-Import Banks; Government National Mortgage Association; Farmers Home Administration; the Federal National Mortgage Association to the extent that such obligations are guaranteed by the Government National Mortgage Association; and any other Federal Agency to the extent that such obligations are backed by the full faith and credit of the United States (other than as provided in (a) hereof);

(c) Public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public housing authorities, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(d) U.S. Dollar denominated deposit accounts fully insured to the holder (up to the \$100,000 maximum coverage) by the Federal Deposit Insurance Corporation in commercial banks, and to the extent not so insured (amounts in excess of the \$100,000 maximum coverage), collateralized by obligations described in (a) or (b) above, having at all times a quoted market value at least equal to such uninsured amount plus accrued and undisbursed interest.

"Issue Date" - shall mean, with respect to Bonds of a particular Series, the date of the Bonds of such Series specified and determined by the Series Resolution authorizing such Bonds.

"KRS" - shall mean and refer to the Kentucky Revised Statutes.

"1981 General Bond Resolution" - shall mean the General Bond Resolution of the District adopted January 29, 1981.

"Notes" - shall mean any obligations issued or to be issued by the District pursuant to the Act to provide funds for any lawful District purposes authorized by the Act in anticipation of the issuance of Bonds.

"Operation and Maintenance Costs" - shall mean, as of any particular date, the District's operating and maintenance expenses and all other expenses of carrying out and administering its Public Water System, and in that regard.

operating and maintaining its Water Works, and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, upkeep, furnishings, equipment, repair of facilities, insurance premiums, legal, accounting, management, consulting and banking services and expenses, and the fees and expenses of any regulatory agency having jurisdiction of the District, Fiduciaries and Paying Agents, including Costs of Issuance, if any, other than Costs of Issuance paid from proceeds of Bonds.

"Operation and Maintenance Fund" - shall mean the Fund so designated which is established and created by Section 502.

"Outstanding" - when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or then being authenticated and delivered under the Resolution, except:

(a) Any Bonds cancelled pursuant to the Resolution at or prior to such date;

(b) Bonds (or portions of Bonds) for the payment or redemption of which there shall be held in trust under the Resolution (whether at or prior to maturity or Redemption Date) (i) cash, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or Redemption Date, or (ii) Investment Obligations as defined in clause (a) of the definition of Investment Obligations in such principal amounts, having such maturities and bearing such interest, which, together with cash, if any, shall be sufficient to pay when due, the principal amount or Redemption Price, as the case may be, with interest to the date of maturity or Redemption Date; provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as in the General Bond Resolution provided or satisfactory provisions for the giving of such notice shall have been made;

(c) Bonds in lieu of or in substitution for which other Bonds have been authenticated and delivered pursuant to the General Bond Resolution; and

(d) Bonds deemed to have been paid as provided in Section 1201.

"Paying Agent" - shall mean any bank or trust company designated, and its successor or successors hereafter appointed, as paying agent for the Bonds of any Series in the manner provided in the General Bond Resolution.

"Person" - shall mean any individual, firm, partnership, association, joint venture, corporation or governmental agency, either State or Federal.

"Pledged Receipts"

(a) shall mean the totality of District Revenues;

(b) shall not mean any State appropriations or Federal Grants specified for use by the District for capital construction purposes in connection with the District's Public Water System; and

(c) shall also include all interest earned and gains realized on Investment Obligations unless the General Bond Resolution 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.

"Principal Installment" - for any Bond Fiscal Year shall mean, as of any date of calculation and with respect to any Series so long as any Bonds thereof are Outstanding:

(a) the principal amount of the Outstanding Bonds of said Series which mature in such Bond Fiscal Year, reduced by the aggregate principal amount of such Bonds which would before such Bond Fiscal Year be retired by reason of the payment when due and application in accordance with the General Bond Resolution of Sinking Fund Installments payable before such Bond Fiscal Year for the retirement of such Bonds; plus

(b) the unsatisfied balance of the Sinking Fund Installment, if any, due during such Bond Fiscal Year for the Bonds of such Series.

"Principal Installment Date" - shall mean, for such Series, the date upon which each Principal Installment on the Bonds of such Series shall be payable pursuant to Section 303.

"Public Water System" - shall mean (a) the existing waterworks and water distribution facilities of the District, and (b) all future extensions, additions and extensions thereto.

"Redemption Date" - shall mean any date on which Bonds are to be redeemed.

"Redemption Price" - shall mean, with respect to any Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the General Bond Resolution and the Series Resolution pursuant to which the same was issued.

"Refunding Bonds" - shall mean all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance pursuant to Section 207 and thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the General Bond Resolution.

"Registrar" - shall mean any bank or trust company and its successor or successors, acting as registrar for the Bonds of any Series pursuant to the Series Resolution for said Bonds.

"Revenue Fund" - shall mean the General Revenue Fund created by Section 502.

"Registrar and Paying Agent Agreement" - shall mean any registrar and paying agent agreement between the District and a bank or trust company that may be authorized by any Series Resolution.

"Serial Bonds and Term Bonds" - shall mean such portion of the Bonds designated as Serial Bonds and Term Bonds in a Series Resolution.

"Series Bonds" - shall mean all of the Bonds authenticated and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the 1985 General Bond Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

"Series Resolution" - shall mean a resolution of the District authorizing the issuance of a Series of Bonds in accordance with the terms and provisions hereof, adopted by the District in accordance with Section 204.

"Sinking Fund Installment" - for any Bond Fiscal Year, shall mean as of any date of calculation, and with respect to the Outstanding Bonds of any Series, the amount of money required by a Series Resolution to be paid in any event by the District on a single future February 1 for the retirement of such Outstanding Bonds which mature after said February 1, but does not include any amount payable by the District by reason only of the maturity of a Bond, and said future date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment, and said Outstanding Bonds are deemed to be the Bonds entitled to such Sinking Fund Installment.

"Supplemental Resolution" - shall mean any resolution supplemental to or amendatory of the General Bond Resolution adopted by the District in accordance with Article VIII and Article IX.

"Water Works" - shall mean all or any part of any facilities, devices and systems used and useful in the acquisition, storage, treatment, neutralization, pumping, distribution and sale of potable, treated water, storage, distribution and sale of water, including without limiting the generality of the foregoing, sources of water, water mains of all types, pumping stations and other equipment and their appurtenances; extensions, improvements, remodeling, additions and alterations thereof, and any water treatment works, including site acquisition of the land that will be an integral part of the water treatment or distribution process.

103. Construction of General Bond Resolution. In the Resolution, unless the context otherwise requires:

Articles and Sections referred to by number shall mean the corresponding Articles and Sections of the Resolution.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Works importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, joint ventures, corporations, or other legal entities including public bodies, as well as natural persons.

The terms "hereby," "hereof," "hereto," "herein," "hereunder," and any similar terms, as used in this Resolution, refer to this Resolution or Sections or subsections of this Resolution and the term "hereafter" means after the date of adoption of the Resolution.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

201. Authorization for General Bond Resolution. This General Bond Resolution is adopted pursuant to the Act.

202. General Bond Resolution to Constitute Contract. In consideration of the purchase and acceptance of the Bonds by those who shall purchase and hold the same from time to time, the provisions of the General Bond Resolution shall be a part of the contract of the District with the Holders of the Bonds and coupons, if any, and shall be deemed to be and constitute a contract between the District and the Holders from time to time

of the Bonds and coupons, if any, and such provisions are covenants and agreements with such Holders which the District hereby determines to be necessary and desirable for the security and payment thereof. The provisions, covenants and agreements herein set forth to be performed on behalf of the District shall be for the equal and ratable benefit, protection and security of the Holders of any and all of the Bonds and coupons, if any, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds or coupons, if any, over any other thereof except as expressly provided in the General Bond Resolution.

203. Authorization of Bonds. In order to provide sufficient funds for the Public Water System of the District, Bonds of the District, each to be entitled "Water District Revenue Bond, Series _____" are hereby authorized to be issued from time to time without limitation as to amount except as provided by the rules, conditions and limitations set out with specificity in the General Bond Resolution, and as may be limited by the Act, and such Bonds shall be issued from time to time subject to the terms, conditions and limitations established in the General Bond Resolution and in one or more Series as hereinafter provided. All Bonds shall rank on a basis of parity and equality with one another as to security and source of payment (except if expressly issued as subordinate obligations), and all Bonds shall be entitled to the benefit of the continuing pledges and liens created by the General Bond Resolution to secure the full and final payment of the principal of or Redemption Price, if any, and interest on the Bonds and any Sinking Fund Installments for the retirement thereof. Subject to any agreements hereafter made with the holders of any other notes or bonds of the District pledging any particular revenues or assets not pledged under the General Bond Resolution, if any, the Bonds shall be special obligations of the District, payable only from income, revenues and funds specifically pledged by the District for the payment of the principal of or Redemption Price, if any, and interest on said Bonds, including the Pledged Receipts. Pursuant to KRS 74.290(3), the Bonds shall contain on their face a statement that the District is not obligated to pay the principal thereof or the interest thereon except solely from the income and revenues pledged for their payment and that the Bonds do not constitute indebtedness of the District within the meaning of the Constitution of Kentucky.

204. Authorization for Bonds in Series. From time to time when authorized by the General Bond Resolution and subject to the terms, limitations and conditions established in the General Bond Resolution, the District may authorize the issuance of a Series of Bonds upon adoption of a Series Resolution, and the Bonds of any such Series may be issued and

delivered upon compliance with the provisions of Article II and Article VIII. The Bonds of each Series shall bear the title "Water District Revenue Bonds," and, at the option of the District, such other designation as may be necessary to distinguish them from the Bonds of other Series. Bonds of any Series may be authorized to be issued in the form of Serial Bonds or Term Bonds, or both. The first Series of Bonds issued pursuant to the Resolution shall effect the refunding of all then outstanding obligations of the District secured by District Revenues, in order to effectuate the unencumbered pledge of the Pledged Receipts thereafter to the purposes of the Public Water System.

Each Series Resolution authorizing the issuance of a Series of Bonds shall describe in general terms the Construction of Water Works for which Bonds are being authorized, and shall include a determination by the District to the effect that the principal amount of said Series of Bonds is necessary to provide sufficient funds to be used and expended for the Public Water System. Each Series Resolution shall specify and determine:

(1) the authorized principal amount of said Series of Bonds;

(2) the purposes for which each Series of Bonds are being issued, which shall be to provide funds for the purposes authorized by the Act, and in furtherance of the Public Water System, including, inter alia, one or more of the following:

(a) for deposit in the Cost of Issuance Account, any Construction and Acquisition Account and any Refunding Account established for such Series in the Bond Proceeds Fund for purposes for which such Accounts may be used, all as provided in Section 503;

(b) for the redemption of Bonds and related purposes as provided in and under the conditions and subject to the provisions and limitations of Section 207, if applicable;

(c) for deposit in the Operation and Maintenance Fund, Debt Service Fund or Debt Service Reserve; and

(d) for payment of the principal of or Redemption Price, if any, and interest on any Notes, and in such event, the Series Resolution shall provide for the establishment of a special account into which the proceeds of sale of such Series Bonds in whole or in part shall be deposited in trust for such payments.

(3) the title and designation of, the manner of numbering and lettering, and the denomination or denominations of the Bonds of such Series;

(4) the date or dates of maturity and the amounts thereof and the Issue Date of the Bonds of such Series;

(5) the interest rate or rates or the manner of determining such rate or rates of the Bonds of such Series and the interest payment dates of such Bonds;

(6) the Redemption Price or Redemption Prices and the Redemption Date or Redemption Dates and other terms of redemption (if any) of any of the Bonds of such Series;

(7) the Paying Agent or Paying Agents and the Registrar or Registrars appointed by such Series Resolution for such Bonds, subject to Section 1102, and the authorization of an agreement or agreements therewith;

(8) the portion of such series that are Serial Bonds and that are Term Bonds, if any, including the amount and date of such Sinking Fund Installment, if any, required by such Series Resolution to be paid in any event by the District for the retirement of any of such Bonds of like maturity and interest rate, expressed as an amount payable on a Principal Installment Date of such Bonds sufficient to redeem at the Redemption Price thereof applicable on said date a specified principal amount thereof;

(9) the manner in which Bonds of such Series are to be sold and provisions for the sale thereof; and

(10) any other provisions deemed advisable by the District, not in conflict with or in substitution for the provisions of the General Bond Resolution.

205. Issuance and Delivery of Bonds. After their authorization by a Series Resolution, Bonds of a Series may be executed by or on behalf of the District, and upon compliance by the District with the special requirements, if any, set forth in such Series Resolution and with the requirements of Section 206, such Bonds shall thereupon be issued to or upon the order of the District.

206. Conditions Precedent to Authentication and Delivery of Bonds. Except as permitted by Sections 311 and 312, the Bonds authorized to be issued pursuant to this General Bond Resolution and a Series Resolution shall be issued only upon condition that the following have been executed:

(1) A copy of the General Bond Resolution and the applicable Series Resolution, each certified by an Authorized Officer of the District;

(2) The written order of the District as to the delivery of such Bonds signed by an Authorized Officer describing such Bonds to be authenticated and delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered, and stating the purchase price of such Bonds;

(3) A Counsel's Opinion stating that in the opinion of such Counsel the General Bond Resolution and the applicable Series Resolution authorizing the Series of Bonds have been duly and lawfully adopted by the District, that the General Bond Resolution and the applicable Series Resolution are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms; that the General Bond Resolution creates the valid pledge which it purports to create subject only to the provisions of the General Bond Resolution permitting the application of the Pledged Receipts for or to the purposes and on the terms and conditions set forth in the General Bond Resolution; and upon the execution, authentication and delivery thereof, that the Bonds of such Series will be duly and validly issued and will constitute valid and binding obligations of the District entitled to the benefits of the General Bond Resolution and such applicable Series Resolution;

(4) A written order of the District signed by an Authorized Officer directing the deposit in the Debt Service Reserve of so much of the proceeds of the Bonds to be issued, upon their issuance, sale and delivery, as may be required to increase the aggregate amount then held in said Fund to the Aggregate Debt Service Reserve Requirement; provided that the District may obtain, in lieu of such deposit, a Debt Service Reserve Guaranty as permitted under Section 506 hereof;

(5) Except in the case of an issue of Refunding Bonds, a certificate of an Authorized Officer of the District stating that the District is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Bond Resolution; and

(6) Such further documents, as are required by the provisions of this Section, Section 207, or Article VII or VIII or any Supplemental Resolution adopted pursuant to Article VIII.

(7) As a further condition, such moneys and securities as are required by the provisions of this Section, Section 207, or Article VII or VIII or any Supplemental Resolution adopted pursuant to Article VIII.

207. Provision for Refunding Issue. (1) One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all Outstanding Bonds or any Series of Outstanding Bonds or any part of one or more Series of Outstanding Bonds. Bonds of the Series of Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Act, this Section and of the Series Resolution authorizing said Series of Refunding Bonds.

(2) The Bonds of the Series of Refunding Bonds may be authenticated and delivered only upon receipt by the appropriate Fiduciary or Fiduciaries (in addition to the receipt by it or them of the documents required by Section 206) of:

(a) Irrevocable instructions to the Paying Agent and to the Registrar in respect of the Bonds to be Refunded, satisfactory to each of them, to give due notice of redemption of all the Bonds to be refunded on the Redemption Date specified in such instructions;

(b) Irrevocable instructions to the Paying Agent and to the Registrar in respect of the Bonds to be Refunded, satisfactory to each of them, to give due notice provided for in Section 1201 to the Holders of Outstanding Bonds and coupons, if any, 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 on such Bonds to the Redemption Date, which moneys shall be held by any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of Outstanding Bonds and coupons being refunded, or

(ii) Investment Obligations (as defined for this purpose only those obligations identified in clause (a) of the definition of Investment Obligations) in such principal amounts, having such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of subsection (2) of Section 1201 and any moneys required pursuant to said subsection (with respect to all Outstanding Bonds or any part of one or more Series of Outstanding Bonds being refunded) which Investment Obligations and moneys shall be held in trust and used only as provided in said subsection; and

(d) A Certificate of an Authorized Officer containing such additional statements as may be reasonably necessary to show compliance with the requirements of this subsection, and the Paying Agent shall be entitled to rely on such Certificate.

(3) The appropriate Paying Agent in respect of the Bonds to be refunded shall furnish to the District 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 effect such redemption on the date specified in such Series Resolution.

(4) Any balance of the proceeds of the Bonds of each such Series shall be deposited in such Funds or Accounts as shall be specified in the Series Resolution authorizing such Series of Refunding Bonds.

(5) Any moneys received by the District from any source, which receipt is conditioned upon the District using such moneys for the redemption of any Outstanding Bonds shall be deemed to be and treated as the proceeds of a Series of Refunding Bonds and the District shall deliver to the Paying Agent and Registrar the documents and moneys or obligations required by the provisions of clauses (a), (b) and (c) of subsection (2) hereof and shall do all other acts and things necessary to accomplish the redemption of such Bonds, in accordance with applicable provisions of this Section.

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

301. Date of Bonds. Each Bonds shall be dated as of, and bear interest from, its Issue Date except as otherwise provided in Section 304 in the case of registered Bonds.

302. Interest Payment Dates. Interest on each Bond shall be payable on the date of a February 1 or an August 1 not more than twelve months after its Issue Date and semiannually after such date.

303. Principal Installment Dates. The date when each Principal Installment with respect to a Series of Bonds is payable shall be a February 1 not less than twelve months after its Issue Date.

303a. References to Coupon Bonds. All references herein to "coupon Bonds" or "coupons" shall be ineffective unless and until coupon Bonds are issued hereunder. No coupon Bonds shall be issued unless and until the District has received a Counsel's Opinion to the effect that any Bonds issued hereunder in coupon form would be exempt from federal income taxation. All references to published notices to Bondholders herein shall be ineffective unless and until coupon Bonds are issued hereunder.

304. Medium of Payment; Form and Date. The Bonds shall be payable, with respect to principal or Redemption Price, if any, and interest, 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 and private debts.

The Bonds of each Series shall be issued in the form of fully registered Bonds without coupons. In the event that bearer Bonds including coupon Bonds become possible in the future, all or any of the Bonds of such Series may be issued in the form of bearer Bonds and Bonds registrable as to principal only.

Bonds of each Series shall be dated as of the date specified in the Series Resolution authorizing the issuance thereof. Coupon Bonds, if any, of each Series shall bear interest from their date, payable in accordance with, and upon surrender of, the appurtenant interest coupons as they severally mature. Bearer Bonds without coupons, if such bonds may be issued on a tax-exempt basis, may also be issued. Registered Bonds of such Series issued prior to the first interest payment date thereof shall be dated as of the date specified in the Series Resolution authorizing the issuance thereof. Registered Bonds issued on or subsequent to the first

interest payment date shall be dated as of the date six months preceding the interest payment date next following the date of delivery thereof, unless such date of delivery shall be an interest payment date, in which case they shall be dated as of such date of delivery; provided, however, that if, as shown by the records of the Paying Agent, interest on the Bonds of any Series shall be in default, the registered Bonds of such Series issued in lieu of Bonds surrendered for transfer or exchange may be dated as of the date to which interest has been paid in full on the Bonds surrendered. Registered Bonds of each Series shall bear interest from their date.

305. Legends. The Bonds of each Series may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Resolution as may be necessary or desirable to comply with custom, or otherwise, as may be determined by the District prior to the delivery thereof.

306. Execution. The Bonds shall be executed in the name and on behalf of the District by the manual or facsimile signature of the Chairman of the Board of Commissioners of the District and the corporate seal of the District (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon, and attested by the manual signature of the District Secretary or Treasurer. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officers before the Bonds so signed and sealed shall have been actually delivered, such Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices. Any Bond of a Series may be signed and sealed on behalf of the District by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in the District, although at the date of the Bonds of such Series such persons may not have been so authorized or have held such office.

The coupons, if any, to be attached to the coupon Bonds of each Series shall be signed by the facsimile signature of the Chairman of the Board of Commissioners of the District, and attested by the facsimile signature of the District Secretary.

307. Interchangeability of Bonds. Coupon Bonds, if any, upon surrender thereof at the principal office of the District with all unmatured coupons attached, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same Series and maturity of any of the authorized denominations.

Registered Bonds, upon surrender thereof at the principal office of the appropriate Registrar together with an assignment duly executed by the registered owner or his authorized attorney, in such form as shall be satisfactory to the appropriate Registrar, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of coupon Bonds of the same Series and maturity with appropriate coupons attached, or of registered Bonds of the same Series and maturity of any other authorized denominations.

308. Negotiability, Transfer and Registration. All the Bonds issued under this General Bond Resolution shall be negotiable as provided by the Act, subject to the provisions for registration and transfer contained in this General Bond Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Registrar shall maintain and keep books for the registration and transfer of Bonds; and, upon presentation thereof for such purpose to the Registrar, the Registrar shall register or cause to be registered therein, and permit to be transferred thereon any Bond entitled to registration or transfer under such reasonable regulations as it or the District may prescribe.

309. Transfer and Registration of Coupon Bonds. In the event that coupon Bonds are issued in the future, provisions for their transfer, registration as to principal, if any, and notice of redemption prior to maturity, shall be contained in the appropriate Series Resolution.

310. Transfer of Registered Bonds. Each registered Bond shall be transferable only upon the books of the Registrar, which shall be kept for the purpose at the principal office 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 registered Bond, the District shall issue in the name of the transferee a new registered Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond.

The District and any Fiduciary may deem and treat the person in whose name any Outstanding registered Bond shall be registered upon the books of the District as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if any, of and interest on, such Bond and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the District nor any Fiduciary shall be affected by any notice to

the contrary. The District agrees to indemnify and save any Fiduciary harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence hereunder, in so treating such registered owner.

311. Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of transferring registered Bonds is exercised, the District shall execute and deliver Bonds in accordance with the provisions of the General Bond Resolution. All registered Bonds surrendered in any such transfers shall forthwith be cancelled. The Registrar shall not be obligated to make any such transfer of Bonds of any Series during the sixteen days next preceding an Interest Payment Date on the Bonds of such Series or, in the case of any proposed redemption of Bonds of such Series, next preceding the date of the first publication of notice of such redemption.

312. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the District shall execute and deliver a new Bond of like Series, maturity and principal amount as the Bond and attached coupons, if any, so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond and attached coupons, if any, or in lieu of and in substitution for the Bond and coupons, if any, destroyed, stolen or lost, upon filing with the Registrar evidence satisfactory to the Registrar that such Bond and attached coupons, if any, have been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Registrar and the District with indemnity satisfactory to each of them and complying with such other reasonable regulations as the Registrar and the District may prescribe and paying such expenses as the Registrar and the District may incur in connection therewith. All Bonds and coupons so surrendered to the Registrar shall be cancelled by it.

313. Preparation of Definitive Bonds; Temporary Bonds. The definitive Bonds of each Series shall be lithographed or printed on steel engraved borders. Until the definitive Bonds of any Series are prepared, the District may execute, in the same manner as is provided in Section 306, and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, one or more temporary Bonds (which may be registrable as to principal and interest), substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in denominations of \$5,000 or any multiple thereof authorized by the District, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The District at its own expense shall prepare and execute and, upon

the surrender of such temporary Bonds, with all unmatured coupons, if any, and all matured coupons, if any, for which no payment or only partial payment has been provided, attached, for exchange and the cancellation of such surrendered temporary Bonds and coupons, without charge to the Holder thereof, deliver in exchange therefor, at the principal office of the appropriate Registrar, definitive Bonds, of the same aggregate principal amount and series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution.

All temporary Bonds surrendered in exchange for a definitive Bond or Bonds shall be forthwith cancelled.

314. Form of Bonds. Subject to the provisions of any Series Resolution, which may contain a different bond form or authorized variations herefrom, the Bonds shall be in registered form, substantially as follows:

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
KENTON COUNTY WATER DISTRICT NO. 1
KENTON COUNTY, KENTUCKY
WATER DISTRICT REVENUE BOND, SERIES 1985

No. R-1 \$ _____
BOND DATE: _____ RATE: _____ %
MATURITY DATE: February 1, _____ CUSIP _____
REGISTERED HOLDER:
PRINCIPAL AMOUNT: _____ DOLLARS

KNOW ALL MEN BY THESE PRESENTS:

That Kenton County Water District No. 1, Kenton County, Kentucky, a public body corporate and a political subdivision in the Commonwealth of Kentucky duly organized and existing pursuant to Chapter 74 of the Kentucky Revised Statutes (the "District"), for value received, hereby acknowledges itself obligated to, and promises to pay to the registered holder identified above, or registered assigns, solely from the limited sources hereinafter described, the principal sum identified above (or, if any part thereof has been paid the balance thereof remaining unpaid), on the maturity date specified above, and to pay interest on said principal sum (or, if any part thereof has been paid, the balance thereof remaining unpaid) from the date hereof at the rate of interest per annum identified above, payable semiannually on the first days of February and August in each year until paid, commencing February 1, 1987, except as the provisions hereinafter set forth with respect to prior redemption may be and become applicable hereto. This bond will bear interest from the most recent interest payment date to which interest has been paid or, if no interest has been paid, from the date of original issuance hereof. The principal and interest of this bond are payable, without deduction for exchange, collection, or service charges, in lawful money of the United States of America. Principal is payable at the principal office of _____

or any successor (the "Registrar"). All interest on this bond shall be payable by check or draft mailed to the record date

registered owner hereof at the address shown on the registration records kept by the Registrar. The record dates for February 1 and August 1 interest payment dates shall be the preceding January 15 and July 15, respectively.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE. [if appropriate]

This bond is one of an authorized issue of Water District Revenue Bonds of the District, of like tenor and effect, except as to denomination, maturity and call provisions, numbered from R-1 upward, of the denomination of any integral multiple of \$5,000, originally aggregating in principal amount _____ Dollars (\$_____) issued under and pursuant to a Series Resolution duly adopted by the Board of Commissioners of the District, and the General Bond Resolution hereinafter described, pursuant to and in full conformity with the Constitution and the laws of the Commonwealth of Kentucky, and particularly under the provisions of Chapter 74 and Sections 96.350 to 96.510, inclusive, of the Kentucky Revised Statutes, for the purpose of providing additions, extensions and betterments to the District's Public Water System, as defined in the General Bond Resolution. The bonds of said authorized issue, together with such additional bonds ranking on a parity therewith that may be issued and outstanding from time to time under the restrictions and provisions of said General Bond Resolution, do not constitute an indebtedness of the District within the meaning of the Constitution, but are payable as to principal and interest and premium, if any, solely from and are secured by, inter alia, a pledge of revenues and income resulting from the collection of water rates, rentals and charges for the services rendered by the facilities of said District.

A statutory mortgage lien which is hereby recognized as valid and binding on all properties of the District, including the Public Water System and all extensions and appurtenances thereto, is created and granted to and in favor of the registered owner or owners of this bond and the issue of which it forms a part and said properties shall remain subject to said statutory mortgage lien until the payment in full of the principal of and interest on this bond and the issue of which it forms a part.

This bond is exempt from taxation in the Commonwealth of Kentucky.

Said bonds are all issued under and are equally and ratably secured and entitled to the protection given by the General Bond Resolution, adopted November 19, 1985, (the "General Bond Resolution") duly executed and delivered by the

District and reference is hereby made to the General Bond Resolution and to all resolutions supplemental thereto for a more complete description of the provisions, among others, with respect to the nature and extent of the security, the rights, duties and obligations of the District, the Paying Agents, the Registrars and the holders of said bonds and the terms and conditions upon which said bonds are issued and secured, to all of the provisions of which General Bond Resolution, each holder, by the acceptance hereof, assents.

Said bonds are issuable as fully registered bonds in denominations of \$5,000 and any authorized multiple thereof. Said bonds are not callable for redemption prior to February 1, 1995. Bonds maturing on and after February 1, 1996, are subject to redemption by the District prior to maturity at any time on or after February 1, 1995, in whole or in part and in inverse order of their maturity (less than all of such bonds of a single maturity to be selected by lot), at a redemption price, equal to the following percentages of the principal amount redeemed plus accrued interest to the redemption date:

<u>Period</u> (Both Dates Inclusive)	<u>Redemption Price</u>
February 1, 1995 to and including January 31, 2000	103%
Thereafter, at	100%

Call for redemption shall be by registered mail only, addressed to the registered holder at the address shown on the records of the Registrar. Call for redemption having been given as aforesaid, the bonds or portions thereof so called for redemption shall become due and payable at the the applicable redemption price herein provided, and from and after the date so fixed for redemption, interest on the bonds, or portions thereof so called for redemption, shall cease to accrue and become payable.

The principal of, redemption price, if any, and interest on said bonds are payable solely and only from and such payment is secured by a pledge of the Pledged Receipts, as defined in the General Bond Resolution to the extent and in the manner provided in the General Bond Resolution. There are further pledged for the payment of the principal on or redemption price, if any, and interest on the bonds, subject to the provisions of the General Bond Resolution permitting the application thereof for or to the purposes and on the terms and conditions set forth therein, (i) the proceeds of sale of the Bonds, except to the extent such proceeds may be applied to the payment of notes issued in anticipation of the sale of bonds, (ii) Investment Obligations as defined in the General Bond Resolution, and (iii) all Funds created and established pursuant to the General Bond Resolution, including Accounts thereof and moneys and securities therein.

This bond shall be registered as to principal and interest in the name of the holder thereof, after which it shall be transferable only upon presentation to the _____, as Registrar, with an assignment duly acknowledged by the registered holder or his duly authorized attorney, which transfer shall be noted upon this bond and upon the books of the Registrar kept for that purpose.

[Note to printer: The following paragraph shall appear on the face of the bond.]

THIS BOND HAS BEEN ISSUED UNDER THE PROVISIONS OF KRS 74.280 TO 74.310, INCLUSIVE. THE BONDS OF WHICH THIS BOND IS A PART DO NOT CONSTITUTE A DEBT, LIABILITY OR OTHER OBLIGATION OF THE DISTRICT OR OF ANY POLITICAL SUBDIVISION OF THE COMMONWEALTH OF KENTUCKY. THE DISTRICT SHALL NOT BE OBLIGATED TO PAY THE BONDS OR THE INTEREST THEREON EXCEPT FROM THE INCOME, REVENUES, FUNDS AND ASSETS OF THE DISTRICT SPECIFICALLY PLEDGED THEREFOR, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF ANY POLITICAL SUBDIVISION OF THE COMMONWEALTH OF KENTUCKY IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE BONDS.

The registered owners of said bonds shall not be entitled to enforce the provisions of the General Bond Resolution or to institute, appear in or defend any suit, action or proceeding at law or in equity to enforce any rights, remedies or covenants granted by the General Bond Resolution, or to take any action with respect to any event of default under the General Bond Resolution, except as provided in the General Bond Resolution.

The General Bond Resolution contains provisions permitting the District, with the consent of the bond insurer and the registered owners of not less than 66-2/3% in aggregate principal amount of bonds at the time outstanding, exclusive of any bonds then held or owned by the District, to execute supplemental resolutions for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms and provisions of the General Bond Resolution; provided, however, that no such supplemental resolution shall extend the maturity of, the principal of, or the interest on, any bond or reduce the principal of any bond, or the rate of interest or redemption premium thereon, without the consent of the bond insurer and the registered owner of each bond so affected, or reduce the aggregate principal amount of bonds required for consent to such supplemental resolution without the consent of the registered owners of all bonds then outstanding.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and Statutes of the Commonwealth of Kentucky and the General Bond Resolution and Series Resolution to exist, happen and be performed precedent to and in the issuance of this bond do exist, have happened and have been performed in the manner and form required by law, and that said District will continuously operate said waterworks and water distribution facilities constituting the District's Public Water System as a revenue-producing undertaking; that, subject to regulatory approvals which the District will timely seek, a schedule of rates, rentals and charges for the services and facilities rendered by the Public Water System of said District will be fixed, revised, collected and accounted for at all times so as to produce aggregate revenues sufficient to pay promptly when due the interest on and principal of all bonds that may be outstanding from time to time and to also pay when due all costs and expenses of operating and maintaining said works and facilities and to create and maintain proper and adequate reserves for depreciation and for repair and replacement; that a sufficient amount of said revenues and income derived from collection of said rates, rentals and charges has been pledged to and will be set aside each year into a special account created for the purpose of paying the interest on this bond and all other bonds authorized or permitted to be issued by said General Bond Resolution, and redeeming and fully discharging all such bonds at or prior to the maturity thereof, and that this bond, together with all other obligations of said District, does not exceed any limitation prescribed by law.

IN WITNESS WHEREOF said Kenton County Water District No. 1, Kenton County, Kentucky, by its Board of Commissioners as the governing body thereof has caused this bond to be executed in its name by the reproduced facsimile signature of its Chairman and attested by its Secretary [or Treasurer], and a reproduced facsimile of its corporate seal to be hereunto affixed, and this bond to be dated the first day of December, 1985.

KENTON COUNTY WATER DISTRICT NO. 1
KENTON COUNTY, KENTUCKY

(SEAL)

BY _____
Chairman

ATTEST:

Secretary

Date of Registration and Authentication:

CERTIFICATE

This is to certify that this bond is one of the bonds described hereinabove.

Registrar

By

Authorized Signature

(Reverse of Bond)

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	- as tenants in common	UNIF GIFT MIN ACT Custodian
TEN ENT	- as tenants by the entirety	(Cust) (Minor) under Uniform Gift to Minors
JT TEN	- as joint tenants with right of survivorship and not as tenants in common	Act (State)

Additional Abbreviations may also be used though not in the above list.

ASSIGNMENT

For value received, the undersigned hereby sells, assigns, and transfers unto

Please insert Social Security or other identifying number of assignee.

(Name and address of assignee)
_____ the within Bond and does hereby irrevocably
constitute _____

_____ attorney to transfer said Bond on the books kept for registration of said Bond, with full power of substitution in the premises.

Dated: _____

(Signature Guarantee)

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

CERTIFICATE

It is hereby certified that the following is a correct and complete copy of the text of the legal opinion of Messrs. Peck, Shaffer & Williams, Attorneys, Covington, Kentucky, regarding the issue of which the within bond is one, the original of which opinion was manually executed, dated and issued as of the date of delivery of and payment for said issue and a copy of which is on file with the undersigned.

(facsimile)
City Clerk

The following opinion is premised on facts and law existing on the date of original delivery by the issuer of the bonds of this issue:

Gentlemen:

We have acted as bond counsel in connection with the authorization, sale and issuance by Kenton County Water District No. 1, Kenton County, Kentucky (the "District"), a public body corporate and politic and a political subdivision of the Commonwealth of Kentucky, acting by and through its Board of Commissioners as its duly authorized governing body, of \$14,955,000 principal amount of Water District Revenue Bonds, Series 1985, dated December 1, 1985 (the "Series 1985 Bonds").

Said Series 1985 Bonds have been authorized and issued pursuant to Chapter 74 and Sections 96.350 to 96.510, inclusive, of the Kentucky Revised Statutes (collectively, the "Act"), a certain General Bond Resolution adopted by the District on November 19, 1985 (the "Resolution") and a certain Series Resolution authorizing the Series 1985 Bonds adopted on December 5, 1985 (the "Series Resolution"). Pursuant to the Resolution and the Series Resolution, the District has authorized the issuance of said Series 1985 Bonds for the purpose of refunding certain outstanding obligations of the District and paying the costs of issuance of said Series 1985 Bonds.

We have examined such portions of the Constitution and Statutes of the United States, the Constitution and Statutes of the Commonwealth, 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 1985 Bonds, including executed Bond No. R-1, 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 District as to certain factual matters. Based upon the foregoing, we advise you that in our opinion under existing law:

1. The Series 1985 Bonds have been duly authorized, executed and issued by the District in accordance with the Constitution and Statutes of the Commonwealth, including the Act, and in accordance with the Resolution and the Series Resolution, and constitute valid and binding special obligations of the District, payable as to principal, interest, and premium, if any, from and secured by a pledge of (i) the Pledged Receipts, as defined in the Resolution, (ii) the proceeds of the sale of the Series 1985 bonds, (iii) Investment Obligations, as defined in the Resolution, (iv) all funds established by the Resolution, including accounts thereof and monies and securities therein, subject only to the provisions of the Resolution, permitting the use and application thereof for or to the purposes and on the terms and conditions set forth in the Resolution and (v) a statutory mortgage lien on all properties of the District, including the Public Water 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 Resolution.
2. Neither the faith and credit nor the taxing power of the District, the Commonwealth, or any political subdivision thereof, nor the faith and credit of the District is pledged to the payment of the principal of or interest on the Series 1985 bonds, or to the payment of premium, if any.
3. Interest on the Series 1985 bonds is exempt from income taxation by the United States of America and from income taxation by the Commonwealth, and the Series 1985 bonds are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions.

Our opinion set forth above is subject to the qualification that the enforceability of the Resolution, the Bonds and agreements relating thereto may be limited by bankruptcy, reorganization, moratorium, insolvency, or other similar laws relating to or affecting the enforcement of creditors' rights or by general equitable principles.

Without having undertaken to determine independently or to verify the accuracy or completeness of the statements contained in the Official Statement, and expressing no opinion as to the financial statements or any other financial or statistical data contained therein, nothing has come to our attention in the course of our professional engagement as Bond Counsel which would lead us to believe that the Official Statement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

The Series 1985 Bonds are special and limited obligations of the District, payable solely and only from the revenues provided for by the Resolution. The Bonds do not pledge the general credit or taxing power, if any, of the District, the Commonwealth or any other agency or political subdivision of the Commonwealth.

PECK, SHAFFER & WILLIAMS

ARTICLE IV

APPLICATION OF BOND PROCEEDS

401. Application of Bond Proceeds. (1) All proceeds of the Bonds of any Series to be issued, upon their issuance, sale and delivery, shall be deposited in to the applicable Funds of Accounts specified, in accordance with the provisions of the Series Resolution authorizing the issuance of the Bonds of such Series. Such proceeds shall be applied solely for purposes for which amounts in said Funds or Accounts, respectively, may be applied in accordance with the provisions of the Series Resolution and the General Bond Resolution.

(2) Accrued interest and capitalized interest, if any, received upon delivery of any Series of Bonds shall be deposited in the Series Interest Account of the Debt Service Fund. The amount, if any, received as a premium over the principal amount of any Series of Bonds upon delivery of such Series shall be applied as provided in the Series Resolution authorizing such Series.

ARTICLE V

ESTABLISHMENT OF FUNDS AND ACCOUNTS

APPLICATION OF PLEDGED RECEIPTS

501. The Pledge Effected by the General Bond Resolution. (1) There are hereby pledged for the payment of the principal of or Redemption Price, if any, and interest on the Bonds, and the Sinking Fund Installments for the retirement thereof, in accordance with their terms and the provisions of the General Bond Resolution, subject only to the provisions of the General Bond Resolution permitting the application thereof for or to the purposes and on the terms and conditions set forth in the General Bond Resolution, (a) the proceeds of sale of the Bonds to the extent not required to be utilized for payment of Notes, (b) Investment Obligations acquired by Bond proceeds or by application of funds derived from District Revenues, (c) the Pledged Receipts, and (d) all Funds created and established pursuant to the General Bond Resolution, including Accounts thereof and moneys and securities therein.

(2) The proceeds of sale of the Bonds, the Investment Obligations, the Pledged Receipts and all Funds created and established pursuant to the General Bond Resolution, including Accounts thereof created and established pursuant to the General Bond Resolution and moneys and securities therein, hereby pledged, shall immediately be subject to the lien of the pledge of Section 501 without any physical delivery thereof or further act, and the lien of said pledge shall be valid and

binding as against all parties having claims of any kind in tort, contract or otherwise against the District, irrespective of whether such parties have notice thereof.

502. Transition of Funds and Accounts for 1981 Bonds into Funds and Accounts for Bonds Authorized by this Resolution. The District has heretofore formally established and created the following special trust Funds and the following Accounts within such Funds:

- (1) General Revenue Fund
- (2) Debt Service Fund
Interest Account
Principal Account
- (3) Debt Service Reserve [Fund]
- (4) Operation and Maintenance Fund
- (5) Improvement, Repair and Replacement Fund.

Upon the defeasance of the 1981 Bonds, the above-identified Funds and their Accounts shall become funds and accounts of like name for Bonds authorized hereunder.

The above identified Funds and the Accounts thereof and the Bond Proceeds Fund hereinafter created shall be held and maintained by the District in the following financial institutions (being hereinafter sometimes referred to as "depositories," and each being a Fiduciary as defined in the General Bond Resolution):

Fund	Depository
Bond Proceeds Fund	A depository to be named in the Series Resolution authorizing a particular Series of Bonds.
General Revenue Fund.....	A depository named in the first Series Resolution adopted hereunder as the Registrar and Paying Agent for the bonds authorized thereby.
Debt Service Fund.....	A depository named in the first Series Resolution adopted hereunder as the Registrar and Paying Agent for the bonds authorized thereby.

Debt Service Reserve Fund...	A depository named in the first Series Resolution adopted hereunder as the Registrar and Paying Agent for the bonds authorized thereby.
Operation and Maintenance Fund.....	Covington Trust & Banking Co. Covington, Kentucky
Improvement, Repair and Replacement Fund.....	The Peoples-Liberty Bank & Trust Co. Covington, Kentucky

To the extent any moneys held in any Fund or Account shall be in excess of the amount insured by Federal Deposit Insurance Corporation, such excess shall be secured by the depository by a pledge of Investment Obligations, as defined in clause (a) of the definition of Investment Obligations equal at all times in value to such amount so in excess of Federal Deposit Insurance Corporation coverage.

503. Bond Proceeds Fund. (1) There is hereby created the Bond Proceeds Fund-General Bond Resolution (the "Bond Proceeds Fund"). The District shall establish and create within the Bond Proceeds Fund, beginning with the issue of the first Series Bonds hereunder, a separate (a) Cost of Issuance Account, and a separate (b) Construction and Acquisition Account, for each Series of Bonds Outstanding, (provided, that in the event that Bond proceeds are to be used in whole or in part for the payment, or provision therefor, of outstanding debt obligations, a different suitable name and purpose for such separate account may be employed such as "_____ Refunding Account") and shall identify each separate Account by inserting in the designation therefor the year, letter or other designation of the Bonds of such Series.

(2) There shall be deposited from time to time in the Cost of Issuance Account established for each Series the amount of moneys necessary to pay the costs of issuance of such Series from either:

(a) the proceeds of the Bonds of such Series as specified and determined in the Series Resolution authorizing the issuance of such Series, or

(b) moneys from time to time received by the District from any other source, and determined by the District to be deposited in such Account, unless required to be otherwise applied as provided by the Resolution.

To the extent not otherwise provided for, the Cost of Issuance of a Series of Bonds shall be paid only from the moneys credited to the Cost of Issuance Account established for such Series of Bonds.

(3) The depository shall from time to time pay out, or permit the withdrawal, of moneys credited to any Cost of Issuance Account, free and clear of any lien or pledge or assignment in trust created by this Article, for the purpose of paying in the manner herein authorized any Costs of Issuance of the Bonds of the Series for which such Account was established, upon receipt by said depository of a check or other bill of exchange drawn upon such Account, signed by two members of the Board of Commissioners of the District stating with respect to each payment to be made:

- (a) the item for which payment is to be made,
- (b) the name of the person or party to whom the payment is to be made, and
- (c) the amount to be paid.

(4) Upon receipt of a Certificate signed by two members of the Board of Commissioners of the District to the effect that all Costs of Issuance of the applicable Series of Bonds have been paid, the depository, upon such direction of the District, taken by similar action, shall transfer any moneys remaining in said Cost of Issuance Account to the Construction and Acquisition Account established for such Series.

(5) Upon the deposit of the proceeds of the Bonds of a Series or other moneys in the manner hereinabove prescribed in any Cost of Issuance Account, the District shall direct the depository to invest and reinvest the moneys in said identified Account in Investment Obligations, so that the maturity date or date of redemption at the option of the holder of such Investment Obligations shall coincide as nearly as practicable with the times at which moneys are needed by the District to be expended. The Investment Obligations purchased shall be physically held by the depository and shall be deemed at all times to be part of such Cost of Issuance Account and the depository shall deliver to the District a safekeeping certificate as to the identity and amount of all such investments. The District shall sell at the best price obtainable or present for redemption, any obligations purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment from the Cost of Issuance Account.

(6) There shall be deposited into the applicable Construction and Acquisition Account, such amounts of the proceeds of the Bonds of any Series required to be deposited therein as shall be specified and determined by the Series Resolution authorizing such Series of Bonds, in accordance with and subject to the provisions of Article IV.

(7) Moneys credited to the Construction and Acquisition Account shall be expended only for the payment of Construction costs of the Public Water System subject to the provisions and restrictions of this Section.

(8) Except as may be expressly limited by the purposes for which a Series of Bonds is issued as set forth in the Series Resolution authorizing such Series, amounts in any Construction and Acquisition Account shall be expended and applied by the depository upon issuance of a check or other bill of exchange drawn upon such Account, signed by two members of the Board of Commissioners of the District. Such checks shall be issued in connection with the Public Water System work for which such Series of Bonds is issued, in order to make disbursements required to be made by the District pursuant to the terms and provisions of construction and acquisition contracts to which the District is a party relating to the District's Public Water System. The District shall keep and maintain complete and detailed records with respect to said Construction and Acquisition Account.

(9) Upon the deposit of the proceeds of the Bonds of a Series or other moneys in the manner hereinabove prescribed in the Construction and Acquisition Account, the District shall invest and reinvest the moneys in said Account in Investment Obligations so that the maturity date or date of redemption at the option of the holder of such Investment Obligations shall coincide as nearly as practicable with the times at which moneys are required by the District to be expended on account of construction and acquisition contracts in respect of the Public Water System. All Investment Obligations purchased shall be physically held in the custody of the depository and shall be deemed at all times to be part of such Construction and Acquisition Account, and the depository shall deliver to the District a safekeeping certificate as to the identity and amount of all such investments. The District shall, by order signed by two members of the Board of Commissioners of the District, sell at the best price obtainable, or present for redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any authorized payment from such Construction and Acquisition Account.

(10) The District shall from time to time pay out or permit the withdrawal of moneys from any Construction and Acquisition Account for the purpose of making disbursements and payments to contractors, material suppliers, fabricators and others rendering services pursuant to the Public Water System, pursuant to the terms of contracts between the District and such persons upon issuance of a check or other bill of exchange drawn upon such Account signed by two members of the Board of Commissioners of the District, accompanied by a written voucher executed by the Engineers, which voucher shall contain the following with respect to each payment or disbursement to be made:

(a) the name of the person or party to whom the payment or disbursement is to be made;

(b) the amount to be paid to such person or party;

(c) the applicable construction, acquisition or service contract in respect of which the payment or disbursement is to be made;

(d) that with respect to such requested payment or disbursement there has not been filed with or served upon the District notice of any lien or attachment upon, or claim affecting the right to receive, payment of any of the amounts requisitioned and payable to any of the persons, firms, or corporations named in such requisition which has not been released or will not be released simultaneously with such payment;

(e) that such requisition for payment contains no item representing payment on account of any retained percentages of Construction cost which the District is at the date of such requisition entitled to retain;

(f) that in connection with such requisition for payment, the District has received such proofs as are properly required by the District to the effect that each obligation set forth in said requisition for payment has been (i) properly incurred, and (ii) is then due and unpaid; and (iii) that insofar as such obligation was incurred for work, services materials, equipment or supplies, such work or services was actually performed, or such materials, equipment or supplies were actually installed in furtherance of the Construction of the Public Water System, or were delivered at the site or sites of the Public Water System for such purposes.

(11) All such written checks or bills of exchange (requisitions) of the District signed by two members of the Board of Commissioners and conforming to subsection (1) above, received by the depository as herein set forth may be relied upon by and shall be retained in the possession of the depository, subject at all times to the inspection of the District and its officials.

(12) At such times as all moneys due to be disbursed from any Construction and Acquisition Account have been so disbursed and paid, and the depository has received (a) a Certificate executed by the Chairman of the Board of Commissioners of the District countersigned by one other member of such Board of Commissioners stating that completion of the designated portion of the Public Water System authorized by the specified Series of Bonds has occurred, which Certificate shall be accompanied by (b) an opinion of legal counsel for the District stating that there are no uncalled mechanics', laborers', contractors' or materialmens' liens on file in any public office where the same should be filed in order to be valid liens against any part of any Water Works constructed by the District, and that in the opinion of said legal counsel the time within which such liens can be filed has expired, the balance in such Construction and Acquisition Account shall thereupon be transferred by the depository to the Debt Service Fund, or upon the filing of a Certificate by the same officers of the District to the effect that further Series of Bonds are due to be issued within a reasonable time, may be held in said Account. Provided, further, that the District, by Certificate executed by the same Officers of the District, may direct the depository to pay and transfer such remaining balance to any other Construction and Acquisition Account created in connection with the Public Water System.

504. General Revenue Fund. (1) The District shall cause all moneys received as Pledged Receipts, together with income from the Debt Service Reserve pursuant to Section 506(5) hereof, to be deposited promptly into the General Revenue Fund.

(2) To the extent moneys are received by the District representing any legislative appropriation or grant, federal or state, for purposes of deposit to the General Revenue Fund, the Debt Service Fund or the Debt Service Reserve, or for the defrayal of Operation and Maintenance Costs, such funds shall be promptly transmitted by the District to the appropriate depository for deposit to the Fund or Account so specified.

(3) The District shall cause all moneys received as such income and revenues, and as such Pledged Receipts as set forth in the statement of account, to be transferred from the General Revenue Fund and deposited to the following Accounts and Funds in the amounts hereinafter stated and in the prescribed sequence:

FIRST: Into the Interest Account within the Debt Service Fund such an amount as when added to the amount then on deposit therein will equal the interest on all Outstanding Bonds accrued and unpaid in respect of the next Interest Payment Date.

SECOND: Into the Principal Account within the Debt Service Fund such an amount as when added to the amount then on deposit therein will equal the Principal Installments accrued and unpaid in respect of the next Principal Installment Date.

THIRD: Into the Debt Service Reserve such amount as is necessary so that the amount on deposit therein will equal the Aggregate Debt Service Reserve Requirement.

FOURTH: Into the Operation and Maintenance Fund, (i) the amount of moneys needed and required prior to the tenth day of the succeeding month to pay reasonable and necessary Operation and Maintenance costs in accordance with the Annual Budget (the "Monthly Requirement") together with (ii) such proportionate amounts as will, during the twenty-four months following the issuance of any Series of Bonds, together with sums then on deposit in said Fund, equal estimated and budgeted Operation and Maintenance Costs for one (1) month, such additional sums to be held as an operational reserve and expended as required, subject to replacement in the same manner, if so expended.

FIFTH: Into the Improvement, Repair and Replacement Fund, all amounts remaining.

(4) Moneys in the General Revenue Fund shall be invested by the District, in Investment Obligations maturing no later than the tenth (10th) day of the month next succeeding the month that the depository last made deposits as provided in subsection (3) hereof, and except for such investments, shall be used only to make the deposits as provided for in this Section. All investments made by the District in any Fund or Account created by this General Bond Resolution shall be made upon written order issued by two members of the Board of Commissioners of the District.

505. Debt Service Fund. (1) The Debt Service Fund shall be maintained by the District in the appropriate depository so long as any of the Bonds authorized or permitted to be issued by this General Bond Resolution remain outstanding; and all moneys deposited in the Debt Service Fund from time to time shall be used, disbursed and applied, and are irrevocably pledged solely for the purpose of paying the principal of, interest on, and Sinking Fund installments in respect of all such Bonds as may be issued and outstanding from time to time pursuant to the provisions of this General Bond

Resolution, including future parity Bond Series. Funds in the Debt Service Fund may, from time to time, at the option of the District, be used and employed to purchase sufficient term Bonds, if any be outstanding, to satisfy a Sinking Fund installment due within the next succeeding twelve (12) months. The District shall direct the depository to, and the depository shall, pay out of the Interest Account to any Paying Agents for any of the Bonds (a) on the day preceding each Interest Payment Date, the amounts required for the payment of interest on the Outstanding Bonds due on such date, and (b) on the date preceding the Redemption Date or date of purchase, the amounts required for the payment of accrued interest on Bonds redeemed or purchased for retirement unless the payment of such accrued interest shall be otherwise provided for, and in each such case, such amounts shall be applied by such Paying Agents to such payments.

(2) The District may invest the moneys in the Interest Account in Investment Obligations so that the maturity date or date of redemption at the option of the holder shall be on or before the Interest Payment Date next succeeding the date upon which such investment is made.

(3) The District shall direct the depository to, and the depository shall, pay out of moneys credited to the Principal Account to the respective Paying Agents on the day preceding each Principal Installment Date for any of the Outstanding Bonds, the amounts required for the payment of principal due on such date and such amounts shall be applied by the Paying Agents to such payments.

(4) The amount accumulated in the Principal Account for each Sinking Fund Installment may, at the option of the District, be applied (together with amounts accumulated in the Interest Account with respect to interest on the Bonds for which such Sinking Fund Installment was established) by the District prior to the forty-fifth (45th) day preceding the due date of such Sinking Fund Installment, as follows:

(a) to the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price payable from Sinking Fund Installments for such Bonds when such Bonds are redeemable by application of said Sinking Fund Installments, plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as the District shall determine, or

(b) to the redemption, pursuant to Article VI, of such Bonds if then redeemable by their terms at the Redemption Price referred to in Clause (a) hereof.

As soon as practicable after the forty-fifth (45th) day preceding the due date of any such Sinking Fund Installment, the District shall proceed to call for redemption, pursuant to Section 603, on such due date, Bonds of the Series and maturity for which such Sinking Fund Installment was established in such amount as shall be necessary to complete the retirement of the principal amount specified for such Sinking Fund Installment of the Bonds of such Series and maturity. The District shall so call such Bonds for redemption whether or not it then has moneys in the Principal Account sufficient to pay the applicable Redemption Price thereof, to the Redemption Date. The District shall direct the depository to, and the depository shall, pay out of such Principal Account to the appropriate Paying Agents, on the day preceding each such Redemption Date, the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(5) The District may invest the moneys in the Principal Account in Investment Obligations so that the maturity date or date of redemption at the option of the holder shall be on or before the Principal Installment Date next succeeding the date when such investment is made.

506. Debt Service Reserve. (1) There shall be deposited to the credit of the Debt Service Reserve (a) all Pledged Receipts from the General Revenue Fund required to be deposited therein by this General Bond Resolution, (b) all moneys received on account of or in connection with Investment Obligations credited to the Debt Service Reserve as in this Section provided, and (c) all Bond proceeds required by Series Resolution to be deposited in said Debt Service Reserve.

(2) The Debt Service Reserve is pledged to and shall be used for the payment of principal of, interest on, and Redemption Price, if any, in respect of any Outstanding Bond as to which there would otherwise be a default in payment, and sums in the Debt Service Reserve shall be transferred to other Funds and Accounts in a timely manner upon due certification as provided in subsection (3) of this Section 506 in order to effectuate the intent of this Section and the purposes of the Debt Service Reserve. In the event that amounts in the Debt Service Reserve are reduced below the Aggregate Debt Service Reserve Requirement, the deficiency in the Debt Service Reserve shall be cured from the first available revenues.

(3) The District shall cause the depository from time to time to transfer or pay out moneys in the Debt Service Reserve for the purpose of making payments and transfers to other Funds and Accounts pursuant to subsection (2) hereof upon receipt by said depository of a check or other bill of exchange executed by two members of the Board of Commissioners stating with respect to each payment or transfer to be made:

(a) the Account or Fund to which the payment or transfer is to be made,

(b) the purpose of the payment or transfer, and

(c) the amount to be paid.

(4) Sums from time to time in the Debt Service Reserve shall be continuously invested upon direction of the District, in Investment Obligations. The District shall sell at the best price obtainable, or present for redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary in order to provide moneys to effectuate the purposes of the Debt Service Reserve.

(5) Any interest earned or sums realized as a result of investment of moneys in the Debt Service Reserve in Investment Obligations shall accrue to, and be a part of, said Debt Service Reserve; provided, however, that 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 General Revenue Fund.

(6) In lieu of the deposit of funds in the Debt Service Reserve, the District may obtain a Debt Service Reserve Guaranty. Any Debt Service Reserve Guaranty shall be considered a deposit of funds in the Debt Service Reserve equal to the Debt Service Reserve Coverage provided by the Debt Service Reserve Guaranty Agreement.

As conditions precedent to delivery of a Debt Service Reserve Guaranty, the District shall obtain (i) a Debt Service Reserve Guaranty, (ii) an opinion of counsel addressed to the District stating that the delivery of such Debt Service Reserve Guaranty to the District is authorized under the General Bond Resolution, as amended, and complies with the terms thereof, and (iii) written evidence from a Rating Agency, if the Bonds are rated by such Rating Agency, that the Rating Agency has reviewed the proposed Debt Service Reserve Guaranty and that (x) the issuance of the Debt Service Reserve Guaranty to the District and (y) if a Debt Service Reserve Guaranty is then in effect with respect to the Debt Service Reserve, the substitution of the proposed Debt Service Reserve Guaranty for the Debt Service Reserve Guaranty then in effect, will not, by itself, result in a reduction or withdrawal of its rating on the Bonds. If the Bonds are insured by a bond insurer, the references to Rating Agency in the prior sentence shall be read to mean such bond insurer and the substitution of the proposed Debt Service Reserve Guaranty shall not result in the cancellation of the bond insurance provided by such Bond Insurer.

"Debt Service Reserve Guarantor" means the issuer of a Debt Service Reserve Guaranty.

"Debt Service Reserve Guaranty" means a letter of credit, surety bond or similar arrangement representing the irrevocable obligation of the Debt Service Reserve Guarantor to pay to the District upon request made by the District up to an amount stated therein for application as provided in this Section 506.

"Debt Service Reserve Guaranty Agreement" means the reimbursement agreement, loan agreement or similar agreement between the District and a Debt Service Reserve Guarantor with respect to repayment of amounts advanced under the Debt Service Reserve Guaranty.

"Debt Service Reserve Guaranty Coverage" means the amount available at any particular time to be paid to the District under the terms of the Debt Service Reserve Guaranty.

"Debt Service Reserve Guaranty Limit" means the maximum aggregate amount available to be paid to the District under the terms of a Debt Service Reserve Guaranty.

"Rating Agency" means either Moody's Investors Service, Inc. or Standard & Poor's Corporation, both corporations and organized under the laws of the States of Delaware and New York, respectively, and their successors and assigns.

507. Operation and Maintenance Fund. (1) The Operation and Maintenance Fund shall be used to pay the reasonable expenses of operating, maintaining and repairing the Public Water System and for paying Operation and Maintenance Costs. There shall be paid into the Operation and Maintenance Fund the amounts required to be so paid by the provisions of the 1985 General Bond Resolution, and there may be paid into the Operation and Maintenance Fund any moneys received by the District from any other source, unless required to be otherwise applied as provided by this General Bond Resolution.

(2) Subject to the provisions and requirements of subsection (3) of Section 504, moneys in the Operation and Maintenance Fund shall be withdrawn and paid out from time to time by the District for the purpose of paying reasonable or necessary Operation and Maintenance Costs and when so withdrawn and paid out shall be free and clear of any lien, pledge or assignment in trust created by this General Bond Resolution, provided, however, the District may at any time withdraw moneys from the Operation and Maintenance Fund and deposit such moneys into any other Funds or Accounts created by this General Bond Resolution, other than the Improvement, Repair and Replacement Fund.

(3) Amounts in the Operation and Maintenance Fund may, in the discretion of the District, be invested in Investment Obligations maturing in such amounts and at such times as may be necessary to provide funds when needed to pay Operation and Maintenance Costs. The District may, and to the extent required for payments from the Operation and Maintenance Fund shall, sell at the best price obtainable, or duly present for redemption, any such Investment Obligations at any time, and the proceeds of such sale and of all payments at maturity and upon redemption of such Investment Obligations shall be held in the Operation and Maintenance Fund and unless otherwise transferred or expended pursuant to the provisions of this Section shall be applied to reduce the next succeeding Monthly Requirement.

508. Improvement, Repair and Replacement Fund. (1) The Improvement, Repair and Replacement Fund shall be available and shall be utilized to balance depreciation, to make unforeseen major repairs and replacements of the Public Water System and to pay the costs of constructing additions, extensions, betterments and improvements to the Public Water System which will either increase income and revenues or provide a higher degree of service. There shall be deposited or transferred to the Improvement, Repair and Replacement Fund any moneys required to be deposited or transferred thereto by the provisions of Section 504 hereof.

(2) In addition, there shall be transferred to and deposited in the Improvement, Repair and Replacement Fund any other moneys:

(a) received by the District from any other source and duly determined and ordered by the District to be deposited therein, unless required to be otherwise applied as provided by this General Bond Resolution,

(b) for which the District has exercised a discretion to so deposit or transfer as permitted by this Resolution, and

(c) ordered to be so deposited from the proceeds of any Series of Bonds, pursuant to a duly adopted Series Resolution.

(3) Within ninety (90) days following the end of each calendar year all amounts in the Improvement, Repair and Replacement Fund in excess of \$2,500,000 shall be expended and applied upon written direction of the District signed by two members of the Board of Commissioners of the District from time to time only:

(a) for making up any deficiency existing at any time in the minimum amounts required to be on hand in the Debt Service Fund and the Debt Service Reserve as provided by this Resolution.

(b) for the redemption of Bonds, in whole or in part, as provided in Article VI of this Resolution.

(c) for the payment of Principal Installments of and interest on Bonds when due, without limitation,

(d) for transfer and deposit to the Operation and Maintenance Fund, or

(e) for investment in Investment Obligations which shall be a part of the Improvement, Repair and Replacement Fund.

(4) Any Investment Obligation credited to the Improvement, Repair and Replacement Fund may be sold at any time by the District, upon written direction by two members of the Board of Commissioners of the District in order to provide moneys for any of the purposes described in subsection (3) hereof.

(5) To the extent that other moneys will not be available for the payment of Principal Installments of and interest on Bonds when due, any Investment Obligation credited to the Improvement, Repair and Replacement Fund shall be sold by the District, upon written direction by two members of the Board of Commissioners of the District and the proceeds of such sales shall be deposited in the Debt Service Fund.

(6) The depository shall from time to time pay out or permit the withdrawal of moneys from the Improvement, Repair and Replacement Fund for the purpose of making payments pursuant to subsection (3) hereof upon receipt by said depository of a check or bill of exchange executed by two members of the Board of Commissioners of the District stating the following with respect to each payment to be made:

(a) the Fund from which the payment is to be made,

(b) the name of the person or party to whom the payment is to be made, and

(c) the amount to be paid.

509. Investment of Funds. Except as otherwise provided for in this General Bond Resolution:

(a) Investment Obligations purchased as an investment of moneys in any Fund or Account held by the District or the depository under the provisions of this General Bond Resolution shall be deemed at all times to be a part of such Fund or Account and the income or interest earned, gains realized or losses suffered by a Fund or Account due to the investment thereof shall be retained in, credited or charged thereto as the case may be, subject, in the case of the Debt Service Reserve, to the provisions of Section 506(5) hereof; provided that escrow agreements may provide otherwise.

(b) In computing the amount in all Funds, including the Accounts thereof, Investment Obligations purchased as an investment of moneys therein, shall be valued at the lesser of cost or fair market value. Valuation as of any date of computation shall include the amount of interest or gain realized to such date.

(c) The District shall sell at the best price obtainable, or present for redemption or exchange, any Investment Obligation purchased by it as an investment pursuant to this General Bond Resolution whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund or Account for which such investment was made. The depository shall advise the District in writing, on or before the twentieth day of each calendar month, of the details of all Investment Obligations held for the credit of each Fund or Account in its custody under the provisions of this General Bond Resolution as of the end of the preceding month. The despository shall reveiw and advise the District annually on the nature and value of investments in each Fund or Account. In the event that Investment Obligations in the Debt Service Reserve fall below the level required by this General Bond Resolution, the depository shall notify the District and the District shall cure such deficiency as provided in Section 506(2) hereof.

510. Notes and Other Obligations. (1) The District may, at any time or from time to time, issue notes, bonds and other obligations having such terms and provisions and secured by a pledge of such funds as the resolution authorizing the same shall provide; provided, however (except as otherwise provided in subsection (2) of this Section), that any pledge of any Fund or Account created under this General Bond Resolution to the holders of any such notes, bonds or other obligations shall be, and shall be expressed to be, subordinate in all respects to the pledge created under this General Bond Resolution for the benefit of the holders of Bonds issued under this General Bond Resolution.

(2) Whenever the District shall have by Series Resolution authorized or made provision for the authorization of, the issuance of a Series of Bonds, the District may by resolution authorize the issuance of Notes in anticipation of the sale of such Series in a principal amount not exceeding the principal amount of such Series. The principal or any interest on such Notes and renewals thereof shall be payable from other moneys of the District available therefor and not pledged under this General Bond Resolution, including, but not by way of limitation, Investment Obligations purchased from Note proceeds. The principal on such Notes shall also be payable from the proceeds of the sale of the Series of Bonds in anticipation of which such Notes are issued. Such proceeds may be pledged for the payment of the principal of such Notes and any such pledge shall have priority over any other pledge created by this General Bond Resolution. The proceeds of sale of such Notes shall be applied to the purposes for which such Notes are authorized, and, if the resolution or resolutions authorizing such Notes so provide, to the payment of interest and other costs in connection with the sale and issuance of such Notes.

ARTICLE VI

REDEMPTION OF BONDS

601. Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to a Series Resolution shall be redeemable, upon notice as provided in this Article, at such times, at such Redemption Prices and upon such terms as may be specified in the Series Resolution authorizing such Series.

602. Redemption at the Election or Direction of the District. In the case of any redemption of Bonds otherwise than as provided in Section 603, the District shall give written notice to the depository of the Debt Service Fund of its election so to redeem, of the Redemption Date, of the Series, of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which Redemption Date, Series, maturities and principal amounts thereof to be redeemed shall be determined by the District in its sole discretion, subject to any limitations with respect thereto contained in this Resolution and any Series Resolution) and of any moneys to be applied to the payment of the Redemption Price. Such notice shall be given at least 45 days prior to the Redemption Date or such shorter period as shall be acceptable to the depository of the Debt Service Fund. In the event notice of redemption shall have been given as in Section 605 provided, the depository of the Debt Service Fund shall, prior to the Redemption Date, pay to the appropriate Paying Agent or Paying Agents an amount in cash which, in addition to other moneys, if any available

therefore held by such Paying Agent or Paying Agents, will be sufficient to redeem on the Redemption Date at the Redemption Price thereof, all of the Bonds to be redeemed.

603. Selection of Bonds to be Redeemed by Lot. In the event of redemption of less than all the Outstanding Bonds of like Series and maturity, the District shall assign to each such Outstanding registered Bond a distinctive number for each \$5,000 of the principal amount of such 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 Bonds to be redeemed. The Bonds to be redeemed shall be the registered Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such registered 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. For the purpose of this Section, Bonds which have theretofore been selected by lot for redemption shall not be deemed Outstanding.

6.04 Notice of Redemption. The District shall give notice in the name of the District of the redemption of Bonds determined by the District to be redeemed, which notice shall specify the Series and maturities of the 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 Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed and, in the case of registered 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 in the case of registered 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 District 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 Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books.

605. Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 604, the Bonds or portions thereof so called for redemption shall become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date, and, upon presentation and surrender thereof at the office specified in such notice, together with an assignment duly

executed by the registered owner or his duly authorized attorney, and, in the case of coupon Bonds, if any, all appurtenant coupons maturing subsequent to the Redemption Date, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the Redemption Date not represented by coupons for matured interest installments. All interest installments represented by coupons which shall have matured on or prior to the Redemption Date shall continue to be payable to the bearers of such coupons. If there shall be drawn for redemption less than all of a registered Bond, the District shall execute and the Paying Agent shall deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Bond so surrendered at the option of the owner thereof, either coupon Bonds (subject to the requirements of Section 303a hereof) or registered bonds of like Series and maturity in any of the authorized denominations. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the Redemption Date, shall be held by any Paying Agent so as to be available therefor on said date and if notice of redemption shall have been given as aforesaid, then, from and after the Redemption Date interest on the Bonds or portions thereof of such Series and maturities so called for redemption shall cease to accrue and become payable, and the coupons for interest appertaining thereto maturing subsequent to the Redemption Date shall be void. If said moneys shall not be so available on the Redemption Date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

ARTICLE VII

PARTICULAR COVENANTS OF THE DISTRICT

701. Effect of Covenants. The District hereby particularly covenants and agrees with the Holders of the Bonds and coupons, and makes provisions which shall be a part of the contract with such Holders, to the effect and with the purposes set forth in the following Sections of this Article.

702. Payment of Bonds. The District shall duly and punctually pay or cause to be paid from the moneys and assets herein pledged, the principal of or Redemption Price, if any, of every Bond and the interest thereon, at the date and places and in the manner mentioned in the bonds and in the coupons thereto appertaining, if any, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Installments, if any, becoming payable with respect to any Series of Bonds, but solely from the moneys pledged pursuant to this Resolution.

703. Offices For Servicing Bonds. The District shall at all times maintain or cause to be maintained an office or agency where notices, presentations and demands upon the District in respect of the Bonds and coupons, if any, or of this Resolution may be served. The District hereby designates the Registrars' principal offices as the offices for the registration, transfer or exchange of Bonds. The District hereby appoints the Paying Agents and Registrars as its respective agents to maintain such offices or agencies for the payment of Bonds and coupons, if any, as may be stipulated in any Series Resolution.

704. Further Assurance. At any time and all times the District shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, assets and revenues herein pledged or assigned, or intended so to be, or which the District may hereafter become bound to pledge or assign.

705. Powers as to Bonds and Pledge. The District is duly authorized pursuant to law to authorize and issue the Bonds and to adopt the Resolution and to pledge the income, revenues and assets pledged by the Resolution in the manner and to the extent provided in the Resolution. The income, revenues and assets so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, and all official action on the part of the District to that end has been duly and validly taken. The Bonds and the provisions of the Resolution are and will be the valid and legally enforceable special obligations of the District in accordance with their terms and the terms of the Resolution. The District shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the income, revenues and assets pledged under the Resolution and all the rights of the Bondholders under the Resolution against all claims and demands of all persons whomsoever.

706. Tax Covenant. (1) In this Section and Section 707 unless a different meaning clearly appears from the context:

(a) "Code" means the Internal Revenue Code of 1954 of the United States of America, Title 26 of the United States Code as amended to the date of adoption of the Resolution or as hereafter amended, including valid Regulations of the Department of the Treasury thereunder and Rulings of the Commissioner of the Internal Revenue Service to the District thereunder.

(b) Reference to a provision of the Code by number or letter includes reference to any law hereafter enacted as an amendment to or substitute for such provision;

(c) Words which are used herein and in Section 103 of the Code shall have the meaning given to such words in or pursuant to said Section.

(2) The District shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the District on the Bonds shall, for the purposes of Federal income taxation, be exempt from income taxation under any valid provision of law; provided, however, that the District shall not be in default of this covenant solely by reason of the purchase of any Bonds by a person referred to in Section 103(b) (13) of the Code.

(3) The District shall not permit at any time or times any of the proceeds of the Bonds or other funds of the District 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" as defined in subsection (c) of Section 103 of the Code as then in effect and to be subject to treatment under subsection (c) (1) of said Section as an obligation not described in subsection (a) (1) of said Section, unless, under any valid provision of law hereafter enacted, the interest paid by the District on the Bonds shall be excludable from the gross income of a recipient thereof for Federal income tax purposes without regard to compliance with the provisions of subsection (c) of Section 103 of the Code.

(4) In order to assure compliance with this Section, thereby better securing and protecting the Bonds and the District, the District from the date of adoption of the Resolution covenants that it shall not:

(a) make any investment in connection with the Public Water 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 Fund or Account created by the Resolution in Investment Obligations, respectively that produces a yield in excess of such applicable maximum yield as may be permitted by the Code.

(c) The District further covenants prior to the issuance of said Bonds and as a condition precedent to such issuance, the District shall certify by issuance of a certificate, supplemental to any Series

Resolution by an Authorized Officer having responsibility for such Bonds and the administration of District Revenues, that on the basis of the facts, estimates, and circumstances in existence on the date of issue of said Series of Bonds it is not expected that the proceeds of said issue of Bonds will be used in a manner that would cause such obligations to be arbitrage bonds. Such certificate shall recite in detail the facts, circumstances and estimates upon which the certificate is based.

707. Accounts and Reports. The District shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Public Water System, and all Funds and Accounts established by this Resolution, which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than five percentum (5%) in principal amount of bonds then outstanding or their representatives duly authorized in writing.

708. General Compliance With All Duties. The district shall faithfully and punctually perform all duties with reference to said Public Water System required by the Constitution and laws of the Commonwealth of Kentucky, Chapter 74 and Sections 96.350 to 96.510, inclusive, of the Kentucky Revised Statutes, and by the terms and provisions of the Resolution.

709. Operation and Maintenance; No Free Service. The District shall at all times lawfully maintain and operate said Public Water System and all extensions thereto on a revenue-producing basis, and will provide no free water services to any person. From and after the issuance of any Bonds, the District will not initiate and commence service to any person without charging in full for services rendered in accordance with its prescribed and current schedule of rates, rentals and charges. The District shall further maintain the said Public Water System in good condition through application of Pledged Receipts accumulated and set aside for operation and maintenance, as provided in the Resolution; and will make unusual or extraordinary repairs, renewals and replacements, as the same may be required, through application of Pledged Receipts accumulated and set aside for such purposes.

710. Public Water System Not to Be Disposed Of. The District covenants and agrees that, so long as any Bonds are Outstanding, it will not sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of any of the facilities of the Public Water System or any part thereof (except that the District may retire obsolete and worn out facilities, and sell same, if appropriate), depositing the sale

price to the funds maintained by the District for replacements and extension of the Public Water System; and, except as provided for in the Resolution, it will not create or permit to be created any charge or lien on the Pledged Receipts ranking equal or prior to charge, or lien of the Bonds.

711. Rates and Charges; Coverage; Annual Budget. The District shall at all times establish, enforce and collect rates, rentals, and charges for services rendered and facilities afforded by said District works and facilities constituting the Public Water System; and the same shall be reasonable and just, taking into account and consideration the cost and value of the Public Water System, the costs of operating the same and maintaining the same in a good state of repair, proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all Outstanding Bonds and the accruing interest thereon, and the accumulation and maintenance of reserves as provided in the Resolution; and such rates and charges shall be adequate to meet all such requirements as provided in the Resolution, and shall, if necessary, be adjusted from time to time in order to comply therewith (subject to such regulatory approvals as may be required by law); and annual revenue from such rates, rentals and charges shall be further adequate to provide, after fulfillment of all contractual obligations required of the District incident to the Bonds, including accumulation and maintenance of all reserves required by the Resolution, and after payment of Operation and Maintenance Costs as provided in the Annual Budget of the Public Water System 1.20 times coverage of annual principal, interest, and Sinking Fund requirements on all Bonds, and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the first day of each calendar year, so long as any Bonds authorized or permitted to be issued by the Resolution are outstanding, the District will adopt an Annual Budget of Current Expenses for the ensuing calendar year, and will promptly file a copy of each such Budget, and of any amendments thereto, in the Office of the Secretary of the District, and will furnish copies thereof to any holder of any Bond upon request. The term "Current Expenses" as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining and insuring the Public Water System, allowances for depreciation on all plant, but shall exclude expenditures for extensions, improvements and extraordinary repairs and maintenance, and payments into the Debt Service Fund, and the Debt Service Reserve. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the total amount provided

for Current Expenses in the Annual Budget, except upon resolution duly adopted by the Board determining that such expenses are necessary in order to operate and maintain the Public Water System. At the same time, and in like manner, the District agrees that it will prepare an estimate of gross income and revenue to be derived from operation of the Public Water System for such calendar year, and to the extent that said gross income and revenues are insufficient to meet all requirements as provided in this Resolution, the District covenants and agrees that it will immediately (subject to regulatory approvals as required by law) revise its rates, rentals and charges for services rendered by the District's works and facilities, so that the same will be adequate to meet all of such requirements.

712. No Decrease in Rates, Rentals and Charges. The District shall not at any time make any reduction in any prevailing schedule of rates, rentals and charges for use of the services and facilities of the District without first obtaining the written determination of a Consulting Engineer of National Recognition in the Field of Water Engineering to the effect that the proposed reduction will not adversely affect the ability of the District to meet all the requirements and covenants set forth in this General Bond Resolution. Notwithstanding the foregoing, the District shall make any reductions required by the Public Service Commission.

713. Segregation of Funds. The District shall at all times account for the income and revenues of the Public Water System and distinguish same from all other revenues, moneys and funds of the District, if any, and will promptly and regularly make application and distribution thereof into the special funds identified in and created by the Resolution, in the manner and with due regard for the priorities herein attributed thereto.

714. Annual Audit Required. The District shall, 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 Public Water System, and a report on such audit to be issued by an independent state-licensed certified public accounts accountant, reflecting in reasonable detail and the financial condition and results of operations of the Public Water System, including the status of the required insurance and fidelity bonding, as provided by this General Bond Resolution, the current rates, rentals and charges of the District and coverage ratios as set forth in Section 711 hereof, with comments of the certified public accountant concerning compliance with all provisions and requirements of this General Bond Resolution, such audit to be in accordance with generally accepted governmental accounting principles, and will promptly cause a copy of the audit report of said

certified public accountant to be submitted to the Board for review, and when received and approved by the Board, to be filed in the Office of the Secretary of the District, where it will be available for public inspection, and will promptly mail a copy thereof to the original purchaser or purchasers of any Series of Bonds issued pursuant to this General Bond Resolution. If requested to do so, the District will furnish to any Bondholder a condensed form of the balance sheet, and a condensed form of the operating report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the Public Water System, and may be paid for District Revenues allocated for such purposes, as herein provided.

715. Fidelity Bonding of Personnel. The District shall cause each officer or other person (other than depository banks) having custody of any moneys administered under the provisions of the Resolution to be bonded at all times in an amount at least equal to \$25,000; each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the Board, and the premiums for such surety shall constitute a proper expense of operating the Public Water System.

716. Insurance of Facilities. The District covenants and agrees that so long as any Bonds are outstanding, it will keep all buildings and all machinery and equipment therein constituting a part of the Public Water System and, to the extent possible, all other facilities of the Public Water System which are insurable, insured against loss or damage by fire, lightning, windstorm, vandalism and malicious mischief, together with coverage against the perils normally and regularly insured against in standard "extended coverage" protection, under a policy or policies of a responsible insurance company or companies authorized and qualified under the laws of Kentucky to assume such risks. Coverage of such insurance shall be for not less than ninety percentum (90%) of the insurable value, or the total principal amount of Bonds outstanding, whichever sum is the lesser, subject to the deduction from such loss or damage (except in the case of a total loss) of not more than five percentum (5%) of such insurable value, nor more than Twenty-Five Thousand Dollars (\$25,000).

717. Liability Coverage Required. The District shall carry public liability, vehicular insurance, and property damage insurance covering such risks and for such amounts as the Board determines from time to time to be necessary or advisable by reason of the character and extent of operations of the District. However, at a minimum, the District shall carry such insurance insuring the District against losses

occasioned by bodily injury in the amount of \$500,000 for each occurrence with a total maximum insurance coverage of \$500,000, and in respect of property damage in the amount of \$100,000 for each occurrence with a maximum total insurance coverage of \$100,000. If obtainable, the District may (but need not) carry loss of use and occupancy insurance, and war risk insurance. The proceeds of any and all such insurance, other than public liability and property damage, are hereby pledged as security for the Bonds issued pursuant to the Resolution until such proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, by repairing or replacing the property damaged or destroyed.

718. Public Water System Improvements To Be Expeditiously Completed. When any Series of Bonds are issued, the District shall cause the work thereby to be acquired to be constructed and installed as rapidly and expeditiously as good business practice dictates, and will use and employ its best efforts to prevent delay in the prompt fulfillment of any such work.

719. Personnel and Servicing of Program. (1) The District shall at all times appoint, retain and employ personnel for the purposes of administering and managing the Public Water System and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges and all persons employed by the District shall be qualified for their respective positions.

(2) The District may pay to any state agency, municipality, political subdivision or governmental instrumentality of the state from the Operation and Maintenance Fund such amounts as are necessary to reimburse such state agency, municipality, political subdivision or governmental instrumentality of the state for the reasonable costs of any services performed for and on behalf of the District, if any.

(3) The District shall in a timely manner file all reports, including quarterly reports, with the Public Service Commission of Kentucky as may, from time to time be required by law, and shall prepare and file such other reports and documents as shall in the future be required by law, including administrative regulations promulgated by any agency of the federal government or the Commonwealth of Kentucky having jurisdiction.

720. Compliance With Conditions Precedent. Upon the date of issuance of any of the Bonds, all conditions, acts and things required by law or by the Resolution or a Series Resolution to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds, shall exist,

shall have happened and shall have been performed, or will have happened or been performed, and such Bonds, together with all other indebtedness of the District, shall be within every debt and other limit prescribed by law.

721. General. The District shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the District under the provisions of the Act and the Resolution in accordance with the terms of such provisions.

722. Waiver of Laws. The District shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in this Resolution or in any Series Resolution or Supplemental Resolution or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the District.

723. Termination of Water Services to Delinquent Users. The District covenants and agrees that it shall, pursuant to the provisions of KRS 74.367 and any other applicable provisions of law, to the maximum extent authorized by law enforce and collect the schedule of rates, rentals and charges imposed upon users of the District's works and facilities constituting the Public Water System, and will promptly cause water service to be discontinued to any premises where such District bill for such facilities and services shall not be paid in full.

724. Extension of Payment of Bonds. The District shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest by the purchase or funding of such Bonds or claims for interest, or by any other arrangement and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled in case of any default under the Resolution to the benefit of the General Bond Resolution or to any payment out of any assets of the District or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to the General Bond Resolution) held by any Fiduciary except subject to the prior payment of the principal of all Bonds issued and Outstanding, the maturity of which has occurred and has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the District to issue bonds as provided in this General Bond Resolution, and such issuance shall not be deemed to constitute an extension of the maturity of any Bond or of the time of payment of any claim for interest.

725. Statutory Mortgage Lien. For the further protection of the holders of the Bonds authorized to be issued by this General Bond Resolution, a statutory mortgage lien upon all properties of the District and extensions thereof and belonging thereto, including the Public Water System, is granted and created by Chapter 74 and Section 96.400 of the Kentucky Revised Statutes, which said mortgage lien is hereby recognized and declared to be valid and binding upon the District and all its property as provided by law, and shall take effect immediately upon the delivery of any Bonds authorized to be issued under the provisions of this General Bond Resolution.

726. Parity Bond Provisions Adopted. From and after the issuance and delivery of any of the Bonds authorized or permitted to be issued by this General Bond Resolution, said General Bond Resolution shall constitute the sole and exclusive method for the issuance of any Bonds by the District, and any further Series of Bonds of the District payable from the Pledged Receipts shall be authorized and issued solely pursuant to authority of this General Bond Resolution.

The Bonds authorized to be issued by this General Bond Resolution and from time to time outstanding, together with any additional Bonds ranking on a parity therewith issued under the conditions and restrictions of this section, shall not be entitled to priority one over the other in the application of the Pledged Receipts or the security for payment thereof, regardless of the time or times of their issuance it being the intention that there shall be no priority amount such Bonds regardless of the fact that they may be actually issued and delivered at different times.

Said District hereby reserves the right and privilege of issuing additional Series of Bonds from time to time payable from the Pledged Receipts of the Public Water System on a basis of parity and equality with all other parity Bonds authorized to be issued by this General Bond Resolution in order to (a) reconstruct, repair and improve the District's Public Water System; (b) make, acquire, construct and install additions, extensions, betterments, or improvements thereto; (c) acquire existing waterworks and water distribution systems from any person, if said waterworks and water distribution systems are revenue-producing; and (d) refund any bonds outstanding, provided in each instance that:

(i) the facility or facilities to be acquired, constructed, reconstructed or improved from the proceeds of the additional parity Bonds is or are made an integral part of the District's Public Water System and its or their income and revenues are pledged as additional security for the additional parity Bonds and the outstanding Bonds;

(ii) the District 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 Public Water System for a period of twelve (12) consecutive months of the fifteen (15) 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 twenty hundredths (1.20) times the maximum Annual Debt Service Requirement coming due in any future 12-month period beginning February 1 and ending January 31 on all Bonds outstanding payable from Pledged Receipts, together with the parity Bonds then to be issued.

The words "net annual income and revenues" as used in this Section are defined as Pledged Receipts of the District, less Operation and Maintenance Costs for the same period, which shall include salaries, wages, costs of maintenance and operation, materials and supplies, administration and insurance (specifically excluding depreciation) and all other items that are normally and regularly so included under generally accepted accounting principles.

With reference to the requirements of subparagraph (iii) of this Section 726, the amount of Pledged Receipts, and the "net annual income and revenues" of the Public Water System as that term is herein defined, may be adjusted in writing by a firm of independent state-licensed Certified Public Accountants, which firm shall be the firm performing the certification required by subparagraph (iii) of this Section 726, to reflect and take into account for the historical period being tested, any revision in the schedule of water rates, rentals and charges either (i) being actually imposed and billed by the District at the time of issuance of such additional parity Bonds, or (ii) approved by the Public Service Commission of Kentucky or its successor at the time of issuance of such additional parity Bonds, and, (iii) where bonds are refunded, the additional available "net income and revenues" of the Public Water System released as a result thereof.

The amount of Pledged Receipts and the "net annual income and revenues" of the Public Water System, as that term is herein defined, 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 District by virtue of the acquisition by the District of

existing and operating waterworks and water distribution facilities. A further adjustment may be made by adding thereto an estimate of the said engineer of the increase in operating revenues anticipated to be derived from the additions, extensions, replacements and betterments to be financed by the additional bonds then being authorized, for the first twelve months following issuance of said bonds, less said engineer's estimate of any additional expenses of operation and maintenance during said twelve months. Additionally, an adjustment thereunder may take into consideration revenues to be generated by virtue of contractual relationships between the District and other municipal corporations or other entities, either governmental or private, which contracts must extend for the life of the Bonds, where such income and revenues are historically determinable, for the period being tested, namely, 12 consecutive months of the 15 months immediately prior to issuance of parity bonds. Provided, however, that any such adjustment by such Consulting Engineer of National Recognition shall take into account only such income and revenues as would have been derived during the historical period being tested had the valid and lawful schedule of rates, rentals and charges of the District which is in effect at the time of issuance of parity Bonds been charged during such historical period being tested, and such adjustments shall also take into account all Operations and Maintenance Costs for such historical period being tested.

The District hereby covenants and agrees that in the event additional Series of parity Bonds are issued, it shall:

(a) adjust the monthly deposits into the Debt Service Fund on the basis prescribed in the Resolution to reflect the Annual Debt Service on the additional parity Bonds; and

(b) adjust the prescribed amount to be accumulated in the Debt Service Reserve in accordance with the provisions of the Resolution (the "Aggregate Debt Service Reserve Requirement"), and fund from such parity Bonds said additional Debt Service Reserve Requirement pursuant to the prescribed formula.

The additional parity Bonds (sometimes herein referred to as "permitted" to be issued) the issuance of which is herein conditioned and restricted, shall be understood to mean Bonds payable from the Pledged Receipts on a basis of parity and equality with the Bonds initially issued pursuant to the Resolution, and shall not be construed to include other bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the Bonds herein authorized to be issued. The District expressly reserves the right to issue its bonds or other obligations payable from the revenues herein pledged and not ranking on a basis of equality

and parity with the Bonds and parity Bonds herein otherwise described, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for additions, betterments, extensions or improvements of the Public Water System, and only if the same are issued in express recognition of the priorities, liens and rights created and existing for the security and source of payment and protection of the said Bonds and parity Bonds herein authorized and permitted to be issued. In the event any of such subordinate lien securities are issued, the District reserves the right to authorize and issue subordinated Bonds to refund same, pursuant to the terms and conditions of this Section 726.

Provided, however, that nothing in this Section is intended or shall be construed as a restriction upon the ordinary refunding of the initially authorized Bonds and/or of any Bonds which may be issued and are outstanding under any of the provisions of the Resolution if such refunding does not operate to increase amortization requirements in any year to and including the final maturity of Bonds outstanding and not to be refunded, if any.

727. Effect of Defeasance. From and after the defeasance of the 1981 Bonds, the 1981 General Bond Resolution shall not govern the issuance of Bonds of the District.

ARTICLE VIII

SERIES RESOLUTION AND SUPPLEMENTAL RESOLUTIONS

801. Modification and Amendment Without Consent. Notwithstanding any other provision of this Article VIII, or Article IX, the District may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing thereof in the District's official records, certified by an Authorized Officer

802. Supplemental Resolutions Effective With Consent of Bondholders. The provisions of this General Bond Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of Bondholders, in accordance with and subject to the provisions of Article IX hereof, such Supplemental Resolution to become effective upon the obtaining of consent of the requisite percentages of Bondholders and the filing in the District's official records of a copy thereof certified by an Authorized Officer.

803. General Provisions Relating to Series Resolutions and Supplemental Resolutions. This General Bond Resolution shall not be modified or amended in any respect except in accordance with and subject to the provisions of this Article VIII and Article IX. Nothing contained in this Article VIII or Article IX shall affect or limit the rights or obligations of the District to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to the provisions of Section 704 or the right or obligation of the District to execute and deliver to any Fiduciary any instrument elsewhere in this General Bond Resolution provided or permitted to be delivered to any such Fiduciary.

A copy of every Series Resolution and Supplemental Resolution adopted by the District when filed with the District's official records shall be accompanied by a Counsel's Opinion stating that such Series Resolution or Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of this Resolution, is authorized or permitted by this General Bond Resolution and is valid and binding upon the District and enforceable in accordance with its terms.

No Series Resolution or Supplemental Resolution changing, amending or modifying any of the rights or obligations of any Fiduciary may be adopted by the District without the written consent of the Fiduciary affected thereby.

ARTICLE IX

AMENDMENTS OF GENERAL BOND RESOLUTION - FURTHER PROVISIONS

901. Modification or Amendment. Any modification or amendment of this General Bond Resolution and of the rights and obligation of the District and of the Holders of the Bonds and coupons hereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as hereinafter provided in Section 902, (1) of the Holders of at least two-thirds in principal amount of the Bonds outstanding at the time such consent is given (2) in cases where less than all of the several Series of Bonds then Outstanding are affected by the modification or amendment, of the Holders of at least two-thirds in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given, or (3) in case the modification or amendment changes the amount or date of any Sinking Fund Installment of the Holders of at least two-thirds in principal amount of the Bonds of the particular Series, maturity and interest rate entitled to such Sinking Fund Installment Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain

Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section; and provided, further, no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of this General Bond Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The District may in its discretion determine whether or not, in accordance with the foregoing provisions, Bonds of any particular Series or maturity would be adversely affected by any modification or amendment of this General Bond Resolution and any such determination shall be binding and conclusive on the District and all Holders of Bonds. The District may receive an opinion of Counsel, including Counsel's Opinion, as conclusive evidence as to whether Bonds of any particular Series or maturity would be so affected by any such modification or amendment of this General Bond Resolution.

902. Consent of Bondholders. The District may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 901 to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto) together with a request to Bondholders for their consent thereto, shall promptly after adoption be mailed by the District to Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (1) there shall have been filed with the District (a) the written consents of the Holders of the percentages of Outstanding Bonds specified in Section 901 and (b) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the District in accordance with the provisions of this Resolution, is authorized or permitted by this Resolution, and is valid and binding upon the District and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1202. Any such consent shall be binding

upon the Holder of the Bonds giving such consent and, anything in Section 1202 to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange thereof (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the District, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 1202. The fact that a consent has not been revoked may likewise be proved by a certificate of the District to the effect that no revocation thereof is on file with the District. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the District shall make and file (a) in the official records of the District, accompanied by a Counsel's Opinion, as to the quality thereof, and (b) with each Fiduciary a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the District on a stated date) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section, shall be given to Bondholders by the District by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section provided) not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statements of the Trustee hereinabove provided for are filed. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the District, each Fiduciary and the Holders of all Bonds and coupons, if any, at the expiration of thirty (30) days after the filing with each Fiduciary of the proof of the first publication of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the District during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

903. Mailing. Any provision in this Article for the mailing of a notice or other document to Bondholders shall be fully complied with if it is mailed postage prepaid only (1) to

each registered owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of the Registrar, and (2) to each Holder of any Bond payable to bearer who shall have filed with the District or Paying Agent an address for notices.

904. Modifications by Unanimous Action.

Notwithstanding anything contained in Article VIII or in the foregoing provisions of this Article IX, the rights and obligations of the district and of the Holders of the Bonds and coupons, if any, and the terms and provisions of the Bonds or of this Resolution may be modified or amended in any respect upon the adoption of a Supplemental Resolution by the District and the consent of the Holders of all of the Bonds then Outstanding, such consent to be given as provided in Section 902 except that no notice to Bondholders by mailing shall be required; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto in addition to the consent of the District and of the Bondholders.

905. Exclusion of Bonds. Bonds owned or held by or for the account of the District shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Resolution, and the District shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Resolution.

906. Notation on Bonds. Bond authenticated and delivered after the effective date of any action taken as in Article VIII or this Article IX provided may bear a notation by endorsement or otherwise in form approved by the District as to such action, and in that case upon demand of the Holder of any Bond Outstanding at such effective date and upon presentation of his Bond for such purpose at the principal office of any Paying Agent, suitable notation shall be made on such Bond by such Paying Agent as to any such action. If the District shall so determine, new Bonds so modified as in the opinion of the District to conform to such action shall be prepared and delivered, and upon demand of the Holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same Series and maturity then Outstanding, upon surrender of such Bonds with all unpaid coupons, if any, appertaining thereto.

907. Contracts or Indentures. The District, in so far as authorized by law, may and if requested by any Fiduciary shall, enter into a contract or an indenture with any Fiduciary giving effect to any modification or amendment of the Bonds or of the Resolution as hereinabove in this Article IX provided.

ARTICLE X

DEFAULTS AND REMEDIES

1001. Events of Defaults. Each of the following events is hereby declared as "Event of Default," that is to say if:

(1) the District shall default in the payment of the principal of or Redemption Price, if any, on any Bond when and as the same shall become due, whether at maturity or upon call for redemption or otherwise;

(2) payment of any installment of interest on any of the Bonds shall not be made when and as the same shall become due; or

(3) the District shall fail or refuse to comply with the provisions of the Act, or shall default in the performance or observance of any other of the covenants, agreements or conditions on its part contained in this Resolution, any Series Resolution, any Supplemental Resolution 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 Holders of not less than five percentum (5%) in principal amount of the Outstanding Bonds.

1002. Remedies. (1) Upon the happening and continuance of any Event of Default, the Holders of not less than twenty-five percentum (25%) in principal amount of the Outstanding Bonds, may proceed, in their own name, subject to the provisions of this Section 1002, 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 to protect and enforce such rights:

(a) by mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, including (subject to regulatory requirements) the right to require the District to adopt, enforce, collect and receive water rates, rentals and charges adequate to carry out the covenants and agreements of the District in respect of production of minimum District Revenues and to require the District to carry out any and all other covenants or agreements with Bondholders and to perform its duties under the Act;

(b) by bringing suit upon the Bonds;

(c) by action or suit in equity, require the District to account as if it were the trustee of an express trust for the Holders of the Bonds;

(d) by action or suit in equity, enjoin any acts 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 District;

(f) by declaring all Bonds due and payable, and if all defaults shall be made good (excepting that in respect of acceleration of maturities), then, with the written consent of the Holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, by annulling such declaration and its consequences; or

(g) in the event that all Bonds are declared due and payable and a receiver is appointed, by selling Investment Obligations and all other assets of the District (to the extent not theretofore set aside for redemption of Bonds for which call has been made), and by the taking over by the receiver of the Public Water System, and operating same as an adequate revenue-generating operation to the fullest legal extent in the name of the District for the use and benefit of the Holders of Bonds;

(2) In the enforcement of any rights and remedies under this Resolution, the Bondholders shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the District for principal, Redemption Price, interest or otherwise, under any provision of this Resolution or a Series Resolution or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Bondholders, and to recover and enforce a judgment or decree against the District for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purposes, in any manner provided by law, the moneys adjudged or decreed to be payable.

1003. Priority of Payments After Default. In the event that upon the happening and continuance of any Event of Default, the funds held by the Paying Agents shall be insufficient for the payment of principal or Redemption Price, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds or coupons which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the District acting pursuant to the Act and this Article X, after making provision for the payment of any

expenses necessary in the opinion of the District to protect the interests of the Holders of the Bonds, and for the payment of the charges and expenses and liabilities incurred and advances made by any Registrar and any Paying Agents in the performance of their respective duties under this Resolution, shall be applied, as follows:

(1) Unless the principal of all of the Bonds shall have become or have been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by a call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, and such declaration shall not have been annulled, then, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds and coupons.

Whenever moneys are to be applied by the District pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for application in the future. The deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purposes, shall constitute proper application, and the representative Bondholders or receiver shall incur no liability whatsoever, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the

representative Bondholders or receivers act with reasonable diligence, having due regard for the circumstances, and ultimately apply the same in accordance with such provisions of this Resolution as may be applicable at the time of application. Wherever the representative Bondholders or the receiver shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the representative Bondholders or the receiver shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The representative Bondholders or the receiver shall give such notice as it may deem appropriate for the fixing of any such date. The representative Bondholders or the receiver shall not be required to make payment to the Holder of any unpaid coupon or any Bond unless such coupon or such Bond shall be presented to the appropriate Paying Agent for appropriate endorsement or for cancellation if fully paid.

1004. Termination of Proceedings. In case any proceedings taken on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case the District and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Bondholders shall continue as though no such proceeding had been taken.

1005. Bondholders' Direction of Proceedings. Anything in this Resolution to the contrary notwithstanding, the Holders of the majority in principal amount of the Bonds then Outstanding shall have the right by an instrument or concurrent instruments in writing executed and delivered to the District, to direct the method of conducting all remedial proceedings to be taken hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Resolution.

1006. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

1007. No Waiver of Default. No delay or omission of the Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this General Bond Resolution to the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

1008. Notice of Event of Default. The District shall cause the appropriate Registrar to give to the Bondholders notice of each Event of Default hereunder known to the District within sixty (60) days after knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice. Each such notice of Event of Default shall be given by mailing written notice thereof: (1) to all registered Holders of Bonds, as the name and addresses of such Holders appear upon the books for registration and transfer of Bonds as kept by the Registrar; (2) to such other Bondholders as have filed their names and addresses with the District or Paying Agent for that purpose; and (3) to such other persons as is required by law.

ARTICLE XI

CONCERNING THE FIDUCIARIES

1101. Appointment and Acceptance of Duties of Paying Agents and Registrars. The District may appoint one or more Paying Agents and one or more Registrars (who may be a Paying Agent) for the Bonds of any Series in the Series Resolution authorizing such Bonds or may appoint such Paying Agent or Paying Agents and such Registrar or Registrars by resolution of the District adopted prior to the authentication and delivery of such Bonds, and may at any time or from time to time appoint one or more other Paying Agents or one or more other Registrars in the manner and subject to the conditions set forth in Section 1107 for the appointment of a Successor Paying Agent or Registrar.

Each Paying Agent or Registrar shall signify its acceptance of the duties and obligations imposed upon it by this General Bond Resolution by written instrument of acceptance executed and delivered to the District.

The principal offices of the Paying Agents are hereby designated as the respective agencies of the District for the payment of the interest on and principal or Redemption Price of the Bonds.

The District shall enter into an agreement for paying agent and for registrar for each issue of Series Bonds.

1102. Responsibility of Fiduciaries. The recitals of fact herein and in the Bonds contained shall be taken as the statements of the District and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this General Bond Resolution or of any Bonds or coupons issued thereunder or in respect of the security afforded by this General Bond Resolution, and no Fiduciary shall incur any responsibility in respect thereof. Each Registrar shall, however, be responsible for its representation contained in its

certificate on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to the issuance of the Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the District. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or default. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to any one of the other Fiduciaries.

1103. Evidence on Which Fiduciaries May Act. Each Fiduciary shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the District, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including payment of moneys out of any Fund or Account, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by an Authorized Officer, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this General Bond Resolution upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidences as to it may seem reasonable. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the District to any Fiduciary shall be sufficiently executed if executed in the name of the District by an Authorized Officer.

1104. Compensation. The District shall pay to each Paying Agent, Registrar and other Fiduciary from time to time reasonable compensation for all services rendered under this General Bond Resolution, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this General Bond Resolution. The District further agrees to indemnify each

Paying Agent, Registrar and other Fiduciary harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or default.

1105. Permitted Acts and Functions. Each Paying Agent, Registrar and any other Fiduciary may become the owner of any Bonds and coupons, with the same rights it would have if it were not such Paying Agent, Registrar or other Fiduciary. Each Paying Agent, Registrar and any other Fiduciary may act as Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this General Bond Resolution, whether or not any such committee shall represent the Holders of a majority in principal amount of the Bonds then Outstanding.

1106. Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all of substantially all of its corporate trust business, provided such company shall be a trust company or bank which is qualified to be a successor to such Fiduciary under Section 1110 or Section 1113 and shall be authorized by law to perform all the duties imposed upon it by this General Bond Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

1107. Resignation or Removal of the Paying Agents, Registrars and other Fiduciaries and Appointment of Successors. Any Paying Agent, Registrar or other Fiduciary may at any time resign and be discharged of the duties and obligations created by this General Bond Resolution by giving at least sixty (60) days' written notice to the District. Any Paying Agent, Registrar or other Fiduciary may be removed at any time by an instrument filed with such Paying Agent, Registrar or other Fiduciary and signed by an Authorized Officer of the District. Any successor Paying Agent, Registrar or other Fiduciary shall be appointed by the District and (subject to the requirements of Section 703) shall be a trust company or bank having the powers of a trust company, having a capital and surplus aggregating at least Fifty Million Dollars (\$50,000,000), and willing and able to accept the office of Paying Agent or Registrar on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this General Bond Resolution.

In the event of the resignation or removal of any Paying Agent, Registrar or other Fiduciary, such Paying Agent, Registrar or other Fiduciary shall pay over, assign and deliver any moneys held by it to its successor, if there be no successor then appointed, to the District until such successor be appointed.

ARTICLE XII

MISCELLANEOUS

1201. Defeasance. (1) If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Bonds and coupons, if any, all of the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in this General Bond Resolution, then and in that event the General Bond Resolution shall cease, determine, and become null and void, and the covenants, agreements and other obligations of the District hereunder shall be satisfied and discharged, and in such event, the District shall execute and deliver all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the District all moneys or securities held by them pursuant to the General Bond Resolution which are not required for the payment or redemption of Bonds or coupons, if any, not theretofore surrendered for such payment or redemption.

(2) Bonds or coupons, if any, or interest installments for the payment or redemption of which moneys shall have been set aside and which shall be held in trust by Fiduciaries (through deposit by the District of funds for such payment or redemption or otherwise) shall, at the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (1) of this Section. All Outstanding Bonds and all coupons, if any, appertaining to such Bonds shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (1) of this Section if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the District shall have given notice of redemption on said date of Redemption of such bonds as provided in Article VI, and (b) there shall have been deposited with the Paying Agents either moneys in an amount which shall be sufficient, or Investment Obligations as described in (a) of the definition of Investment Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Paying Agents at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the

case may be. Neither Investment Obligations nor moneys deposited with the Paying Agents pursuant to this Section nor principal or interest payments on any such Investment Obligations shall be withdrawn or used for any purposes other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Obligations deposited with the Paying Agent if not then needed for such purposes, shall, to the extent practicable, be reinvested in Investment Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and shall be paid over to the District, following full discharge and payment of such Bonds free and clear of any trust, lien or pledge.

(3) If, through the deposit of moneys by the District or otherwise, the Fiduciaries shall hold, pursuant to this General Bond Resolution, moneys sufficient to pay the principal and interest to maturity on all Outstanding Bonds and coupons, if any, or in the case of Bonds in respect of which the District shall have taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and Interest to such Redemption Date, then at the request of the District all moneys held by and Paying Agent shall be paid over to the District, and together with other moneys held by it hereunder, shall be held by the District for the payment or redemption of Outstanding Bonds and coupons, if any.

(4) Anything in this General Bond Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds or coupons, if any, which remain unclaimed for six (6) years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when all of the Bonds became due and payable, shall, at the written request of the District, be repaid by the Fiduciary to the District, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged; provided, however, that before being required to make any such payment to the District, the Fiduciary shall, at the expense of the District, cause to be published at least twice, at an interval of not less than seven (7) days between publications, in the Authorized Newspapers notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than ten (10) nor more than twenty (20) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the District.

1202. Evidence of Signatures of Bondholders and Ownership of Bonds. Any request, consent or other instrument which this General Bond Resolution may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their authorized attorneys: Proof of (1) the execution of any such instruments, or of an instrument appointing any such attorney, or (2) the holding by any person of the Bonds or coupons appertaining thereto, shall be sufficient for any purpose of the General Bond Resolution (except as otherwise expressly provided) if made in the following manner, but the District may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(a) The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the District or of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in the state in which he purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary;

(b) The amount of Bonds transferable by delivery held by any person executing such request or other instrument as a Bondholder, and the numbers and other identification thereof, and the date of his holding such Bonds, may be proved by a certificate, which need not be acknowledged or verified, executed by an officer of a trust company, bank, financial institution or other depository or member of the National Association of Securities Dealers, Inc., wherever situated, showing that at the date therein mentioned such person exhibited to such officer or had on deposit with such depository the Bonds described in such certificate. Continued ownership after the date stated in such certificate may be proved by the presentation of such certificate if the certificate contains a statement by such officer that the depository held the Bonds therein referred to on the date of the certificate and that they will not be surrendered without the surrender of the certificate to the depository, except with the consent of the District, and a certificate of the District, which need not be acknowledged or verified, that such consent has not been given.

The ownership of Bonds registered otherwise than to bearer and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books. Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the District or any Fiduciary in accordance therewith.

1203. Preservation and Inspection of Documents. All documents received by any Fiduciary under the provisions of this General Bond Resolution or any supplemental General Bond Resolution or Series Resolution shall be retained in its possession and shall be subject at all reasonable times to the inspection of the District, any other Fiduciary and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

1204. Parties in Interest. Nothing in this General Bond Resolution or in any Series Resolution adopted pursuant to the provisions hereof, expressed or implied, is intended to or shall be construed to confer upon or to give to any person or party other than the District, Paying Agents, Registrars and the Holders of the Bonds and coupons appertaining thereto any rights, remedies or claims under or by reason of this General Bond Resolution or any Series Resolution or any covenants, conditions or stipulations thereof; and all covenants, stipulations, promises and agreements in this General Bond Resolution and any Series Resolution contained by or on behalf of the District shall be for the sole and exclusive benefit of the District, Paying Agents, Registrars and the Holders from time to time of the Bonds and the coupons appertaining thereto.

1205. No Recourse Under General Bond Resolution or on Bonds. All covenants, stipulations, promises, agreements and obligations of the District contained in this General Bond Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the District and not of any member, officer, director or employee of the District 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 claim based thereon or on this General Bond Resolution against any member, officer, director or employee of the District or any natural person executing the Bonds.

1206. Severability. If any one or more of the covenants, stipulations, promises, agreements or obligations provided in this General Bond Resolution on the part of the District or any Paying Agent or any Registrar to be performed should be determined by a court of competent jurisdiction to be contrary to law, then such covenant or covenants, stipulation

or stipulations, promise or promises, agreement or agreements, obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations herein contained and shall in no way affect the validity of the other provisions of this General Bond Resolution.

1207. Headings. Any headings preceding the texts of the several Articles and Sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this General Bond Resolution, nor shall they affect its meaning, construction or effect.

1208. Conflict. All General Bond Resolutions and resolutions or parts of General Bond Resolutions and resolutions, or other proceedings of the District in conflict herewith be and the same are repealed insofar as such conflict exists.

1209. Effective Date. This General Bond Resolution shall take effect on the day of defeasance of the 1981 Bonds.

KENTON COUNTY WATER DISTRICT
NO. 1 Kenton County, Kentucky

By _____

Chairman

(SEAL)

ATTESTED:

Secretary

ADOPTED: November 19, 1985

DATE OF TAKING EFFECT: _____, 1985
(to be completed only upon
defeasance of the 1981 Bonds)

CERTIFICATION

I, the undersigned, the duly appointed and qualified General Manager of Kenton County Water District No. 1, Kenton County, Kentucky, do hereby certify that the foregoing Resolution is a true, accurate and complete copy of said District's General Bond Resolution, as amended, which has been duly adopted by the Board of Commissioners of said District at duly and properly convened meetings of said Board of Commissioners.

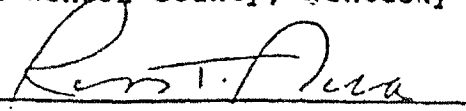
IN WITNESS WHEREOF, I have hereunto set my hand
this 7th day of April, 1991.

Dennis L. Williams
General Manager
Kenton County Water District
No. 1, Kenton County, Kentucky

1209. Effective Date. This General Bond Resolution shall take effect on the day of defeasance of the 1981 Bonds.

KENTON COUNTY WATER DISTRICT
NO. 1 Kenton County, Kentucky

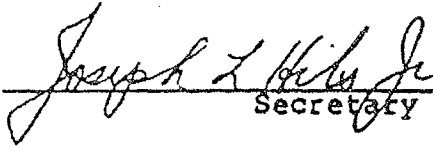
By



Chairman

(SEAL)

ATTESTED:


Secretary

ADOPTED:

November 19, 1985

DATE OF TAKING EFFECT:

_____, 1985
(to be completed only upon
defeasance of the 1981 Bonds)

FIRST SUPPLEMENTAL GENERAL BOND RESOLUTION
REGARDING THE ISSUANCE OF AND SECURING
WATER DISTRICT REVENUE BONDS
KENTON COUNTY WATER DISTRICT NO. 1

KENTON COUNTY, KENTUCKY

This FIRST SUPPLEMENTAL GENERAL BOND RESOLUTION (the "First Supplemental Resolution") made and adopted as of the 17th day November, 1987, by KENTON COUNTY WATER DISTRICT NO. 1, Kenton County, Kentucky, (hereinafter sometimes referred to as the "District"), a body corporate and politic constituting a de jure public corporation and a political subdivision of the Commonwealth of Kentucky, existing pursuant to authority of Chapter 74 of the Kentucky Revised Statutes, for the establishment of the rules, regulations and conditions for the issuance from time to time by the District of its Water District Revenue Bonds:

W I T N E S S E T H:

THAT WHEREAS, the District has heretofore authorized and adopted its "1985 General Bond Resolution Authorizing the Issuance of and Securing Water District Revenue Bonds of Kenton County Water District No. 1," dated November 19, 1985 (the "General Bond Resolution"), pursuant to which the District has established the rules, regulations and conditions regarding the issuance of its Water District Revenue Bonds from time to time, capitalized terms used herein, unless otherwise defined herein, having the meaning given them in the General Bond Resolution; and

WHEREAS, the Article IX of the General Bond Resolution permits amendments and modifications to the General Bond Resolution by the adoption of a Supplemental Resolution, subject to the conditions for adopting a Supplemental Resolution set forth in the General Bond Resolution; and

WHEREAS, the District has heretofore adopted Series Resolutions identified as the Series 1985 Bond Resolution and the Series 1987 Bond Resolution, pursuant to which the District has issued its Bonds identified as Series 1985 Bonds and pursuant to which it intends to issue its 1987 Series A Bonds; and

WHEREAS, the Series 1985 Bond Resolution provides, in Section 210 thereof, that AMBAC Indemnity Corporation (the "Bond Insurer"), be deemed holder of the Bonds insured by it for the purpose of the adoption of a Supplemental Resolution; and

WHEREAS, there exists no default of the Bond Insurer under the bond insurance policy insuring the Series 1985 Bonds and there are no Bonds other than the Series 1985 Bonds outstanding; and

WHEREAS, the bond Insurer has consented to the adoption of this First Supplemental Resolution; and

WHEREAS, pursuant to Section 901 of the General Bond Resolution, the District hereby finds and determines that no Bonds of the District which are currently outstanding under the General Bond Resolution would be adversely affected by the modifications or amendments to the General Bond Resolution hereinafter provided;

NOW, THEREFORE, THIS FIRST SUPPLEMENTAL RESOLUTION WITNESSETH, that in consideration of the premises and for the purpose of amending and supplementing the terms and conditions upon which the Water District Revenue Bonds of the District are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become holders thereof, in order to secure the performance and observance of all the covenants, agreements and conditions therein and herein contained, the District has executed and delivered this First Supplemental Resolution, the District does hereby agree and covenant for the equal and proportionate benefit and security of all and singular the present and future holders of the Water District Revenue Bonds issued under the General Bond Resolution, as supplemented, without preference, priority or distinction, except as otherwise hereinafter provided, of any one Bond over any other Bond by reason or priority in the issue, sale or negotiation thereof or otherwise, as follows:

ARTICLE I

SHORT TITLE, DEFINITIONS

101. Short Title. This First Supplemental Bond Resolution may hereafter be cited by the District, the holders of the Bonds and any Fiduciaries, and is hereinafter sometimes referred to as the "First Supplemental Resolution."

102. Definitions. Unless the context clearly indicates some other meaning, the capitalized words and terms shall, for all purposes of the First Supplemental Resolution, have meanings, given them in the General Bond Resolution, except as follows:

The term "Investment Obligations" is hereby amended and restated in its entirety, as follows:

"Investment Obligations" - shall mean and include any of the following:

(a) Direct obligations of or obligations guaranteed by the United States of America;

(b) Obligations issued by any of the following agencies: Federal Home Loan Bank System; Export-Import Banks; Government National Mortgage Association; Farmers Home Administration; the Federal National Mortgage Association to the extent that such obligations are guaranteed by the Government National Mortgage Association; and any other Federal Agency to the extent that such obligations are backed by the full faith and credit of the United States (other than as provided in (a) hereof);

(c) Public housing bonds issued by public housing authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America; or project notes issued by public housing authorities, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America;

(d) U.S. Dollar denominated deposit accounts fully insured to the holder (up to the \$100,000 maximum coverage) by the Federal Deposit Insurance Corporation in commercial banks, and to the extent not so insured (amounts in excess of the \$100,000 maximum coverage), collateralized by obligations described in (a) or (b) above, having at all times a quoted market value at least equal to such uninsured amount plus accrued and undisbursed interest.

ARTICLE II

AMENDMENT OF GENERAL BOND RESOLUTION

201. Amendment to Section 206. Section 206 of the General Bond Resolution is hereby amended and restated in its entirety, as follows:

206. Conditions Precedent to Authentication and Delivery of Bonds. Except as permitted by Sections 311 and 312, the Bonds authorized to be issued pursuant to this General Bond Resolution and a Series Resolution shall be issued only upon condition that the following have been executed:

(1) A copy of the General Bond Resolution and the applicable Series Resolution, each certified by an Authorized Officer of the District;

(2) The written order of the District as to the delivery of such Bonds signed by an Authorized Officer describing such Bonds to be authenticated and delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered, and stating the purchase price of such Bonds;

(3) A Counsel's Opinion stating that in the opinion of such Counsel the General Bond Resolution and the applicable Series Resolution authorizing the Series of Bonds have been duly and lawfully adopted by the District, that the General Bond Resolution and the applicable Series Resolution are in full force and effect and are valid and binding upon the District and enforceable in accordance with their terms; that the General Bond Resolution creates the valid pledge which it purports to create subject only to the provisions of the General Bond Resolution permitting the application of the Pledged Receipts for or to the purposes and on the terms and conditions set forth in the General Bond Resolution; and upon the execution, authentication and delivery thereof, that the Bonds of such Series will be duly and validly issued and will constitute valid and binding obligations of the District entitled to the benefits of the General Bond Resolution and such applicable Series Resolution;

(4) A written order of the District signed by an Authorized Officer directing the deposit in the Debt Service Reserve of so much of the proceeds of the Bonds to be issued, upon their issuance, sale and delivery, as may be required to increase the aggregate amount then held in said Fund to the Aggregate Debt Service Reserve Requirement; provided that the District may obtain, in lieu of such deposit, a Debt Service Reserve Guaranty as permitted under Section 506 hereof;

(5) Except in the case of an issue of Refunding Bonds, a certificate of an Authorized Officer of the District stating that the District is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Bond Resolution; and

(6) Such further documents, as are required by the provisions of this Section, Section 207, or Article VII or VIII or any Supplemental Resolution adopted pursuant to Article VIII.

(7) As a further condition, such moneys and securities as are required by the provisions of this Section, Section 207, or Article VII or VIII or any Supplemental Resolution adopted pursuant to Article VIII.

202. Amendment to Section 506. Section 506 of the General Bond Resolution is hereby amended and restated in its entirety, as follows:

506. Debt Service Reserve. (1) There shall be deposited to the credit of the Debt Service Reserve (a) all Pledged Receipts from the General Revenue Fund required to be deposited therein by this General Bond Resolution, (b) all moneys received on account of or in connection with Investment Obligations credited to the Debt Service Reserve as in this Section provided, and (c) all Bond proceeds required by Series Resolution to be deposited in said Debt Service Reserve.

(2) The Debt Service Reserve is pledged to and shall be used for the payment of principal of, interest on, and Redemption Price, if any, in respect of any Outstanding Bond as to which there would otherwise be a default in payment, and sums in the Debt Service Reserve shall be transferred to other Funds and Accounts in a timely manner upon due certification as provided in subsection (3) of this Section 506 in order to effectuate the intent of this Section and the purposes of the Debt Service Reserve. In the event that amounts in the Debt Service Reserve are reduced below the Aggregate Debt Service Reserve Requirement, the deficiency in the Debt Service Reserve shall be cured from the first available revenues.

(3) The District shall cause the depository from time to time to transfer or pay out moneys in the Debt Service Reserve for the purpose of making payments and transfers to other Funds and Accounts pursuant to subsection (2) hereof upon receipt by said depository of a check or other bill of exchange executed by two members of the Board of Commissioners stating with respect to each payment or transfer to be made:

(a) the Account or Fund to which the payment or transfer is to be made,

(b) the purpose of the payment or transfer, and

(c) the amount to be paid.

(4) Sums from time to time in the Debt Service Reserve shall be continuously invested upon direction of the District, in Investment Obligations. The District shall sell at the best price obtainable, or present for redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary in order to provide moneys to effectuate the purposes of the Debt Service Reserve.

(5) Any interest earned or sums realized as a result of investment of moneys in the Debt Service Reserve in Investment Obligations shall accrue to, and be a part of, said Debt Service Reserve; provided, however, that 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 General Revenue Fund.

(6) In lieu of the deposit of funds in the Debt Service Reserve, the District may obtain a Debt Service Reserve Guaranty. Any Debt Service Reserve Guaranty shall be considered a deposit of funds in the Debt Service Reserve equal to the Debt Service Reserve Coverage provided by the Debt Service Reserve Guaranty Agreement.

As conditions precedent to delivery of a Debt Service Reserve Guaranty, the District shall obtain (i) a Debt Service Reserve Guaranty, (ii) an opinion of counsel addressed to the District stating that the delivery of such Debt Service Reserve Guaranty to the District is authorized under the General Bond Resolution, as amended, and complies with the terms thereof, and (iii) written evidence from a Rating Agency, if the Bonds are rated by such Rating Agency, that the Rating Agency has reviewed the proposed Debt Service Reserve Guaranty and that (x) the issuance of the Debt Service Reserve Guaranty to the District and (y) if a Debt Service Reserve Guaranty is then in effect with respect to the Debt Service Reserve, the substitution of the proposed Debt Service Reserve Guaranty for the Debt Service Reserve Guaranty then in effect, will not, by itself, result in a reduction or withdrawal of its rating on the Bonds. If the Bonds are insured by a bond insurer, the references to Rating Agency in the prior sentence shall be read to mean such bond insurer and the substitution of the proposed Debt Service Reserve Guaranty shall not result in the cancellation of the bond insurance provided by such Bond Insurer.

"Debt Service Reserve Guarantor" means the issuer of a Debt Service Reserve Guaranty.

"Debt Service Reserve Guaranty" means a letter of credit, surety bond or similar arrangement representing the irrevocable obligation of the Debt Service Reserve Guarantor to pay to the District upon request made by the District up to an amount stated therein for application as provided in this Section 506.

"Debt Service Reserve Guaranty Agreement" means the reimbursement agreement, loan agreement or similar agreement between the District and a Debt Service Reserve Gurantor with respect to repayment of amounts advanced under the Debt Service Reserve Guaranty.

"Debt Service Reserve Guaranty Coverage" means the amount available at any particular time to be paid to the District under the terms of the Debt Service Reserve Guaranty.

"Debt Service Reserve Guaranty Limit" means the maximum aggregate amount available to be paid to the District under the terms of a Debt Service Reserve Guaranty.

"Rating Agency" means either Moody's Investors Service, Inc. or Standard & Poor's Corporation, both corporations and organized under the laws of the States of Delaware and New York, respectively, and their successors and assigns.

203. Amendment to Section 707. Section 707 of the General Bond Resolution is hereby amended and restated in its entirety, as follows:

707. Accounts and Reports. The District shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the Public Water System, and all Funds and Accounts established by this Resolution, which shall at all reasonable times be subject to the inspection of the Holders of an aggregate of not less than five percentum (5%) in principal amount of bonds then Outstanding or their representatives duly authorized in writing.

204. Amendment to Section 711. Section 711 of the General Bond Resolution is hereby amended and restated in its entirety, as follows:

711. Rates and Charges; Coverage; Annual Budget. The District shall at all times establish, enforce and collect rates, rentals, and charges for services rendered and facilities afforded by said District works and facilities constituting the Public Water System; and the same shall be reasonable and just, taking into account and consideration the cost and value of the Public Water System, the costs of operating the same and maintaining the same in a good state of repair, proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all Outstanding Bonds and the accruing interest thereon, and the accumulation and maintenance of reserves as provided in the Resolution; and such rates and charges shall be adequate to meet all such requirements as

provided in the Resolution, and shall, if necessary, be adjusted from time to time in order to comply therewith (subject to such regulatory approvals as may be required by law); and annual revenue from such rates, rentals and charges shall be further adequate to provide, after fulfillment of all contractual obligations required of the District incident to the Bonds, including accumulation and maintenance of all reserves required by the Resolution, and after payment of Operation and Maintenance Costs as provided in the Annual Budget of the Public Water System 1.20 times coverage of annual principal, interest, and Sinking Fund requirements on all Bonds, and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the first day of each calendar year, so long as any Bonds authorized or permitted to be issued by the Resolution are outstanding, the District will adopt an Annual Budget of Current Expenses for the ensuing calendar year, and will promptly file a copy of each such Budget, and of any amendments thereto, in the Office of the Secretary of the District, and will furnish copies thereof to any holder of any Bond upon request. The term "Current Expenses" as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining and insuring the Public Water System, allowances for depreciation on all plant, but shall exclude expenditures for extensions, improvements and extraordinary repairs and maintenance, and payments into the Debt Service Fund, and the Debt Service Reserve. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the total amount provided for Current Expenses in the Annual Budget, except upon resolution duly adopted by the Board determining that such expenses are necessary in order to operate and maintain the Public Water System. At the same time, and in like manner, the District agrees that it will prepare an estimate of gross income and revenue to be derived from operation of the Public Water System for such calendar year, and to the extent that said gross income and revenues are insufficient to meet all requirements as provided in this Resolution, the District covenants and agrees that it will immediately (subject to regulatory approvals as required by law) revise its rates, rentals and charges for services rendered by the District's works and facilities, so that the same will be adequate to meet all of such requirements.

205. Amendment to Section 714. Section 714 of the General Bond Resolution is hereby amended and restated in its entirety, as follows:

714. Annual Audit Required. The District shall, 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 Public Water System, and a report on such audit to be issued by an independent state-licensed certified public accounts accountant, reflecting in reasonable detail and the financial condition and results of operations of the Public Water System, including the status of the required insurance and fidelity bonding, as provided by this General Bond Resolution, the current rates, rentals and charges of the District and coverage ratios as set forth in Section 711 hereof, with comments of the certified public accountant concerning compliance with all provisions and requirements of this General Bond Resolution, such audit to be in accordance with generally accepted governmental accounting principles, and will promptly cause a copy of the audit report of said certified public accountant to be submitted to the Board for review, and when received and approved by the Board, to be filed in the Office of the Secretary of the District, where it will be available for public inspection, and will promptly mail a copy thereof to the original purchaser or purchasers of any Series of Bonds issued pursuant to this General Bond Resolution. If requested to do so, the District will furnish to any Bondholder a condensed form of the balance sheet, and a condensed form of the operating report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the Public Water System, and may be paid for District Revenues allocated for such purposes, as herein provided.

206. Amendment to Section 801. Section 801 of the General Bond Resolution is hereby amended and restated in its entirety, as follows:

801. Modification and Amendment Without Consent. Notwithstanding any other provision of this Article VIII, or Article IX, the District may adopt at any time or from time to time Series Resolutions or Supplemental Resolutions for any one or more of the following purposes, and any such Series Resolution or Supplemental Resolution shall become effective in accordance with its terms upon the filing thereof in the District's official records, certified by an Authorized Officer.

207. Amendment to Section 802. Section 802 of the General Bond Resolution is hereby amended and restated in its entirety, as follows:

802. Supplemental Resolutions Effective With Consent of Bondholders. The provisions of this General Bond Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of

Bondholders, in accordance with and subject to the provisions of Article IX hereof, such Supplemental Resolution to become effective upon the obtaining of consent of the requisite percentages of Bondholders and the filing in the District's official records of a copy thereof certified by an Authorized Officer.

208. Amendment to Section 902. Section 902 of the General Bond Resolution is hereby amended and restated in its entirety, as follows:

902. Consent of Bondholders. The District may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the provisions of Section 901 to take effect when and as provided in this Section. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto) together with a request to Bondholders for their consent thereto, shall promptly after adoption be mailed by the District to Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (1) there shall have been filed with the District (a) the written consents of the Holders of the percentages of Outstanding Bonds specified in Section 901 and (b) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted by the District in accordance with the provisions of this Resolution, is authorized or permitted by this Resolution, and is valid and binding upon the District and enforceable in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the holding at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1202. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in Section 1202 to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange thereof (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the District, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 1202. The fact that a consent has not been revoked may likewise be proved by a certificate of the District to the effect that no revocation thereof is on file with the District. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the District shall make and file (a) in the official records of the District, accompanied by a Counsel's Opinion, as to the quality thereof, and (b) with each Fiduciary a written statement that the Holders of such

required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the District on a stated date) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section, shall be given to Bondholders by the District by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section provided) not more than ninety (90) days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statements of the Trustee hereinabove provided for are filed. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the District, each Fiduciary and the Holders of all Bonds and coupons, if any, at the expiration of thirty (30) days after the filing with each Fiduciary of the proof of the first publication of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such thirty (30) day period; provided, however, that the District during such thirty (30) day period and any such further period during which any such action or proceeding may be pending shall be entitled in its reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

ARTICLE III

EFFECT OF FIRST SUPPLEMENTAL RESOLUTION

301. Effect of First Supplemental Resolution. The provisions of this First Supplemental Resolution shall become effective immediately upon the execution and delivery hereof and this First Supplemental Resolution shall form a part of the General Bond Resolution and all the terms and conditions hereof shall be deemed to be part of the terms and conditions of the General Bond Resolution, as fully and with the same effect as if they had been set forth in the General Bond Resolution as originally executed. Except as modified or amended by this First Supplemental Resolution, the General Bond Resolution as amended shall remain and continue in full force and effect in accordance with the terms and provisions thereof, and all the covenants, conditions, terms and provisions of the General Bond Resolution as amended with respect to the District shall remain in full force and effect and be applied to the District in the same manner as though set out herein at length.

ARTICLE IV

MISCELLANEOUS PROVISIONS

401. Severability. If any one or more of the covenants, stipulations, promises, agreements or obligations provided in this First Supplemental Resolution on the part of the District or any Paying Agent or any Registrar to be performed should be determined by a court of competent jurisdiction to be contrary to law, then such covenant or covenants, stipulation or stipulations, promise or promises, agreement or agreements, obligation or obligations shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations herein contained and shall in no way affect the validity of the other provisions of this First Supplemental Resolution.

402. Headings. Any headings preceding the texts of the several Articles and Sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this First Supplemental Resolution, nor shall they affect its meaning, construction or effect.

403. Conflict. All resolutions or parts of resolutions, or other proceedings of the District in conflict herewith be and the same are repealed insofar as such conflict exists.

404. Effective Date. This First Supplemental Resolution shall take effect upon adoption, as provided by law.

KENTON COUNTY WATER DISTRICT
NO. 1 Kenton County, Kentucky

By _____

Chairman

(SEAL)

ATTESTED:

Lawrence J. Hunt
Secretary

ADOPTED:

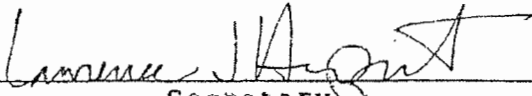
November 17, 1987

CERTIFICATION

I, the undersigned, the duly appointed and qualified Secretary of Kenton County Water District No. 1, Kenton County, Kentucky, do hereby certify that the foregoing Resolution is a true, accurate and complete copy of a certain Resolution duly adopted by the Board of Commissioners of said District at a duly and properly convened meeting of said Board of Commissioners held on November 17, 1987, on the same occasion signed in open session by the Chairman attested under seal by me as Secretary, and declared to be in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said District this ____ day of December, 1987.

(SEAL)


Secretary
Kenton County Water District
No. 1, Kenton County,
Kentucky

APPENDIX D

**NORTHERN KENTUCKY WATER DISTRICT
REVENUE BOND ANTICIPATION NOTES, SERIES 2021A**

SPECIMEN COPY OF SERIES 2021A BOND ANTICIPATION NOTE RESOLUTION

[Page intentionally left blank]

SERIES 2021A REVENUE BOND ANTICIPATION NOTE
RESOLUTION NO. _____

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE NORTHERN KENTUCKY WATER DISTRICT PROVIDING FOR THE INTERIM FINANCING OF THE COSTS OF ADDITIONS AND IMPROVEMENTS TO THE DISTRICT'S PUBLIC WATER SYSTEM; AUTHORIZING THE SALE AND ISSUANCE OF THE DISTRICT'S REVENUE BOND ANTICIPATION NOTES, SERIES 2021A, IN A PRINCIPAL AMOUNT OF APPROXIMATELY \$25,000,000 TO FINANCE THE COSTS THEREOF; SETTING FORTH THE TERMS AND CONDITIONS OF THE SERIES 2021A NOTES; PROVIDING FOR THE SECURITY AND PAYMENT OF THE SERIES 2021A NOTES, INCLUDING A COVENANT TO ISSUE REVENUE BONDS FOR THEIR PAYMENT; ESTABLISHING THE FUNDS AND ACCOUNTS TO BE UTILIZED IN CONNECTION WITH THE SERIES 2021A NOTES; APPROVING THE PREPARATION OF PRELIMINARY AND FINAL OFFICIAL STATEMENTS FOR THE SERIES 2021A NOTES; AUTHORIZING THE EXECUTION AND DELIVERY OF A CONTINUING DISCLOSURE UNDERTAKING FOR THE SERIES 2021A NOTES; AUTHORIZING ACCEPTANCE OF THE BID OF THE SUCCESSFUL BIDDER FOR THE SERIES 2021A NOTES; AUTHORIZING AND DIRECTING THE FILING OF A NOTICE WITH THE STATE LOCAL DEBT OFFICER; AND REPEALING INCONSISTENT RESOLUTIONS.

* * * * *

Adopted February 18, 2021

TABLE OF CONTENTS

(This Table of Contents is not part of this Series 2021A Bond Anticipation Note Resolution and is for convenience of reference only)

RECITALS 1

ARTICLE I SHORT TITLE; DEFINITIONS; AND AUTHORITY 2

 Section 101. Short Title 2

 Section 102. Definitions..... 2

 Section 103. Authority 5

 Section 104. Determination in Respect of Making Improvements to the Public Water System Payable from the Proceeds of the Series 2023A Bonds..... 5

ARTICLE II AUTHORIZATION AND TERMS OF THE SERIES 2021A NOTES..... 5

 Section 201. Determination and Authorization by District that Series 2021A Notes Be Issued 5

 Section 202. General Terms and Provisions of the Series 2021A Notes..... 5

 Section 203. Surrender and Exchange 7

 Section 204. Negotiability and Registration 7

 Section 205. Transfer 7

 Section 206. Exchanges and Transfers 7

 Section 207. Series 2021A Notes Mutilated, Destroyed, Stolen, or Lost..... 7

 Section 208. Preparation of Definitive Series 2021A Notes; Temporary Series 2021A Notes 8

 Section 209. Book-Entry Form 8

 Section 210. Form of Series 2021A Notes..... 9

ARTICLE III REDEMPTION..... 10

 Section 301. Privilege of Redemption 10

 Section 302. Optional Redemption 10

 Section 303. Partial Redemption..... 10

 Section 304. Notice of Redemption 10

 Section 305. Effect of Redemption..... 10

ARTICLE IV PLEDGE AND SOURCE OF SECURITY 10

 Section 401. Special and Limited Obligations..... 10

 Section 402. Pledge and Source of Security 11

ARTICLE V FUNDS AND ACCOUNTS 11

 Section 501. Establishment of Subaccounts 11

 Section 502. Interest Subaccount..... 11

Section 503.	Principal Subaccount	11
Section 504.	Debt Service Reserve	12
Section 505.	Costs of Issuance Subaccount.....	12
Section 506.	Construction and Acquisition Subaccount.....	12
ARTICLE VI	COVENANTS OF THE DISTRICT	12
ARTICLE VII	SALE OF THE SERIES 2021A NOTES.....	12
Section 701.	Authorization; Method of Sale and Advertisement	12
Section 702.	Award.....	12
Section 703.	Preliminary and Final Official Statements.....	13
ARTICLE VIII	OTHER ACTIONS.....	13
Section 801.	Appointment of Paying Agent and Registrar.....	13
Section 802.	Continuing Disclosure Undertaking	13
Section 803.	Other Authorized Actions	14
Section 804.	Compliance with Tax-Exempt Financing Obligations	14
ARTICLE IX	MISCELLANEOUS	14
Section 901.	Open Meeting Compliance	14
Section 902.	Severability	14
Section 903.	Inconsistent Actions.....	14
Section 904.	Rules of Construction	14
Section 905.	Effectiveness	15
Signature Page		16
Exhibit A - Form of Series 2021A Notes		

SERIES 2021A BOND ANTICIPATION NOTE
RESOLUTION NO. _____

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE NORTHERN KENTUCKY WATER DISTRICT PROVIDING FOR THE INTERIM FINANCING OF THE COSTS OF ADDITIONS AND IMPROVEMENTS TO THE DISTRICT'S PUBLIC WATER SYSTEM; AUTHORIZING THE SALE AND ISSUANCE OF THE DISTRICT'S REVENUE BOND ANTICIPATION NOTES, SERIES 2021A, IN A PRINCIPAL AMOUNT OF APPROXIMATELY \$25,000,000 TO FINANCE THE COSTS THEREOF; SETTING FORTH THE TERMS AND CONDITIONS OF THE SERIES 2021A NOTES; PROVIDING FOR THE SECURITY AND PAYMENT OF THE SERIES 2021A NOTES, INCLUDING A COVENANT TO ISSUE REVENUE BONDS FOR THEIR PAYMENT; ESTABLISHING THE FUNDS AND ACCOUNTS TO BE UTILIZED IN CONNECTION WITH THE SERIES 2021A NOTES; APPROVING THE PREPARATION OF PRELIMINARY AND FINAL OFFICIAL STATEMENTS FOR THE SERIES 2021A NOTES; AUTHORIZING THE EXECUTION AND DELIVERY OF A CONTINUING DISCLOSURE UNDERTAKING FOR THE SERIES 2021A NOTES; AUTHORIZING ACCEPTANCE OF THE BID OF THE SUCCESSFUL BIDDER FOR THE SERIES 2021A NOTES; AUTHORIZING AND DIRECTING THE FILING OF A NOTICE WITH THE STATE LOCAL DEBT OFFICER; AND REPEALING INCONSISTENT RESOLUTIONS.

WITNESSETH

WHEREAS, all capitalized terms used in these recitals shall have the meanings set forth in Section 102 hereof; and

WHEREAS, the Northern Kentucky Water District has for many years owned and operated its Public Water System for the public benefit, welfare, and convenience; and

WHEREAS, on November 19, 1985, the Board of Commissioners of the District adopted that certain 1985 General Bond Resolution, as amended by that certain First Supplemental Bond Resolution adopted November 17, 1987, to provide the terms and conditions governing the revenue bonds and other obligations issued by the District to finance the costs of additions and improvements to its Public Water System; and

WHEREAS, Section 510 of the General Bond Resolution permits the District to issue revenue bond anticipation notes to provide interim financing of the costs of additions and improvements to the Public Water System, provided the security provided by the District for the payment of the notes is limited to the proceeds of a future issuance of revenue bonds authorized commensurate with and in an aggregate principal amount greater than the aggregate authorized principal amount of the notes; and

WHEREAS, the Board desires to authorize the issuance, sale, execution, and delivery of its Revenue Bond Anticipation Notes, Series 2021A in an approximate aggregate principal amount

of \$25,000,000 to finance, on an interim basis, the costs of additions and improvements to the Public Water System; and

WHEREAS, on the date hereof, the Board has adopted its Series 2023A Bond Resolution authorizing the future issuance, sale, award, execution, and delivery of its Revenue Bonds, Series 2023A in an approximate aggregate principal amount of \$27,000,000 for the purpose of providing permanent financing for the costs of additions and improvements to the Public Water System to be initially financed by the Notes; and

WHEREAS, the Board, upon the advice of RSA Advisors, LLC, desires to sell the Series 2021A Notes by public, competitive sale and to award the Series 2021A Notes to the bidder providing the lowest interest cost therefor;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE NORTHERN KENTUCKY WATER DISTRICT THAT THIS SERIES 2021A BOND ANTICIPATION NOTE RESOLUTION BE ADOPTED AS FOLLOWS:

ARTICLE I
SHORT TITLE; DEFINITIONS; AND AUTHORITY

Section 101. Short Title. This resolution may hereafter be cited by the District as the “Series 2021A Bond Anticipation Note Resolution” and is referred to herein as “this Resolution.”

Section 102. Definitions. All words and terms defined in the General Bond Resolution, which are incorporated herein by reference, shall have the same and identical meanings respectively in this Resolution as such terms are given in Article I of the General Bond Resolution. In addition:

“Act” means Chapters 58 and 74 of the Kentucky Revised Statutes in effect on the Issuance Date.

“Agent Member” means a member of, or participant in, the Securities Depository.

“Authorized Denomination” has the meaning provided in Section 202(e) hereof.

“Authorized Officer” means the duly appointed Chair, Vice Chair, President and Chief Executive Officer, Treasurer, or Secretary of the District.

“Award Certificate” means the Award Certificate to be delivered by the District to the purchaser of the Series 2021A Notes on or after the date of sale of the Series 2021A Notes, such Award Certificate to establish certain terms or conditions of the Series 2021A Notes as set forth herein.

“Board” means the Board of Commissioners of the District.

“Bond Counsel” means Dinsmore & Shohl LLP or any other attorney at law or firm of attorneys selected by the District of nationally recognized standing in matters pertaining

to the validity of bonds issued by organizations exempt from federal taxation pursuant to Section 103 of the Code.

“Book-Entry Form” means, with respect to any Series 2021A Note, a form or system, as applicable, under which (i) the ownership of beneficial interests in the Series 2021A Notes and note service charges may be transferred only through a book entry, and (ii) physical Series 2021A Note certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as owner, with the physical Series 2021A Note certificates in the custody of a Securities Depository.

“Business Day” means any day other than (i) a Saturday or Sunday or a day on which banking institutions in the city in which the designated office of the Paying Agent and Registrar is located are authorized or required by federal or state law or executive order to close or (ii) a day on which the New York Stock Exchange is closed.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations prescribed thereunder.

“Commonwealth” means the Commonwealth of Kentucky.

“Construction and Acquisition Subaccount” means the “Series 2021A BAN Construction and Acquisition Subaccount” established by the District for the benefit of the holders of the Series 2021A Notes pursuant to Section 506 hereof.

“Costs of Issuance Subaccount” means the “Series 2021A BAN Costs of Issuance Subaccount” established by the District for the benefit of the holders of the Series 2021A Notes pursuant to Section 505 hereof.

“Financial Advisor” means RSA Advisors LLC, 325 West Main Street, Suite 300, Lexington, Kentucky 40507, Telephone (800) 255-0795.

“General Bond Resolution” means that certain 1985 General Bond Resolution adopted by the Board on November 19, 1985, as amended by that certain First Supplemental Bond Resolution adopted by the Board on November 17, 1987.

“Interest Payment Date” means (i) each February 1st and August 1st, beginning August 1, 2021, and (ii) the Maturity Date.

“Interest Subaccount” means the “Series 2021A BAN Interest Subaccount” established by the District for the benefit of the holders of the Series 2021A Notes pursuant to Section 502 hereof.

“Issuance Date” means the date of issuance and delivery of the Series 2021A Notes.

“Maturity Date” means the final maturity date of the Series 2021A Notes, being a date occurring no later than the second anniversary of their Issuance Date, the exact date being established by the District in the Award Certificate.

“Official Bid Form” means the Official Bid Form of the District to be utilized in the sale of the Series 2021A Notes, which will be included as an appendix to the Preliminary Official Statement for the Series 2021A Notes.

“Official Terms and Conditions of Sale” means the Official Terms and Conditions of Sale of the District to be utilized in the sale of the Series 2021A Notes, which will be included as an appendix to the Preliminary Official Statement for the Series 2021A Notes.

“Paying Agent” means The Bank of New York Mellon Trust Company, N.A., in its capacity as paying agent for the Series 2021A Notes.

“Paying Agent Agreement” means the Paying Agent Agreement to be entered into by and between the District and the Paying Agent and Registrar with respect to the Series 2021A Notes on or before the Issuance Date of the Series 2021A Notes.

“Principal Subaccount” means the “Series 2021A BAN Principal Subaccount” established by the District for the benefit of the holders of the Series 2021A Notes pursuant to Section 503 hereof.

“Public Water System” means the public water system of the District, as more fully described in the General Bond Resolution.

“Record Date” means the fifteenth day of the month next preceding the month in which an Interest Payment Date occurs.

“Registrar” means The Bank of New York Mellon Trust Company, N.A., in its capacity as the registrar for the Series 2021A Notes hereunder.

“Rule” means Rule 15c2-12, as amended and interpreted from time to time, promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

“Securities Depository” means any securities depository that is 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, operating and maintaining, with its participants or otherwise, a Book-Entry System to record ownership of beneficial interests in notes and note service charges and to effect transfers of notes in Book-Entry Form, and means, initially, The Depository Trust Company (a limited purpose trust company), New York, New York.

“Securities Depository Nominee” means any nominee of a Securities Depository and initially means Cede & Co., New York, New York, as nominee of The Depository Trust Company.

“Series 2021A Notes” means the “Northern Kentucky Water District Revenue Bond Anticipation Notes, Series 2021A” authorized by this Resolution in an approximate aggregate principal amount of \$25,000,000.

“Series 2023A Bond Resolution” means the Series 2023A Bond Resolution adopted by the Board on February 18, 2021, authorizing the issuance, sale, award, execution, and delivery of the Series 2023A Bonds.

“Series 2023A Bonds” means the “Northern Kentucky Water District Revenue Bonds, Series 2023A” authorized by the Series 2023A Bond Resolution in an approximate aggregate principal amount of \$27,000,000.

“Special Record Date” means the date established by the Paying Agent and Bond Registrar pursuant to Section 2.02(f) hereof as the record date for the payment of defaulted interest on the Series 2021A Notes.

Section 103. Authority. This Resolution is adopted pursuant to the authority of Article V, Section 510(2) of the General Bond Resolution and the Act.

Section 104. Determination in Respect of Making Improvements to the Public Water System Payable from the Proceeds of the Series 2023A Bonds. It is hereby determined and declared by the District that, pursuant to the requirements of the General Bond Resolution, the District shall carry out the making of certain additions and improvements from time to time to the Public Water System.

ARTICLE II AUTHORIZATION AND TERMS OF THE SERIES 2021A NOTES

Section 201. Determination and Authorization by the District that Series 2021A Notes Be Issued. It is hereby determined by the District that it is necessary and desirable that approximately \$25,000,000 aggregate principal amount (which amount may be decreased as necessary or desirable) of revenue bond anticipation notes be authorized and issued by the District for the purposes of (i) financing the costs of additions and improvements to the Public Water System on an interim basis, (ii) paying the costs of issuance of the Series 2021A Notes, and (iii) funding capitalized interest on the Series 2021A Notes to their scheduled maturity, all as more specifically set forth in this Resolution. Therefore, the Board hereby authorizes the issuance, sale, award, execution, and delivery of a series of revenue bond anticipation notes of the District designated as the “Northern Kentucky Water District Revenue Bond Anticipation Notes, Series 2021A” in an aggregate principal amount of \$25,000,000, which amount may be increased or decreased as necessary or desirable as provided herein. The Board hereby determines that the issuance of the Series 2021A Notes is necessary to provide sufficient funds to be used for the purposes described herein.

Section 202. General Terms and Provisions of the Series 2021A Notes.

(a) Issuance Date. The Series 2021A Notes shall be dated their Issuance Date and bear interest from their Issuance Date.

(b) Interest Rate. The Series 2021A Notes shall bear interest at a single interest rate per annum established by an Authorized Officer of the District pursuant to Section 702 hereof.

(c) Interest Payment Dates. Interest on the Series 2021A Notes shall be payable on each February 1st and August 1st, beginning August 1, 2021, and continuing to and including their Maturity Date.

(d) Principal. All principal with respect to the Series 2021A Notes shall be due and payable on the Maturity Date.

(e) Authorized Denominations. The Series 2021A Notes shall be issued in authorized denominations of Five Thousand Dollars (\$5,000) (an “Authorized Denomination”) or any integral multiple thereof.

(f) Payment. The Series 2021A Notes shall be payable, with respect to principal or premium, if any, and interest, 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 and private debts. Payment of interest on each Interest Payment Date shall be made to the person whose name appears as the holder thereof on the register maintained by the Registrar as of the close of business on the Record Date for each Interest Payment Date, such interest to be paid by check mailed by first class mail to such holder at its address as it appears on the register, or, upon the written request of any holder of at least \$1,000,000 in aggregate principal amount of Series 2021A Notes, submitted to the Paying Agent and Registrar at least two Business Days before the Record Date, by wire transfer in immediately available funds to an account within the United States designated by such holder. Notwithstanding the foregoing, as long as the Securities Depository is the holder of all or part of the Series 2021A Notes in Book-Entry Form, payment of debt service charges shall be made to the Securities Depository by wire transfer in immediately available funds. CUSIP number identification shall accompany all payments of debt service charges, whether by check or by wire transfer.

Any interest that is not paid, or for which provision is not duly made, when due with respect to any Series 2021A Note shall cease to be payable to the holder as of the Record Date and shall be paid to the person who is the holder as of the close of business on a “Special Record Date” established by the Paying Agent and Registrar for payment of the defaulted interest. The Paying Agent and Registrar shall fix any Special Record Date, notice of which shall be given by first class mail to the holders of the Series 2021A Notes not later than the tenth day before the Special Record Date.

(g) Execution. The Series 2021A Notes shall be executed in the name of and on behalf of the District by the manual or facsimile signature of the Chair of the Board and the corporate seal of the District (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved, or otherwise reproduced thereon, and attested by the manual signature of the District Secretary or Treasurer. In case any officer who shall have signed or sealed any Series 2021A Note shall cease to be such officer before the Series 2021A Notes so signed and sealed shall have been actually delivered, such Series 2021A Note may nevertheless be delivered as herein provided, and may be issued as if the person who signed or sealed such Series 2021A Note had not ceased to hold such office. Any Series 2021A Note may be signed and sealed on behalf of the District by such person as at the actual time of the execution of such Series 2021A Note shall be duly authorized or hold the proper office in the District, although on the Issuance Date of the Series 2021A Notes such person may not have been so authorized or have held such office.

Section 203. Surrender and Exchange. The Series 2021A Notes, upon surrender thereof at the principal office of the Registrar together with an assignment duly executed by the registered owner or the registered owner's authorized attorney, in such form as shall be satisfactory to the Registrar, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of the Series 2021A Notes with appropriate coupons attached or of registered Series 2021A Notes of any other Authorized Denominations.

Section 204. Negotiability and Registration. All of the Series 2021A Notes issued hereunder shall be negotiable as provided by the Act, subject to the provisions for registration and transfer herein. So long as any of the Series 2021A Notes shall remain outstanding, the Registrar shall maintain and keep books for the registration and transfer of Series 2021A Notes and, upon presentation thereof for such purpose to the Registrar, the Registrar shall register, or cause to be registered therein, and permit to be transferred thereon any Series 2021A Notes entitled to registration or transfer under such reasonable regulations as it or the District may prescribe.

Section 205. Transfer. Each registered Series 2021A Note shall be transferable only upon the books of the Registrar, which shall be kept for that purpose at the principal office 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 registered Series 2021A Note, the District shall issue in the name of the transferee a new registered Series 2021A Note or Series 2021A Notes of the same aggregate principal amount as the surrendered Series 2021A Note.

The District and the Paying Agent and Registrar may deem and treat the person in whose name any outstanding registered Series 2021A Note shall be registered upon the books of the Registrar as the absolute owner of such Series 2021A Note, whether such Series 2021A Note shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of, premium, if any, and interest on such Series 2021A Note and for all other purposes, and all such payments so made to any such registered owner or upon his or her order shall be valid and effectual to satisfy and discharge the liability upon such Series 2021A Note to the extent of the sum or sums so paid, and neither the District nor the Paying Agent and Registrar shall be affected by any notice to the contrary. The District agrees to indemnify and save the Paying Agent and Registrar harmless from and against any and all loss, cost, charge, expense, judgment, or liability incurred by the Paying Agent and Registrar, acting in good faith and without negligence hereunder, in so treating such registered owner.

Section 206. Exchanges and Transfers. In all cases in which the privilege of transferring registered Series 2021A Notes is exercised, the District shall execute and deliver Series 2021A Notes in accordance with the provisions set forth herein. All registered Series 2021A Notes surrendered in any such transfers shall forthwith be cancelled. The Registrar shall not be obligated to make any such transfer of Series 2021A Notes during the sixteen days next preceding an Interest Payment Date on the Series 2021A Notes or, in the case of any proposed redemption of Series 2021A Notes, next preceding the date of the first publication of notice of such redemption.

Section 207. Series 2021A Notes Mutilated, Destroyed, Stolen, or Lost. In case any Series 2021A Note shall become mutilated or be destroyed, stolen, or lost, the District shall execute

and deliver a new Note of like principal amount as the Series 2021A Note and attached coupons, if any, so mutilated, destroyed, stolen, or lost, in exchange and substitution for such mutilated Series 2021A Note upon surrender and cancellation of such mutilated Series 2021A Note and attached coupons, if any, or in lieu of and in substitution for the Series 2021A Note and coupons, if any, destroyed, stolen, or lost, upon filing with the Registrar evidence satisfactory to the Registrar that such Series 2021A Note and attached coupons, if any, have been destroyed, stolen, or lost and proof of ownership thereof, and upon furnishing the Registrar and the District with indemnity satisfactory to each of them and complying with such other reasonable regulations as the Registrar and the District may prescribe and paying such expenses as the Registrar and the District may incur in connection therewith. All Series 2021A Notes and coupons so surrendered to the Registrar shall be cancelled by it.

Section 208. Preparation of Definitive Series 2021A Notes; Temporary Series 2021A Notes. Until definitive Series 2021A Notes are prepared, the District may execute, in the same manner as is provided in Section 202(g) hereof, and deliver, in lieu of definitive Series 2021A Notes, but subject to the same provisions, limitations, and conditions as the definitive Series 2021A Notes, one or more temporary Series 2021A Notes (which may be registrable as to principal and interest), substantially of the tenor of the definitive Series 2021A Notes in lieu of which such temporary Series 2021A Note or Series 2021A Notes are issued, in denominations of \$5,000 or any multiple thereof authorized by the District, and with such omissions, insertions, and variations as may be appropriate to temporary Series 2021A Notes. The District at its own expense shall prepare and execute and, upon the surrender of such temporary Series 2021A Notes, with all unmatured coupons, if any, and all matured coupons, if any, for which no payment or only partial payment has been provided, attached for exchange and the cancellation of such surrendered temporary Series 2021A Notes and coupons, without charge to the registered holder thereof, deliver in exchange therefor, at the principal office of the Registrar, definitive Series 2021A Notes, of the same aggregate principal amount and maturity as the temporary Series 2021A Notes surrendered. Until so exchanged, the temporary Series 2021A Notes shall in all respects be entitled to the same benefits and security as definitive Series 2021A Notes issued pursuant to this Resolution.

All temporary Series 2021A Notes surrendered in exchange for a definitive Series 2021A Note or Series 2021A Notes shall be forthwith cancelled.

Section 209. Book-Entry Form. The Series 2021A Notes shall be registered in the name of the Securities Depository or the Securities Depository Nominee, and ownership thereof shall be maintained in Book-Entry Form by the Securities Depository for the account of the Agent Members of the Securities Depository. Initially, the Notes shall be registered in the name of Cede & Co., as the nominee of The Depository Trust Company. Except as provided below, the Series 2021A Notes shall be transferred, in whole but not in part, only to the Securities Depository or the Securities Depository Nominee, or to a successor Securities Depository selected or approved by the Board or to a nominee of such successor Securities Depository. As to any Series 2021A Note, the person in whose name such Series 2021A Note shall be registered shall be the absolute owner thereof for all purposes, and payment of or on account of, the principal of, premium, if any, and interest on any such Series 2021A Note shall be made only to or upon the order of the registered owner thereof or his or her legal representative.

For any Series 2021A Notes issued in Book-Entry Form, neither the Board, the Registrar, nor the Paying Agent shall have any responsibility or obligation with respect to (i) the accuracy of the records of the Securities Depository or any Agent Member with respect to any beneficial ownership interest in the Series 2021A Notes; (ii) the delivery to any Agent Member, any beneficial owner of the Notes, or any other person, other than the Securities Depository, of any notice with respect to the Series 2021A Notes or this Resolution; or (iii) the payment to any Agent Member, any beneficial owner of the Series 2021A Notes, or any other person, other than the Securities Depository, of any amount with respect to the principal of, premium, if any, or interest on the Series 2021A Notes.

For any Series 2021A Notes registered in Book-Entry Form, the Board, the Registrar, and the Paying Agent shall treat the Securities Depository as and deem the Securities Depository to be the absolute owner of such Notes for all purposes whatsoever, including without limitation:

- (i) the payment of principal of, premium, if any, and interest on the Series 2021A Notes;
- (ii) giving notices of redemption and other matters with respect to the Series 2021A Notes;
- (iii) registering transfers with respect to the Series 2021A Notes;
- (iv) the selection of Series 2021A Notes for redemption;
- (v) obtaining consents under this Resolution; and
- (vi) notwithstanding the use of the terms “holder” or “owner” herein as referencing the registered owners of the Series 2021A Notes, the Registrar and Paying Agent shall be entitled to rely upon written instructions from a majority of the beneficial owners of the Series 2021A Notes with reference to consent, if any, required from the owners of the Series 2021A Notes pursuant to the terms of this Resolution.

If at any time the Securities Depository notifies the Board that it is unwilling or unable to continue as Securities Depository with respect to any Series 2021A Note, or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934 or other applicable statute or regulation and a successor Securities Depository is not appointed by the Board within ninety days after the Board receives notice or becomes aware of such condition, as the case may be, then this Section shall no longer be applicable, and the Board shall execute and the Registrar shall authenticate and deliver certificates representing the affected Series 2021A Notes to the owners of such Series 2021A Notes as otherwise provided herein.

Section 210. Form of Series 2021A Notes. The Series 2021A Notes shall be issued in the form of fully registered Series 2021A Notes without coupons, substantially as set forth in Exhibit A attached hereto.

ARTICLE III REDEMPTION

Section 301. Privilege of Redemption. Series 2021A Notes shall be subject to redemption before maturity at such times and in such amounts as set forth in this Article III.

Section 302. Optional Redemption. The Series 2021A Notes are subject to redemption, at the option of the District, in whole or in part, at any time on or after August 1, 2022. Any such redemption will be made at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the date fixed for redemption.

Section 303. Partial Redemption. If less than all the Series 2021A Notes are to be redeemed, the particular Series 2021A Notes to be redeemed shall be selected by the Paying Agent by lot or by such other method as the Paying Agent shall deem fair and appropriate and which may provide for the selection for redemption of portions (in Authorized Denominations) of the principal of Series 2021A Notes in a denomination larger than the smallest Authorized Denomination.

Section 304. Notice of Redemption. The District shall give notice in the name of the District of the redemption of Series 2021A Notes determined by the District to be redeemed, which notice shall specify the amount of the Series 2021A Notes 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 2021A Notes of the same maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2021A Notes so to be redeemed and, in the case of Series 2021A Notes 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 Series 2021A Note to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal thereof of Series 2021A Notes 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 District shall mail a copy of such notice, postage prepaid, registered mail, not less than twenty days before the redemption date to the registered owners of any Series 2021A Notes or portions of Series 2021A Notes which are to be redeemed, at their last addresses, appearing upon the register for the Series 2021A Notes.

Section 305. Effect of Redemption. Series 2021A Notes (or portions thereof) for which redemption and payment provision is made in accordance with this Resolution shall cease to bear interest from and after the date fixed for redemption.

ARTICLE IV PLEDGE AND SOURCE OF SECURITY

Section 401. Special and Limited Obligations. THE SERIES 2021A NOTES ARE SPECIAL AND LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE PROCEEDS OF THE SERIES 2023A BONDS AND OTHER LIMITED SECURITY PLEDGED THEREFOR UNDER THIS RESOLUTION. THE SERIES 2021A NOTES ARE NOT SECURED BY A PLEDGE OF THE GENERAL CREDIT OR TAXING POWER OF THE DISTRICT, THE COMMONWEALTH, OR ANY POLITICAL SUBDIVISION THEREOF;

NOR SHALL THE SERIES 2021A NOTES BE DEEMED A GENERAL OBLIGATION OF THE DISTRICT, THE COMMONWEALTH, OR ANY POLITICAL SUBDIVISION THEREOF; NOR SHALL THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) BE LIABLE FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2021A NOTES. THE DISTRICT HAS NO TAXING POWER.

Section 402. Pledge and Source of Security. The District hereby pledges (i) the proceeds of the Series 2023A Bonds and (ii) any Investment Obligations purchased with the proceeds of the Series 2021A Notes, as security for payment of the Series 2021A Notes. As permitted by Section 510(2) of the General Bond Resolution and Chapter 58 of the Kentucky Revised Statutes, the pledge of the proceeds of the Series 2023A Bonds shall be superior to any other right granted by the District in such proceeds. The District may also utilize any District Revenues to pay the principal of and interest on the Series 2021A Notes, but any such use shall be subordinate in all respects to the security granted by the District in District Revenues to holders of Bonds under the General Bond Resolution, as amended, and no District Revenues are hereby pledged for such purpose.

ARTICLE V FUNDS AND ACCOUNTS

Section 501. Establishment of Subaccounts. The following subaccounts are hereby established for the benefit of the registered holders of the Series 2021A Notes within the Funds and Accounts previously established by the District under the General Bond Resolution. Each of the following subaccounts shall be maintained by the District with the Paying Agent and any monies deposited therein shall be held and administered by the District and the Paying Agent as set forth in this Article V.

Section 502. Interest Subaccount. The District hereby establishes a subaccount within the Interest Account of the Debt Service Fund designated as the “Series 2021A BAN Interest Subaccount.” The District shall deposit a portion of the proceeds of the Series 2021A Notes into the Interest Subaccount in an amount equal to the amount of capitalized interest to be funded with the proceeds of the Series 2021A Notes. To the extent any additional deposit of monies is necessary to the Interest Subaccount to pay accrued interest on the Series 2021A Notes on any Interest Payment Date, the District shall deposit District Revenues into the Interest Subaccount no later than two Business Days before each Interest Payment Date in a manner commensurate with all other deposits to the Interest Account required by Section 504 of the General Bond Resolution, but in a manner subordinate to any deposit required to the Debt Service Fund in connection with the payment of principal or interest on any Bond.

Section 503. Principal Subaccount. The District hereby establishes a subaccount within the Principal Account of the Debt Service Fund designated as the “Series 2021A BAN Principal Subaccount.” The District shall deposit the proceeds of the Series 2023A Bonds into the Principal Subaccount on or before the Maturity Date in an amount necessary to pay the outstanding principal balance of the Series 2023A Bonds on such date. To the extent any additional deposit of monies is necessary to the Principal Subaccount to pay the principal of the Series 2021A Notes on or before the Maturity Date, the District shall deposit District Revenues into the Principal Subaccount

no later than two Business Days before such date in a manner commensurate with all other deposits to the Principal Account required by Section 504 of the General Bond Resolution, but in a manner subordinate to any deposit required to the Debt Service Fund in connection with the payment of principal or interest on any Bond.

Section 504. Debt Service Reserve. The Series 2021A Notes shall derive no benefit from the Debt Service Reserve and no principal or interest payments due or owing with respect to the Series 2021A Notes shall be utilized by the District in determining any required balance to be maintained with respect to the Aggregate Debt Service Reserve Requirement.

Section 505. Costs of Issuance Subaccount. The District hereby establishes a subaccount within the Costs of Issuance Account of the Bond Proceeds Fund designated as the “Series 2021A BAN Costs of Issuance Subaccount.” The District shall deposit a portion of the proceeds of the Series 2021A Notes into the Costs of Issuance Subaccount in an amount equal to the costs of issuance of the Series 2021A Notes. All monies deposited into the Costs of Issuance Subaccount from the proceeds of the Series 2021A Notes shall be administered in accordance with Section 503 of the General Bond Resolution, substituting references therein to “Bonds” for “Series 2021A Notes.”

Section 506. Construction and Acquisition Subaccount. The District hereby establishes a subaccount within the Construction and Acquisition Account of the Bond Proceeds Fund designated as the “Series 2021A BAN Construction and Acquisition Subaccount.” The District shall deposit a portion of the proceeds of the Series 2021A Notes into the Construction and Acquisition Subaccount in an amount equal to the balance of the proceeds of the Series 2021A Notes remaining after the application of such proceeds pursuant to Sections 502 and 505 hereof. All monies deposited into the Construction and Acquisition Subaccount from the proceeds of the Series 2021A Notes shall be administered as set forth in Section 503 of the General Bond Resolution, substituting references therein to “Bonds” for “Series 2021A Notes.”

ARTICLE VI COVENANTS OF THE DISTRICT

With the exceptions of Sections 725 and 726 of the General Bond Resolution, the covenants of the District regarding Bonds in Article VII of the General Bond Resolution are incorporated herein with respect to the Series 2021A Notes and any reference to “Bond” or “Bonds” therein shall be interpreted as a reference to a Series 2021A Note or the Series 2021A Notes herein.

ARTICLE VII SALE OF THE SERIES 2021A NOTES

Section 701. Authorization; Method of Sale and Advertisement. The Series 2021A Notes shall be offered publicly for sale upon the basis of sealed, competitive bids at such time as an Authorized Officer, upon advice of the Financial Advisor, shall designate. The Authorized Officers are hereby authorized and directed to cause an appropriate form or forms of a Notice of Sale to be published in accordance with Section 424.360 of the Kentucky Revised Statutes.

Section 702. Award. Upon the date and at the respective hour set for the opening and consideration of purchase bids, as provided in the instruments hereinafter approved, the sealed

bids theretofore received by an Authorized Officer shall be opened. If there shall be one or more bids which conform in all respects to the prescribed terms and conditions, such bids shall be compared, and such Authorized Officer, upon the advice of the Financial Advisor, is hereby authorized to accept the best of such bids, as measured in terms of the lowest interest cost, as calculated in the manner prescribed in the Official Terms and Conditions of Sale. Calculations shall be performed as are necessary to determine the exact amount of Series 2021A Notes that are required to be issued in order to provide sufficient funds for the purposes described herein and the final principal amount and maturities of the Series 2021A Notes shall thereupon be established, as prescribed in the Official Terms and Conditions of Sale.

The Award Certificate shall (i) be executed on or after the date of the public sale of the Series 2021A Notes by an Authorized Officer; (ii) accept the bid which such Authorized Officer determines to be the best bid in accordance with the Official Terms and Conditions of Sale; and (iii) in accepting the successful bid, among other things, determine the exact principal amount and maturity of the Series 2021A Notes to be issued and the rate of interest which the Series 2021A Notes shall bear.

Section 703. Preliminary and Final Official Statements. The District hereby approves the preparation of a preliminary Official Statement and a final Official Statement to be prepared by the District in the usual and customary form, and approves the public distribution of the preliminary and final Official Statements, and authorizes the Financial Advisor and Bond Counsel to complete the final Official Statement to reflect the interest costs to be borne by the Series 2021A Notes and other facts not available on the date of the preliminary Official Statement. Any Authorized Officer is authorized to deem the Official Statement “final” within the meaning of the Rule.

ARTICLE VIII OTHER ACTIONS

Section 801. Appointment of Paying Agent and Registrar. The Bank of New York Mellon Trust Company, N.A. is hereby appointed as Paying Agent and Registrar for the Series 2021A Notes. The duties of the Paying Agent and Registrar shall be as set forth herein, and, to the extent not inconsistent with this Resolution, the duties set forth for Bonds in the General Bond Resolution shall also apply to the Series 2021A Notes. The Authorized Officers are hereby authorized to execute and deliver a Paying Agent and Registrar Agreement by and between the District and the Paying Agent and Registrar governing the duties and compensation of the latter with respect to such office. The Authorized Officer executing the Paying Agent and Registrar Agreement is hereby authorized to approve the Agreement, upon the advice or approval of counsel to the District.

Section 802. Continuing Disclosure Undertaking. The District hereby agrees to comply with the provisions of the Rule regarding the issuance and sale of the Series 2021A Notes. Accordingly, Authorized Officers are hereby authorized to execute and deliver a continuing disclosure certificate or undertaking in the usual and customary form upon the issuance of the Series 2021A Notes. The Authorized Officer executing the certificate or undertaking is hereby authorized to approve such document, upon the advice or approval of counsel to the District.

Section 803. Other Authorized Actions. The Authorized Officers are individually and collectively authorized to do and perform any act or sign any and all documents, agreements, certificates, notices, and other papers required by the General Bond Resolution and this Resolution, and perform any other acts or sign and execute any other documents, agreements, certificates, notices, and other papers necessary or convenient in connection with the authorization, issuance, sale, award, execution, and delivery of the Series 2021A Notes.

Section 804. Compliance with Tax-Exempt Financing Obligations. The District hereby covenants to restrict the use of the proceeds of the Series 2021A Notes in such manner and to such extent, if any, and take such other action as may be necessary, after taking into account reasonable expectations at the time the debt is incurred, so that they will not constitute obligations the interest on which is subject to federal income taxation or “arbitrage bonds” under Sections 103(b)(2) and 148 of the Code. The Treasurer or any other officer having responsibility with respect to the issuance of the Series 2021A Notes is authorized and directed to give an appropriate certificate on behalf of the District, on the date of delivery of the Series 2021A Notes for inclusion in the transcript of proceedings, setting forth the facts, estimates, and circumstances and reasonable expectations pertaining to the use of the proceeds thereof and the provisions of Sections 103(b)(2) and 148 of the Code.

ARTICLE IX MISCELLANEOUS

Section 901. Open Meeting Compliance. The Board hereby finds and determines that all formal actions relative to the adoption of this Resolution were taken in an open meeting of the Board, and that all deliberations of the Board and of its committees, if any, which resulted in formal action, were taken in open meetings, in full compliance with applicable legal requirements.

Section 902. Severability. If any one or more of the provisions of this Resolution should be determined by a court of competent jurisdiction to be contrary to law, then such provisions shall be deemed to be severable from all remaining provisions and shall not affect the validity of such other provisions.

Section 903. Inconsistent Actions. All prior ordinances, resolutions, orders, or parts thereof inconsistent herewith are hereby repealed.

Section 904. Rules of Construction. The singular form of any word used herein shall include the plural, and vice versa. The use herein of a word of any gender shall include correlative words of all genders. Unless otherwise specified, the word “including” shall mean “including without limitation”, the word “or” shall mean “and/or”, and the word “any” shall mean “any and all.” Unless otherwise specified, references to Articles, Sections, and other subdivisions of this Resolution are to the designated Articles, Sections, and other subdivisions of this Resolution as originally executed. The words “hereof,” “herein,” “hereunder,” and words of similar import refer to this Resolution as a whole. The captions or headings in this Resolution are for convenience only and in no way define, limit, or describe the scope or intent of any provisions or Sections of this Resolution. All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles. Exhibit A attached hereto is hereby incorporated by reference into this Resolution and constitute a part hereof.

Section 905. Effectiveness. This Resolution shall be in full force and effect immediately upon its adoption, as provided by law.

[Signature page to follow]

EXHIBIT A
TO
SERIES 2021A REVENUE BOND ANTICIPATION NOTE RESOLUTION
FORM OF SERIES 2021A NOTES

* * * * *

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”) to issuer or its agent for registration of transfer, exchange, or payment and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.
--

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
NORTHERN KENTUCKY WATER DISTRICT
REVENUE BOND ANTICIPATION NOTE, SERIES 2021A

R-___ \$[___]

INTEREST RATE	MATURITY DATE	ISSUANCE DATE	CUSIP#
[___]%	February 1, 2023	[___]	[___]

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: [___] DOLLARS

KNOW ALL MEN BY THESE PRESENTS, that the NORTHERN KENTUCKY WATER DISTRICT (the “District”), in the Commonwealth of Kentucky, acknowledges itself to owe and for value received, hereby promises to pay to the Registered Owner identified above, on the Maturity Date set forth above, the Principal Amount set forth above, and to pay interest on the Principal Amount from the date hereof at the per annum Interest Rate set forth above, payable semi-annually on each February 1st and August 1st, commencing August 1, 2021, and on the Maturity Date, except as the provisions hereinafter set forth with respect to prior redemption may be and become applicable hereto. The Principal Amount of this Note is payable at The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, Paying Agent and Registrar. All interest on this note is payable by check or draft mailed to the Record Date registered owner hereof at the address shown on the registration records kept by the Registrar or by wire transfer as provided in the hereinafter described Series 2021A Bond Anticipation Note Resolution. The regular Record Date of any interest payment date is the fifteenth day of the month next preceding the month in which the Interest Payment Date occurs.

This Note is issued in anticipation of the issuance of revenue bonds of the District heretofore authorized, for the purpose of paying part of the cost of constructing various additions and improvements to the District’s public water system (the “Public Water System”) under

authority of the general laws of the Commonwealth of Kentucky (the “Commonwealth”), the General Bond Resolution of the District, as amended, and Chapters 74 and 58 of the Kentucky Revised Statutes, for the purpose of providing additions, extensions, and betterments to the Public Water System, and pursuant to a Series 2021A Bond Anticipation Note Resolution duly passed by the Board of Commissioners of the District on the February 18, 2021 (the “Series 2021A Bond Anticipation Note Resolution”). The Series 2021A Notes do not constitute an indebtedness of the District within the meaning of the Constitution of the Commonwealth, but are payable as to principal and interest and premium, if any, solely from the proceeds of the bonds in anticipation of which the Series 2021A Notes are issued and such other amounts that may be available therefor, in accordance with the terms of the hereinafter described General Bond Resolution and the Series 2021A Bond Anticipation Note Resolution.

This Series 2021A Note is exempt from taxation by and within the Commonwealth.

The Series 2021A Notes are all issued under that certain 1985 General Bond Resolution, adopted November 19, 1985, as amended by that certain First Supplemental General Bond Resolution adopted November 17, 1987 (collectively, the “General Bond Resolution”) and the Series 2021A Bond Anticipation Note Resolution duly executed and delivered by the District and reference is hereby made to the General Bond Resolution and the Series 2021A Bond Anticipation Note Resolution and to all resolutions supplemental thereto for a more complete description of the provisions, among others, with respect to the nature and extent of the security, the rights, duties, and obligations of the District, the Paying Agent, the Registrar, and the holders of the Series 2021A Notes and the terms and conditions upon which the Series 2021A Notes are issued and secured, to all of the provisions of which General Bond Resolution and the Series 2021A Bond Anticipation Note Resolution, each holder, by the acceptance hereof, assents. Capitalized terms utilized but not defined herein shall have the meanings provided in the General Bond Resolution and the Series 2021A Bond Anticipation Note Resolution.

The Series 2021A Notes are subject to optional redemption, in whole or in part, on any date beginning August 1, 2022, at a redemption price equal to the principal amount to be redeemed, plus interest accrued to the date of redemption, without premium.

If less than all the Series 2021A Notes are to be redeemed, the particular Series 2021A Notes to be redeemed shall be selected by the Paying Agent by lot or by such other method as the Paying Agent shall deem fair and appropriate and which may provide for the selection for redemption of portions (in Authorized Denominations) of the principal of Series 2021A Notes in a denomination larger than the smallest Authorized Denomination.

Series 2021A Notes (or portions thereof as aforesaid) for which redemption and payment provision is made in accordance with the Series 2021A Bond Anticipation Note Resolution shall cease to bear interest from and after the date fixed for redemption.

The District shall give notice in the name of the District of the redemption of Series 2021A Notes determined by the District to be redeemed, which notice shall specify the maturities of the Series 2021A Notes 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 2021A Notes of the same maturity are to be redeemed, the letters and numbers or other distinguishing marks of such

Series 2021A Notes so to be redeemed and, in the case of Series 2021A Notes 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 Series 2021A Note to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal thereof of Series 2021A Notes 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 District shall mail a copy of such notice, postage prepaid, by registered mail, not less than twenty days before the Redemption Date to the registered owners of any Series 2021A Notes or portions of Series 2021A Notes which are to be redeemed, at their last addresses, appearing upon the registry books.

This Note shall be registered as to principal and interest in the name of the holder thereof, after which it shall be transferable only upon presentation to the Registrar, with an assignment duly acknowledged by the registered holder or his duly authorized attorney, which transfer shall be noted upon this Series 2021A Note and upon the books of the Registrar kept for that purpose.

The registered owners of the Series 2021A Notes shall not be entitled to enforce the provisions of the General Bond Resolution or the Series 2021A Bond Anticipation Note Resolution or to institute, appear in or defend any suit, action or proceeding at law or in equity to enforce any rights, remedies or covenants granted by the General Bond Resolution or the Series 2021A Bond Anticipation Note Resolution, or to take any action with respect to any event of default under the General Bond Resolution or the Series 2021A Bond Anticipation Note Resolution, except as provided in the General Bond Resolution and the Series 2021A Bond Anticipation Note Resolution.

The General Bond Resolution contains provisions permitting the District, with the consent, in certain circumstances, of the registered owners of not less than 66 2/3% in aggregate principal amount of bonds at the time outstanding, exclusive of any bonds then held or owned by the District, to execute supplemental resolutions for the purpose of modifying, altering, amending, adding to or rescinding, in any particular manner, any of the terms and provisions of the General Bond Resolution; provided, however, that no such supplemental resolution shall extend the maturity of, the principal of, or the interest on, any note or bond or reduce the principal of any note or bond, or the rate of interest or redemption premium thereon, without the consent of the registered owner of each note or bond so affected, or reduce the aggregate principal amount of notes and bonds required for consent to such supplemental resolution without the consent of the registered owners of all notes and bonds then outstanding.

THIS SERIES 2021A NOTE IS A SPECIAL AND LIMITED OBLIGATION OF THE DISTRICT PAYABLE SOLELY FROM THE PROCEEDS OF THE SERIES 2023A BONDS AND OTHER LIMITED SECURITY PLEDGED THEREFOR UNDER THE SERIES 2021A BOND ANTICIPATION NOTE RESOLUTION. THIS SERIES 2021A NOTE IS NOT SECURED BY A PLEDGE OF THE GENERAL CREDIT OR TAXING POWER OF THE DISTRICT, THE COMMONWEALTH, OR ANY POLITICAL SUBDIVISION THEREOF; NOR SHALL THIS SERIES 2021A NOTE BE DEEMED A GENERAL OBLIGATION OF THE DISTRICT, THE COMMONWEALTH, OR ANY POLITICAL SUBDIVISION THEREOF; NOR SHALL THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) BE LIABLE FOR PAYMENT OF THE PRINCIPAL OF,

PREMIUM, IF ANY, OR INTEREST ON THIS SERIES 2021A NOTE. THE DISTRICT HAS NO TAXING POWER.

The District has pledged (i) the proceeds of a future series of its revenue bonds and (ii) any Investment Obligations purchased with the proceeds of the Notes, as security for payment of the Series 2021A Notes. As permitted by Section 510(2) of the General Bond Resolution and Chapter 58 of the Kentucky Revised Statutes, the pledge of the proceeds of the future revenue bonds shall be superior to any other right granted by the District in such proceeds. The District may also utilize any District Revenues to pay principal of and interest on the Series 2021A Notes, but any such use shall be subordinate in all respects to the security granted by the District in District Revenues to holders of Bonds under the General Bond Resolution, as amended, and no District Revenues are hereby pledged for such purpose.

All acts, conditions, and things necessary to be done precedent to and in the issuing of this Series 2021A Note in order to make it a legal, valid, and binding special and limited obligation of the District have been done, have happened, and have been performed in regular and due form as required by law.

[Signature Page to follow]

SIGNATURE PAGE TO SERIES 2021A REVENUE BOND ANTICIPATION NOTE

IN WITNESS WHEREOF, the Northern Kentucky Water District, in the Commonwealth of Kentucky, has caused this note to be officially signed by the Chair and attested by the Secretary of its Board of Commissioners, and the official seal of the District to be hereto affixed as of the Date of Original Issue set forth above.

[Seal]

Chair, Board of Commissioners
Northern Kentucky Water District

Attest:

Secretary, Board of Commissioners
Northern Kentucky Water District

CERTIFICATE OF AUTHENTICATION

THIS IS TO CERTIFY that this note is one of the Revenue Bond Anticipation Notes, Series 2021A of the Northern Kentucky Water District.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., Registrar

By: _____
Authorized Officer

[Continued on the following page]

CERTIFICATE

It is hereby certified that the following is a correct and complete copy of the text of the legal opinion of Dinsmore & Shohl LLP, regarding the issue of which the within bond is one, the original of which opinion was manually executed, dated and issued as of the date of delivery of and payment for the issue and a copy of which is on file with the undersigned.

Secretary

Northern Kentucky Water District
Erlanger, Kentucky

Ladies and Gentlemen:

We have acted as bond counsel in connection with the authorization, sale and issuance by Northern Kentucky Water District (the “District”), a public body corporate and politic and a political subdivision of the Commonwealth of Kentucky, acting by and through its Board of Commissioners as its duly authorized governing body, of \$25,000,000 principal amount of Revenue Bond Anticipation Notes, Series 2021A (the “Notes”).

The Notes have been authorized and issued pursuant to Chapter 58 and 74 of the Kentucky Revised Statutes (the “Act”), a certain General Bond Resolution adopted by the District on November 19, 1985, as amended by the District on November 17, 1987 (collectively the “General Bond Resolution”), a certain Series 2023A Bond Resolution (the “Series 2023A Bond Resolution”) authorizing approximately \$27,000,000 of Series 2023A Bonds adopted on February 18, 2021 and a certain Series 2021A Revenue Bond Anticipation Note Resolution authorizing the Notes adopted on February 18, 2021 (the “Series 2021A Revenue Bond Anticipation Note Resolution”). Pursuant to the General Bond Resolution, the Series 2023A Bond Resolution and the Series 2021A Revenue Bond Anticipation Note Resolution, the District has authorized the issuance of the Notes for the purpose of (i) financing certain improvements to the District’s Public Water System, as defined in the General Bond Resolution, and (ii) paying the costs of issuance of the Notes.

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 Notes, including a specimen Note, and other relevant matters. We have also made such investigation as we have deemed necessary for the purposes of such opinions and have relied upon certificates of officials of the District as to certain factual matters. Based upon the foregoing, we advise you that in our opinion under existing law:

1. The Notes have been duly authorized, executed, and issued by the District in accordance with the Constitution and Statutes of the Commonwealth, including the Act, and in accordance with the General Bond Resolution and the Series 2021A Revenue Bond Anticipation

Note Resolution, and constitute valid and binding special and limited obligations of the District, payable as to principal, interest, and premium, if any, from and secured by a pledge of proceeds of the sale of the Series 2023A Bonds, a pledge of proceeds of the sale of any renewal notes, as defined in the Series 2023A Bond Resolution, and Investment Obligations, as defined in the General Bond Resolution, purchased with the proceeds of the Notes.

2. Neither the faith and credit nor the taxing power of the District, the Commonwealth of Kentucky, or any political subdivision thereof, nor the faith and credit of the District is pledged to the payment of the principal of or interest on the Notes, or to the payment of premium, if any.

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

4. Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest, including original issue discount, on the Notes 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 Notes will not be treated as an item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding, or disposing of the Notes.

5. The Notes are not "qualified tax-exempt obligations" with respect to investments by certain financial institutions under Section 265(b) of the Code.

In giving this opinion, we have relied upon covenants and certifications of facts, estimates, and expectations made by officials of the Issuer and others contained in the transcript which we have not independently verified. It is to be understood that the enforceability of the Resolution, the Notes and agreements relating thereto may be limited by bankruptcy, insolvency, reorganization, moratorium, insolvency, or other similar laws relating to or affecting the enforcement of creditors' rights or by general equitable principles.

Without having undertaken to determine independently or to verify the accuracy or completeness of the statements contained in the Official Statement issued with respect to the Notes, and expressing no opinion as to the financial statements or any other financial or statistical data contained therein, nothing has come to our attention in the course of our professional engagement as Bond Counsel which would lead us to believe that the Official Statement contains any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

DINSMORE & SHOHL LLP

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto:

(Please print or typewrite name and address of transferee)

the with bond and all rights thereunder, and hereby irrevocable constitutes and appoints _____, attorney to transfer the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Dates: _____
Signature _____

In the presence of: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.

APPENDIX E

**NORTHERN KENTUCKY WATER DISTRICT
REVENUE BOND ANTICIPATION NOTES, SERIES 2021A**

SPECIMEN COPY OF SERIES 2023A BOND RESOLUTION

[Page intentionally left blank]

SERIES 2023A BOND RESOLUTION
NO. _____

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE NORTHERN KENTUCKY WATER DISTRICT PROVIDING FOR THE ISSUANCE OF UP TO \$27,000,000 PRINCIPAL AMOUNT OF REVENUE BONDS, SERIES 2023A; DESIGNATING THE PAYING AGENT AND REGISTRAR IN RESPECT THEREOF; AUTHORIZING AND MAKING CERTAIN IMPROVEMENTS TO THE DISTRICT'S PUBLIC WATER SYSTEM; APPROVING THE PREPARATION OF PRELIMINARY AND FINAL OFFICIAL STATEMENTS IN RESPECT THEREOF; AUTHORIZING THE EXECUTION AND DELIVERY OF A CONTINUING DISCLOSURE CERTIFICATE FOR THE NOTES; AUTHORIZING ACCEPTANCE OF THE BID OF THE SUCCESSFUL BIDDER FOR THE NOTES; AUTHORIZING AND DIRECTING THE FILING OF A NOTICE WITH THE STATE LOCAL DEBT OFFICER; AND REPEALING INCONSISTENT RESOLUTIONS.

WITNESSETH

WHEREAS, all capitalized terms used in this preamble shall have the meanings set forth in Section 2 hereof; and

WHEREAS, the Northern Kentucky Water District has for many years owned and operated its Public Water System for the public benefit, welfare, and convenience; and

WHEREAS, on November 19, 1985, the Board of Commissioners of the District adopted that certain 1985 General Bond Resolution, as amended by that certain First Supplemental Bond Resolution adopted November 17, 1987, to govern the terms and conditions governing the revenue bonds and other obligations issued by the District to finance the costs of extensions, additions, and improvements to the Public Water System; and

WHEREAS, the General Bond Resolution provides that the Board authorize the issuance, sale, execution, and delivery of series of revenue bonds for the purposes permitted by the General Bond Resolution pursuant to the authority set forth therein by the adoption of supplemental resolutions, which provide the necessary terms of such bonds and authorize their issuance, sale, award, execution, and delivery; and

WHEREAS, Section 510 of the General Bond Resolution permits the District to issue bond anticipation notes to provide interim financing of the costs of improvements to the System, provided the security provided by the District for the payment of the notes is limited to the proceeds of a future issuance of revenue bonds authorized commensurately with and in an aggregate principal amount in excess of the aggregate authorized principal amount of the notes; and

WHEREAS, by its adoption on February 18, 2021 of a Series 2021A Bond Anticipation Note Resolution, the Board has authorized the issuance, sale, award, execution, and delivery of its Bond Anticipation Notes, Series 2021A in an approximate aggregate principal amount of \$25,000,000, the proceeds of which shall be used to pay the costs of additions and improvements to the Public Water System; and

WHEREAS, in accordance with Section 510 of the General Bond Resolution, the Board desires to adopt this Resolution to authorize the issuance, sale, execution, and delivery of its Revenue Bonds, Series 2023A, in an approximate aggregate principal amount of \$27,000,000, being an amount reasonably expected to be sufficient to pay and discharge the Series 2021A Notes on their scheduled maturity date and to provide a permanent means of financing the costs of the additions and improvements to the Public Water System financed thereby;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE NORTHERN KENTUCKY WATER DISTRICT, THAT PURSUANT TO THE GENERAL BOND RESOLUTION, THIS RESOLUTION IS HEREBY ADOPTED AS FOLLOWS:

ARTICLE I
AUTHORITY AND DEFINITIONS

101. Short Title. This resolution may hereafter be cited by the District as the “Series 2023A Bond Resolution” and is hereinafter referred to as this “Resolution.”

102. Defined Words and Terms. All words and terms defined in the General Bond Resolution, which General Bond Resolution is incorporated herein by reference, shall have the same and identical meanings respectively in this Resolution as such terms are given in Article I of the General Bond Resolution. In addition:

“Agent Member” means a member of, or participant in, the Securities Depository.

“Authorized Officer” means the duly appointed Chair, Vice Chair, President and Chief Executive Officer, Treasurer, or Secretary of the District.

“Award Certificate” means the Award Certificate to be delivered by the District to the purchaser of the Series 2023A Bonds on or after the date of sale of the Series 2023A Bonds, such Award Certificate to establish certain terms or conditions of the Series 2023A Bonds as set forth herein.

“Bond Proceeds Depository” has the meaning provided in Section 302 hereof.

“Book-Entry Form” means, with respect to any Series 2023A Bonds, a form or system, as applicable, under which (i) the ownership of beneficial interests in the Series 2023A Bonds and Series 2023A Bond service charges may be transferred only through a book entry, and (ii) physical Series 2023A Bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as owner, with the physical Series 2023A Bond certificates in the custody of a Securities Depository.

“Financial Advisor” means RSA Advisors LLC, Lexington, Kentucky.

“Rule” means Rule 15c2-12, as amended and interpreted from time to time, promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

“Securities Depository” means any securities depository that is 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, operating and maintaining, with its participants or otherwise, a Book-Entry System to record ownership of beneficial interests in bonds and bond service charges, and to effect transfers of bonds in Book-Entry Form, and means, initially, The Depository Trust Company (a limited purpose trust company), New York, New York.

“Securities Depository Nominee” means any nominee of a Securities Depository and initially means Cede & Co., New York, New York, as nominee of The Depository Trust Company.

“Series 2021A Bond Anticipation Note Resolution” means the Series 2021A Bond Anticipation Note Resolution adopted by the Board on February 18, 2021, authorizing the issuance, sale, award, execution, and delivery of the Series 2021A Notes.

“Series 2021A Note Redemption Account” has the meaning provided in Section 301 hereof.

“Series 2021A Notes” means the “Northern Kentucky Water District Revenue Bond Anticipation Notes, Series 2021A” authorized by the Series 2021A Bond Anticipation Note Resolution in an approximate aggregate principal amount of \$25,000,000 and like obligations issued on a parity therewith, including any renewal notes issued to retire outstanding Series 2021A Notes.

“Series 2023A Bond Proceeds Fund” has the meaning provided in Section 301 hereof.

“Series 2023A Bonds” means the Revenue Bonds, Series 2023A that are authorized by Article II hereof.

“Series 2023A Capitalized Interest Subaccount” has the meaning provided in Section 301 hereof.

“Series 2023A Costs of Issuance Account” has the meaning provided in Section 301 hereof.

103. Authority. This Resolution is adopted pursuant to authority of Article II, Section 204 of the General Bond Resolution, and pursuant to authority contained in the Act.

104. Determination in Respect of Making Improvements to the Public Water System Payable from the Revenues of the Water System of the District. It is hereby determined and declared by the District that, pursuant to the requirements of the General Bond Resolution, the District shall carry out the making of certain improvements from time to time to the Public Water System.

105. Determination by District that Series 2023A Bonds Be Issued. It is hereby determined by the District that it is necessary and desirable that approximately \$27,000,000

aggregate principal amount of the District's Revenue Bonds, Series 2023A, be authorized and issued by the District for the purpose of retiring, paying, and discharging the Series 2021A Notes and making certain improvements to the Public Water System determined from time to time by the order of the Board, pursuant to the General Bond Resolution and the Act, as more specifically set forth in this Resolution.

ARTICLE II AUTHORIZATION AND TERMS OF SERIES 2023A BONDS

201. Authorization of Bonds; Principal Amount; Designation; and Series. To provide sufficient funds necessary for retiring the Series 2021A Notes that may be outstanding and paying part of the costs of making certain improvements to the Public Water System as set forth specifically from time to time in the Series 2021A Bond Anticipation Note Resolution in accordance with and subject to the terms, conditions, and limitations established in the Act, the General Bond Resolution, and this Resolution, a series of Revenue Bonds is hereby authorized to be issued in the approximate aggregate principal amount of \$27,000,000. As stated aforesaid, the District is of the opinion and hereby determines that the issuance of the Series 2023A Bonds in the principal amount of up to \$27,000,000 is necessary to provide sufficient funds to be used and expended for the Public Water System. As provided by Article II, Section 204 of the General Bond Resolution, in addition to the designation "Revenue Bonds," such Series of Bonds hereby authorized shall bear the additional designation "Series 2023A" or such other series designation as may be appropriate for the year and date that the Series 2023A Bonds are issued, and each Bond as so designated shall be a "Revenue Bond, Series 2023A." The Series 2023A Bonds shall consist of \$27,000,000 approximate aggregate principal amount of Serial Bonds or Term Bonds as described in Section 204 hereof and shall be issued in fully registered form.

202. Purpose for Issuance of Series 2023A Bonds. The purpose for which the Series 2023A Bonds are to be issued is to provide funds for retiring the Series 2021A Notes that may be outstanding on the date of issuance of the Series 2023A Bonds, to pay part of the cost of certain improvements to the Public Water System determined from time to time by order of the Board and specifically set forth from time to time in any bond anticipation note resolution hereafter adopted by the Board, to provide funds, if necessary, for deposit in the Debt Service Reserve and to provide funds for deposit in the Series 2023A Cost of Issuance Subaccount and all to the extent and in the amounts or subject to the determinations provided in Article III of this Resolution.

203. Issue Date. The Series 2023A Bonds shall be dated no later than (i) the date that is two years after the dated date of the Series 2021A Notes or (ii) the final maturity date of any renewal notes issued to retire outstanding notes.

204. Maturities. The Series 2023A Bonds shall mature on February 1st of the years, and in the principal amounts, and shall bear interest from the date thereof, payable semiannually on each February 1st and August 1st on dates and in amounts to be set forth in a supplemental Series 2023A Bond Resolution adopted subsequent hereto by the Board or as set forth in an Award Certificate signed by an Authorized Officer, as provided in Section 401 hereof.

205. Denominations, Numbers, and Letters. The Series 2023A Bonds shall be issued in the denomination of Five Thousand Dollars (\$5,000) or any integral multiple thereof, not

exceeding, however, the aggregate principal amount of Series 2023A Bonds maturing in the year of maturity of the Series 2023A Bond for which the denomination is to be specified. The Series 2023A Bonds shall be lettered and numbered separately consecutively from R-1 upwards.

206. Place of Payment and Designation of Paying Agent and Registrar. The principal and Redemption Price on the Series 2023A Bonds shall be payable in lawful money of the United States of America at the principal office of the Paying Agent and Registrar, as may be designated in the Award Certificate described in Section 401 hereof. Interest on Series 2023A Bonds will be paid by check or draft mailed to the registered owner at such address as shall be shown by the registration records of the Registrar in accordance with the provisions of Article III of the General Bond Resolution.

207. Book-Entry Form. The Series 2023A Bonds shall be registered in the name of the Securities Depository or the Securities Depository Nominee, and ownership thereof shall be maintained in Book-Entry Form by the Securities Depository for the account of the Agent Members of the Securities Depository. Initially, the Series 2023A Bonds shall be registered in the name of Cede & Co., as the nominee of The Depository Trust Company. Except as provided in paragraph (c) below, the Series 2023A Bonds shall be transferred, in whole but not in part, only to the Securities Depository or the Securities Depository Nominee, to a successor Securities Depository selected or approved by the Board or to a nominee of such successor Securities Depository. As to any Series 2023A Bond, the person in whose name such Series 2023A Bond shall be registered shall be the absolute owner thereof for all purposes, and payment of or on account of the principal of, premium, if any, and interest on any such Series 2023A Bond shall be made only to or upon the order of the registered owner thereof or his legal representative.

For any Series 2023A Bonds issued in Book-Entry Form, neither the Board, the Registrar or the Paying Agent shall have any responsibility or obligation with respect to (i) the accuracy of the records of the Securities Depository or any Agent Member with respect to any beneficial ownership interest in the Series 2023A Bonds; (ii) the delivery to any Agent Member, any beneficial owner of the Series 2023A Bonds, or any other person, other than the Securities Depository, of any notice with respect to the Series 2023A Bonds or the Series 2023A Bond Resolution; or (iii) the payment to any Agent Member, any beneficial owner of the Series 2023A Bonds, or any other person, other than the Securities Depository, of any amount with respect to the principal of, premium, if any, or interest on the Series 2023A Bonds.

For any Series 2023A Bonds registered in Book-Entry Form, the Board, the Registrar and the Paying Agent shall treat the Securities Depository as, and deem the Securities Depository to be, the absolute owner of such Series 2023A Bonds for all purposes whatsoever, including without limitation:

- (1) the payment of principal of, premium, if any, and interest on the Series 2023A Bonds;
- (2) giving notices of redemption and other matters with respect to the Series 2023A Bonds;
- (3) registering transfers with respect to the Series 2023A Bonds;
- (4) the selection of Series 2023A Bonds for redemption;
- (5) obtaining consents under the Series 2023A Bond Resolution; and

- (6) notwithstanding the definition of the terms “bondholder” or “holder” or “owner” in the General Bond Resolution as referencing the registered owners of the Series 2023A Bonds, the Registrar and Paying Agent shall be entitled to rely upon written instructions from a majority of the beneficial owners of the Series 2023A Bonds with reference to consent, if any, required from the owners of the Series 2023A Bonds pursuant to the terms of this Resolution.

If at any time the Securities Depository notifies the Board that it is unwilling or unable to continue as Securities Depository with respect to any Series 2023A Bonds or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Securities Depository is not appointed by the Board within ninety days after the Board receives notice or becomes aware of such condition, as the case may be, then this Section shall no longer be applicable, and the Board shall execute and the Trustee shall authenticate and deliver certificates representing the affected Series 2023A Bonds to the owners of such Series 2023A Bonds as otherwise provided in this Article II.

Payment of the principal of, premium, if any, and interest on any Series 2023A Bonds not registered in Book-Entry Form shall be made as provided in Section 208 hereof.

The principal of, premium, if any, and interest on the Series 2023A Bonds registered in Book-Entry Form in the name of the Securities Depository or the Securities Depository Nominee shall be payable by wire transfer from the Trustee to the Securities Depository or the Securities Depository Nominee, as the case may be.

208. Redemption of Series 2023A Bonds; Redemption Terms and Prices. The Series 2023A Bonds shall be subject to redemption on dates and under terms set forth in the Award Certificate described in Section 401 hereof, in whole or in part, and if in part, in inverse order of maturity, less than all of a single maturity to be selected in such manner as the Bond Registrar may determine, at redemption prices (expressed as percentages of the principal amount of the Series 2023A Bonds to be redeemed) plus accrued interest to the redemption date upon notice and pursuant to other conditions as prescribed by the General Bond Resolution or Award Certificate not inconsistent therewith.

ARTICLE III DISPOSITION OF PROCEEDS OF SERIES 2023A BONDS

301. Establishment of Funds and Accounts for the Retirement of the Series 2021A Notes and the Payment and Administration of the Series 2023A Bonds. The District hereby establishes the following Funds and Accounts for the retirement, payment, and discharge of the Series 2021A Notes and the payment and administration of the Series 2023A Bonds:

(a) Series 2021A Note Redemption Account. The District hereby establishes an account with The Bank of New York Mellon Trust Company, Louisville, Kentucky, as the Paying Agent and Registrar for the Series 2021A Notes, designated as the “Northern Kentucky Water District Bond Anticipation Notes, Series 2021A - Redemption Account” (the “Series 2021A

Note Redemption Account” for the purpose of holding and applying funds necessary to retire, pay, and discharge the Series 2021A Bonds on or before their maturity date.

(b) Series 2023A Bond Proceeds Fund. The District shall establish a Bond Proceeds Fund with the Fiduciary appointed by the District to serve in that capacity for the Series 2023A Bonds designated as the “Northern Kentucky Water District Revenue Bonds, Series 2023A - Bond Proceeds Fund” (the “Series 2023A Bond Proceeds Fund”). Within the Series 2023A Bond Proceeds Fund the District shall establish and maintain with the Fiduciary so appointed a Costs of Issuance Account designated as the “Northern Kentucky Water District Revenue Bonds, Series 2023A - Costs of Issuance Account” (the “Series 2023A Costs of Issuance Account”) for the purpose of paying Costs of Issuance of the Series 2023A Bonds.

(c) Series 2023A Capitalized Interest Subaccount. The District shall establish within the Interest Account of the Debt Service Fund a subaccount designated as the “Northern Kentucky Water District Revenue Bonds, Series 2023A - Capitalized Interest Subaccount” (the “Series 2023A Capitalized Interest Subaccount”) for the purpose of paying capitalized interest, if any, on the Series 2023A Bonds funded with the proceeds of the Series 2023A Bonds. If utilized, the Series 2023A Capitalized Interest Subaccount may be established with the Fiduciary appointed for the Series 2023A Bonds or the then existing Fiduciary for the Debt Service Fund.

302. Application of Proceeds of Series 2023A Bonds. Except as may otherwise be provided by the District in a supplemental resolution, the proceeds of the Series 2023A Bonds shall (i) first, be deposited to the Series 2021A Note Redemption Account in an amount, together with other available monies of the District, sufficient to pay the principal amount of all Series 2021A Notes then outstanding, all premium, if any, and all interest accrued thereon to such date of payment; (ii) second, be deposited to the Debt Service Reserve in an amount, together with other available monies of the District, sufficient to cause the amount on deposit in the Debt Service Reserve to equal the Aggregate Debt Service Reserve Requirement as a result of the issuance of the Series 2023A Bonds; (iii) third, be deposited to the Series 2023A Capitalized Interest Subaccount in an amount, together with other available monies of the District, sufficient to fund capitalized interest on the Series 2023A Bonds in the amounts and to the dates then selected by the District; (iv) fourth, be deposited to the Series 2023A Costs of Issuance Account in an amount, together with other available monies of the District, sufficient to pay the Costs of Issuance of the Series 2023A Bonds; and (v) fifth, all remaining proceeds of the Series 2023A Bonds shall be deposited in the Improvement, Repair, and Replacement Fund created by the General Resolution and used to pay the costs of long-term capital improvements to the Public Water System.

ARTICLE IV ISSUANCE AND SALE OF THE SERIES 2023A BONDS

401. Award of Series 2023A Bonds to Best Bidder. The Series 2023A Bonds shall be offered publicly for sale upon the basis of sealed, competitive bids at such time as an Authorized Officer, upon advice of the Financial Advisor, shall designate.

The Authorized Officers of the Board are hereby authorized and directed to cause an appropriate form or forms of a Notice of Bond Sale to be published in accordance with KRS 424.360.

Upon the date and at the respective hour set for the opening and consideration of purchase bids, as provided in the instruments hereinafter approved, the sealed bids theretofore received by an Authorized Officer shall be opened. If there shall be one or more bids which conform in all respects to the prescribed terms and conditions, such bids shall be compared, and such Authorized Officer, upon the advice of the Financial Advisor, is authorized to accept the best of such bids, as measured in terms of the lowest interest cost, as calculated in the manner prescribed in the Official Terms and Conditions of Bond Sale. Calculations shall be performed as are necessary to determine the exact amount of Series 2023A Bonds that are required to be issued in order to provide sufficient funds for the purposes described herein and the final principal amount and maturities of the Series 2023A Bonds shall thereupon be established, as prescribed in the Official Terms and Conditions of Bond Sale.

A certificate of award shall (i) be executed on the date of the public sale of the Series 2023A Bonds; (ii) accept the bid which the Authorized Officer determines to be the best bid in accordance with the official terms and conditions of sale; and (iii) in accepting the successful bid, determine the exact principal amount and maturities of Series 2023A Bonds to be issued, the rates of interest which said Series 2023A Bonds shall bear, and the optional and mandatory redemption terms for the Series 2023A Bonds.

402. Approval of Preliminary Official Statement and Official Statement. The District hereby approves the use of a Preliminary Official Statement and the public distribution of such Preliminary Official Statement and an Official Bid Form and Official Terms and Conditions of Bond Sale, to be prepared by the District and its financial advisor in the usual and customary form and approved by Dinsmore & Shohl LLP, as bond counsel. The Preliminary Official Statement shall, upon the sale of the Series 2023A Bonds, be completed to reflect the interest rates to be borne by the Series 2023A Bonds and other relevant facts to serve as the District's Official Statement regarding the Series 2023A Bonds. The President and Chief Executive Officer or other Authorized Officer is further authorized to declare the Official Statement to be "final" for purposes of the Rule.

In order to comply with the Rule, a Continuing Disclosure Agreement, to be dated the first day of the month in which the Bonds are sold, between the District and the disclosure agent identified therein, is hereby authorized and approved, in the usual and customary form, with such modifications and additions as may be approved by the Authorized Officer executing the same.

403. General Authorization. The Authorized Officers are hereby authorized to do and perform any act or sign any and all documents required by the General Bond Resolution, and perform any other acts or sign and execute any other documents necessary or convenient in connection with the authorization, sale, award, issuance, and delivery of the Series 2023A Bonds. The Series 2023A Bonds shall be executed, authenticated, and sealed pursuant to the General Bond Resolution and supplemental resolutions not inconsistent therewith, provided that the attestation shall be by an Authorized Officer.

404. Delivery of Series 2023A Bonds. The Authorized Officers, and all Authorized Officers of the District as defined in the General Bond Resolution, are hereby severally authorized, after execution of the Series 2023A Bonds to deliver said Series 2023A Bonds to or upon the order of the Purchaser thereof, to receive the proceeds of sale of the Series 2023A Bonds and give a

written receipt thereof on behalf of the District; to apply said proceeds and any other moneys in accordance with the terms of the General Bond Resolution, and this Resolution; and in such manner as is required to cause the conditions to the issuance of the Series 2023A Bonds as stipulated in the General Bond Resolution to be complied with and to do and perform, or cause to be done and performed, for and on behalf of the District, all acts and things that constitute conditions to the authentication and delivery of the Series 2023A Bonds, or that are otherwise required to be done and performed by or on behalf of the District before, or simultaneously with, the delivery of the Series 2023A Bonds.

ARTICLE V
MISCELLANEOUS

501. Open Meeting Compliance. The Board hereby finds and determines that all formal actions relative to the adoption of this Resolution were taken in an open meeting of the Board, and that all deliberations of the Board and of its committees, if any, which resulted in formal action, were taken in open meetings, in full compliance with applicable legal requirements.

502. Severability. If any one or more of the provisions of this Resolution should be determined by a court of competent jurisdiction to be contrary to law, then such provisions shall be deemed to be severable from all remaining provisions and shall not affect the validity of such other provisions.

503. Inconsistent Actions. All prior ordinances, resolutions, orders, or parts thereof inconsistent herewith are hereby repealed.

ARTICLE VI
EFFECTIVE DATE

601. Effective upon Adoption. This Resolution and any supplement thereto shall be in full force and effect from and after its adoption.

APPENDIX F
NORTHERN KENTUCKY WATER DISTRICT
REVENUE BOND ANTICIPATION NOTES, SERIES 2021A

BOOK-ENTRY ONLY SYSTEM

[Page intentionally left blank]

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2021A Note. The Series 2021A Notes 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 certificate will be issued for the Series 2021A Notes, in the aggregate principal amount of the Series 2021A Notes, and will be deposited with DTC.

DTC, the world’s largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2021A Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021A Notes on DTC’s records. The ownership interest of each actual purchaser of each Series 2021A Note (“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 2021A Notes 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 2021A Notes, except if use of the book-entry system for the Series 2021A Notes is discontinued.

To facilitate subsequent transfers, all Series 2021A Notes 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 2021A Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021A Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2021A Notes 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 2021A Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2021A Notes, such as redemptions, tenders, defaults, and proposed amendments to the Series 2020 Series 2021A Note documents. For example, Beneficial Owners of Series 2021A Notes may wish to ascertain that the nominee holding the Series 2021A Notes 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 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 2021A Notes within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2021A Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 2021A Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2021A Notes 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 District or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Agent, 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 2021A Notes at any time by giving reasonable notice to the District or Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

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

APPENDIX G

**NORTHERN KENTUCKY WATER DISTRICT
REVENUE BOND ANTICIPATION NOTES, SERIES 2021A**

FORM OF BOND COUNSEL OPINION

[Page intentionally left blank]

The form of the legal approving opinion of Dinsmore & Shohl LLP, bond counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the Series 2021A Notes referred to therein and may vary from the form set forth to reflect circumstances both factual and legal at the time of such delivery. Recirculation of the Final Official Statement shall create no implication that Dinsmore & Shohl LLP has reviewed any of the matters set forth in such opinion after the date of such opinion.

[Date of Delivery]

Northern Kentucky Water District
Erlanger, Kentucky

Ladies and Gentlemen:

We have acted as bond counsel in connection with the authorization, sale, and issuance by Northern Kentucky Water District (the “District”), a public body corporate and politic and a political subdivision of the Commonwealth of Kentucky, acting by and through its Board of Commissioners as its duly authorized governing body, of \$25,000,000* principal amount of Revenue Bond Anticipation Notes, Series 2021A (the “Series 2021A Notes”).

The Series 2021A Notes have been authorized and issued pursuant to Chapters 58 and 74 of the Kentucky Revised Statutes (collectively, the “Act”); a certain General Bond Resolution adopted by the District on November 19, 1985, as amended by the District on November 17, 1987 (as amended, the “General Bond Resolution”); a certain Series 2023A Bond Resolution adopted by the District on January 21, 2020 (the “Series 2023A Bond Resolution”), authorizing approximately \$27,000,000 of Series 2023A Bonds and a certain Series 2021A Bond Anticipation Note Resolution adopted by the District on February 18, 2021, authorizing the Series 2021A Notes (the “Series 2021A Bond Anticipation Note Resolution” and, together with the General Bond Resolution and the Series 2023A Bond Resolution, the “Resolutions”). Pursuant to the Resolutions, the District has authorized the issuance of the Series 2021A Notes for the purpose of (i) financing certain improvements to the Public Water System, as defined in the General Bond Resolution, (ii) paying the costs of issuance of the Series 2021A Notes; and (iii) funding capitalized interest on the Series 2021A Notes to their maturity date.

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 2021A Notes, including a specimen Series 2021A Note, 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 District as to certain factual matters. Based upon the foregoing, we advise you that in our opinion under existing law:

1. The Series 2021A Notes have been duly authorized, executed, and issued by the District in accordance with the Constitution and Statutes of the Commonwealth, including the Act, and in accordance with the General Bond Resolution and the Series 2021A Bond Anticipation Note Resolution, and constitute valid and binding special and limited obligations of the District, payable as to principal, interest, and premium, if any, from and secured by a pledge of proceeds of the sale of the Series 2023A Bonds; a pledge of proceeds of the sale of any renewal notes, as authorized by the Series 2023A Bond Resolution; and Investment Obligations, as defined in the General Bond Resolution, purchased with the proceeds of the Series 2021A Notes.

2. Neither the faith and credit nor the taxing power of the District, the Commonwealth of Kentucky, or any political subdivision thereof, nor the faith and credit of the District is pledged to the payment of the principal of or interest on the Series 2021A Notes, or to the payment of premium, if any.

3. Interest on the Series 2021A Notes is exempt from income taxation by the Commonwealth of Kentucky, and the Series 2021A Notes are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

4. Under the laws, regulations, rulings, and judicial decisions in effect as of the date hereof, interest, including original issue discount, on the Series 2021A Notes is excludible from gross income for federal income tax purposes, pursuant

* Preliminary, subject to change.

to the Internal Revenue Code of 1986, as amended (the “Code”). Furthermore, interest on the Series 2021A Notes will not be treated as an item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding, or disposing of the Series 2021A Notes.

5. The Series 2021A Notes are **not** “qualified tax-exempt obligations” with respect to investments by certain financial institutions under Section 265 of the Code.

In giving this opinion, we have relied upon covenants and certifications of facts, estimates, and expectations made by officials of the District and others contained in the transcript which we have not independently verified. It is to be understood that the enforceability of the Resolutions, the Series 2021A Notes and agreements relating thereto may be limited by bankruptcy, insolvency, reorganization, moratorium, insolvency, or other similar laws relating to or affecting the enforcement of creditors’ rights or by general equitable principles.

Without having undertaken to determine independently or to verify the accuracy or completeness of the statements contained in the Official Statement issued with respect to the Series 2021A Notes, and expressing no opinion as to the financial statements or any other financial or statistical data contained therein, nothing has come to our attention in the course of our professional engagement as Bond Counsel which would lead us to believe that the Official Statement contains any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

APPENDIX H

**NORTHERN KENTUCKY WATER DISTRICT
REVENUE BOND ANTICIPATION NOTES, SERIES 2021A**

OFFICIAL TERMS AND CONDITIONS OF SALE

[Page intentionally left blank]

OFFICIAL TERMS AND CONDITIONS OF SALE

\$25,000,000*

**NORTHERN KENTUCKY WATER DISTRICT
REVENUE BOND ANTICIPATION NOTES, SERIES 2021A**

SALE: March 2, 2021 at 11:00 A.M. Eastern Time ET

The Board of Commissioners of Northern Kentucky Water District (the “District”) will until March 2, 2021 at the hour of 11:00 A.M. Eastern Time (or at such later time and date announced at least forty-eight hours in advance via the BiDCOMP™/PARITY™ system) for the purchase of approximately \$25,000,000* Northern Kentucky Water District Revenue Bond Anticipation Notes, Series 2021A (the “Series 2021A Notes”). Except as otherwise permitted herein, bids must be submitted through BiDCOMP™/PARITY™ as described herein and no other provider of bidding services will be accepted. Bids will be opened and acted upon later that same day.

STATUTORY AUTHORITY, PURPOSE OF ISSUE, AND SECURITY

These Bonds are authorized pursuant to Chapters 58 and 74 of the Kentucky Revised Statutes and are being issued in accordance with an Amended and Restated General Bond Resolution adopted by the Board of Commissioners of the District on November 19, 1985, as amended by the First Supplemental General Bond Resolution adopted November 17, 1987 (as amended, the “General Bond Resolution”), a Series 2023A Bond Resolution adopted by the Board of Commissioners of the District on February 18, 2021 (the “Series 2023A Bond Resolution”); and a Series 2021A Revenue Bond Anticipation Note Resolution adopted by the Board of Commissioners of the District on February 18, 2021 (the “Series 2021A Bond Anticipation Note Resolution” and, together with the General Bond Resolution and the Series 2023A Bond Resolution, the “Resolutions”).

PURPOSE OF ISSUE AND SECURITY

The District Board of Commissioners has adopted a Series Resolution, authorizing and providing for the issuance of up to \$25,000,000 of its Revenue Bond Anticipation Notes, Series 2021A, the proceeds of which will be used to: (i) provide funds used for paying the costs of additions and improvements to the public water system of the District (the “Public Water System”); (ii) pay the costs of issuance of the Series 2021A Notes; and (iii) fund capitalized interest on the Series 2021A Notes to their maturity date. The Series 2021A Notes are special and limited obligations of the District and the District has pledged (i) the proceeds of the District’s Revenue Bonds, Series 2023A (the “Series 2023A Bonds”), authorized and directed to be issued under the Series 2023A Bond Resolution, the proceeds of any renewal notes issued by the District (“Renewal Notes”), or other source for the permanent financing for the additions and improvements to the Public Water System to be financed on an interim basis by the Series 2021A Notes; and (ii) any Investment Obligations (as defined in the General Bond Resolution) purchased with the proceeds of the Series 2021A Notes. Subject to the priority lien granted to the holders of the District’s outstanding Revenue Bonds, and any obligations issued on a parity therewith in accordance with the terms of the General Bond Resolution, the revenues from the Public Water System will also be available for the payment of the principal of, premium, if any, and interest on the Series 2021A Notes. In the Series 2021A Bond Anticipation Note Resolution, the District has covenanted to cause the Series 2023A Bonds, renewal notes, or other financing to be issued at or before the time necessary to pay in full the principal of, premium, if any, and interest on the Series 2021A Notes when due.

THE SERIES 2021A NOTES ARE SPECIAL AND LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM THE PROCEEDS OF THE SERIES 2023A BONDS AND OTHER LIMITED SECURITY PLEDGED THEREFOR UNDER THE SERIES 2021A BOND ANTICIPATION NOTE RESOLUTION. THE SERIES 2021A NOTES ARE NOT SECURED BY A PLEDGE OF THE GENERAL CREDIT OR TAXING POWER OF THE DISTRICT, THE COMMONWEALTH OF KENTUCKY (THE “COMMONWEALTH”), OR ANY POLITICAL SUBDIVISION THEREOF; NOR SHALL THE SERIES 2021A NOTES BE DEEMED A GENERAL OBLIGATION OF THE DISTRICT, THE COMMONWEALTH, OR ANY POLITICAL SUBDIVISION THEREOF; NOR SHALL THE COMMONWEALTH OR ANY POLITICAL SUBDIVISION THEREOF (OTHER THAN THE DISTRICT) BE LIABLE FOR PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2021A NOTES. THE DISTRICT HAS NO TAXING POWER.

* Preliminary, subject to change.

SERIES 2021A NOTE MATURITY AND PAYING AGENT

The Series 2021A Notes will be dated their date of initial delivery, bearing interest from such date, payable on each on February 1st and August 1st, commencing with August 1, 2021.

The Series 2021A Notes are scheduled to mature on February 1, 2023 as follows:

Maturity	Amount*
February 1, 2023	\$25,000,000

The Series 2021A Notes shall be subject to optional redemption before their maturity on any date on or after August 1, 2022, in whole or in part, at a redemption price equal to the principal amount of Series 2021A Notes to be redeemed, plus accrued interest to the date of redemption.

At least thirty days before the redemption date of any Series 2021A Notes, the Paying Agent and Registrar shall cause a notice of such redemption either in whole or in part, signed by the Paying Agent and Registrar, to be mailed, first class, postage prepaid, to all registered owners of the Series 2021A Notes to be redeemed at their addresses as they appear on the registration books kept by the Paying Agent and Registrar, but failure to mail any such notice shall not affect the validity of the proceedings for such redemption of Series 2021A Notes for which such notice has been sent. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Series 2021A Notes being payable by their terms on a single date then outstanding shall be called for redemption, the distinctive number or letters, if any, of such Series 2021A Notes to be redeemed.

The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, has been appointed Paying Agent and Registrar for the Series 2021A Notes.

BIDDING CONDITIONS AND RESTRICTIONS

The terms and conditions of the sale of the Series 2021A Notes are as follows:

- A. Except as otherwise permitted herein, bids for the Series 2021A Notes must be submitted through BiDCOMP™/PARITY™ system and no other provider of bidding services will be accepted. Subscription to the BiDCOMP™/PARITY™ Competitive Bidding System is required in order to submit an electronic bid. The District will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by BiDCOMP™/PARITY™ shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in BiDCOMP™/PARITY™ conflict with the terms of the Official Terms and Conditions of Sale, this Official Terms and Conditions of Sale shall prevail. Bids made through the facilities of BiDCOMP™/PARITY™ shall be deemed an offer to purchase in response to the Notice of Sale and shall be binding upon the bidders as if made by signed, sealed, and written bids delivered to the District. The District shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by BiDCOMP™/PARITY™. The use of BiDCOMP™/PARITY™ facilities are at the sole risk of the prospective bidders.
- B. Bidders are required to bid for the entire issue of Series 2021A Notes at a minimum price of not less than \$24,500,000 (98.0% of par) (excluding original issue discount, if applicable), PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.
- C. Interest rates for the Series 2021A Notes must be in multiples of one-eighth of one percent (0.125%) and/or one-twentieth of one percent (0.05%), and all Series 2021A Notes shall bear the same and a single interest rate from the date thereof to maturity.
- D. The determination of the best bid will be made on the basis of the lowest true interest cost (“TIC”) of all bids submitted for exactly \$25,000,000 of Series 2021A Notes as offered for sale under the terms and conditions herein specified. The District will accept or reject such best bid, provided, however, the District reserves the right to

* Preliminary, subject to change.

increase or decrease the total amount of Series 2021A Notes sold to such best bidder (in \$5,000 Authorized Denominations). In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required. If two or more bidders offer bids at the same lowest true interest cost and the District wishes to award the Series 2021A Notes, the District shall determine by lot which bidder will be awarded such Series 2021A Notes.

The Series 2021A Notes are subject to a permitted adjustment increasing the principal amount of the Series 2021A Notes awarded to the purchaser thereof by up to \$27,500,000.00 or decreasing the principal amount of the Series 2021A Notes awarded to the Purchaser thereof by any amount. If the principal amount of the Series 2021A Notes is revised after the award, the interest rate and reoffering price and the Underwriter's Discount on the Series 2021A Notes as submitted by the successful bidder shall be held constant. "Underwriter's Discount" shall be defined as the difference between the purchase price of the Series 2021A Notes submitted by the bidder and the price at which the Series 2021A Notes will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Series 2021A Notes bid.

- E. In the event of any such adjustment and/or revision with respect to the Series 2021A Notes, no rebidding will be permitted, and the portion of such premium or discount (as may have been bid on the Series 2021A Notes) shall be adjusted in the same proportion as the amount of such revision in par amount of the Series 2021A Notes bears to the original par amount of such Series 2021A Notes offered for sale.

Unless bids for the Series 2021A Notes are rejected, the Series 2021A Notes will be awarded on an all or none basis on the sale date to the bidder whose bid results in the lowest true interest costs for the Series 2021A Notes, to be calculated by computing the total interest payable on the Series 2021A Notes from the expected date of delivery, through the final maturity date, plus discount or less premium. If two or more bidders offer to purchase the Series 2021A Notes at the same lowest true interest rate, an Authorized Officer of the District, upon the advice of the District's Financial Advisor (as identified herein) shall determine (in his or her sole discretion) which of the bidders shall be awarded the Series 2021A Notes.

The successful bidder for the Series 2021A Notes will be notified by no later than 5:00 p.m. (Eastern Daylight Savings Time), on the sale date of the exact revisions and/or adjustment required, if any.

- F. The CUSIP Service Bureau charge for the assignment of such numbers shall be the responsibility of and shall be paid for by the successful bidder or bidders. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for the Series 2021A Notes in accordance with the terms of any accepted proposal for the purchase of the Series 2021A Notes.
- G. In addition to electronic forms of bidding, electronic proposals will be received by the Financial Advisor on behalf of the District at RSA Advisors, LLC, 325 West Main Street, Suite 300, Lexington, Kentucky 40507, Telephone (800) 255-0795, JLakofka@rsamuni.com until 11:00 A.M. Eastern Time, on March 2, 2021. Bids may be submitted via email pursuant to this Official Terms and Conditions of Sale until 11:00 A.M. Eastern Time, but not bid will be received after the time for receiving bids specified above.
- H. The District will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A final Official Statement will be provided in Electronic Form to the successful bidder, in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder will be required to pay for the printing of Final Official Statements.
- I. Bids need not be accompanied by a certified or bank cashier's good faith check, but the successful bidder will be required to wire transfer to the order of the District an amount equal to 1.0% of the amount of the principal amount of Series 2021A Notes awarded by the close of business on the day following the award. The good faith amount will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Series 2021A Notes when ready. The good-faith amount will be applied (without interest) to the purchase price upon delivery of the Series 2021A Notes. The successful bidder shall not be required to take delivery and pay for the Series 2021A Notes unless delivery is made within forty-five days from the date the bid is accepted.
- J. Unless the successful bidder elects to notify the Financial Advisor within twenty-four hours of the award that standard bond certificates be issued, the Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2021A Notes. They will be issued as fully-registered securities registered in the

name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2021A Note certificate will be issued for each maturity of the Series 2021A Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Series 2021A Notes under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Series 2021A Notes on DTC's records. The ownership interest of each actual purchaser of each Series 2021A Note (a "Beneficial Owner") is in turn to be recorded on the records of Direct Participants or securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021A Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2021A Notes, except if use of the book-entry system for the Series 2021A Notes is discontinued. The successful bidder may also elect to notify the Financial Advisor within twenty-four hours of the award that standard bond certificates be issued. If certificated Series 2021A Notes are to be issued at the election of a successful bidder, the costs of printing such Series 2021A Note Certificates shall be borne by such bidder.

- K. Payment of all amounts due from the successful bidder shall be at the principal office of the Note Registrar and shall be in IMMEDIATELY AVAILABLE FUNDS.
- L. Bidders are advised that RSA Advisors, LLC has been employed as Financial Advisor in connection with the issuance of the Series 2021A Notes. Their fee for services rendered with respect to the sale of the Series 2021A Notes is contingent upon the issuance and delivery thereof. They may submit a bid for the purchase of the Series 2021A Notes 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 Series 2021A Notes.
- M. The District reserves the right to reject any and all bids or to waive any informality in any bid. The Series 2021A Notes are offered for sale subject to the principal and interest not being subject to federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, in accordance with the Final Approving Legal Opinion of Dinsmore & Shohl LLP, Covington, Kentucky, which Opinion will be qualified in accordance with the TAX MATTERS section of the Preliminary Official Statement.
- N. Bond Insurance can be purchased as a bidder's option. In such event, the District agrees to cooperate with the purchaser; however, the District will not assume any of the expenses incident to the issuance of such a bond insurance policy, other than the costs for securing a rating of the Series 2021A Notes from Moody's Investors Service, Inc.
- O. As required by the Internal Revenue Code of 1986, as amended, the purchaser of the Series 2021A Notes will be required to certify to the District as to certain of its activities regarding any reoffering to the public of the Series 2021A Notes, including any reoffering prices. This information from the purchaser of the Series 2021A Notes shall also be made available to the Financial Advisor immediately after the sale of the Series 2021A Notes.
- P. Upon wrongful refusal of the purchasers to take delivery of and pay for the Series 2021A Notes in Immediately Available Funds when tendered for delivery, the good faith deposit shall be forfeited by such purchasers, and such amount shall be deemed liquidated damages for such default; provided, however, if the Series 2021A Notes are not ready for delivery and payment within forty-five days from the date of sale herein provided for, said purchasers shall be relieved of any liability to accept the Series 2021A Notes hereunder. However, it is contemplated that the Series 2021A Notes will be delivered on a date during such period as may be designated by representatives of the District, and the purchasers will be required to accept delivery of and pay for the Series 2021A Notes on any designated date within such forty-five day period upon notice being given at least five business days before the designated delivery date.
- Q. The winning bidder for the Series 2021A Notes shall assist the District in establishing the issue price of the Series 2021A Notes and shall execute and deliver to the District at Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Series 2021A Notes, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit A-1, with such modifications as may be appropriate or necessary, in the reasonable judgment of

the winning bidder, the District, and Bond Counsel. All actions to be taken by the District under these Official Terms and Conditions of Sale to establish the issue price of the Series 2021A Notes may be taken on behalf of the District by the District's Financial Advisor identified herein and any notice or report to be provided to the District shall be provided to the District's Financial Advisor.

The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Series 2021A Notes) will apply to the initial sale of each of the Series 2021A Notes (the "competitive sale requirements") because:

- (1) the District shall disseminate these Official Terms and Conditions of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the District may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the District anticipates awarding the Series 2021A Notes to the bidder who submits a firm offer to purchase the Series 2021A Notes at the lowest true interest cost, as set forth in these Official Terms and Conditions of Sale.

Any bid submitted pursuant to these Official Terms and Conditions of Sale shall be considered a firm offer for the purchase of the Series 2021A Notes, as specified in the bid.

- R. If the competitive sale requirements are not satisfied, the District shall so advise the applicable winning bidder. The District will treat the initial offering price to the public as of the sale date of the Series 2021A Notes as the issue price of the Series 2021A Notes (the "hold-the-offering-price rule"). Bids will not be subject to cancellation if the District determines to apply the hold-the-offering-price rule to the Series 2021A Notes. Bidders should prepare their bids on the assumption that the Series 2021A Notes will be subject to the hold-the-offering-price rule in order to establish the issue price of the Series 2021A Notes.

If the competitive sale requirements are not satisfied, the winning bidder for the Series 2021A Notes shall assist the District in establishing the issue price of the Series 2021A Notes and shall execute and deliver to the District at Closing an "issue price" or similar certificate setting forth the hold-the-offering-price rule as the issue price of the Series 2021A Notes substantially in the form attached hereto as Exhibit A-2, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the District, and Bond Counsel.

- S. The District acknowledges that, in making the representations set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires; (ii) if a selling group has been created in connection with the initial sale of the Series 2021A Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires; and (iii) if an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Series 2021A Notes to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Series 2021A Notes.
- T. By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement, and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Series 2021A Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires; and (ii) any agreement among underwriters relating to the initial sale of the Series 2021A Notes to the public, together with the related

pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Series 2021A Notes to the public to require each broker-dealer that is a party to such retail distribution agreement to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

CONTINUING DISCLOSURE

The District has agreed to provide or cause to be provided, in accordance with the requirements of the Rule (i) on or before October 1st after the end of each fiscal year, certain annual financial information and operating data, including audited financial statements for the preceding fiscal year, generally consistent with the information contained in the forepart of the Official Statement; and (ii) timely notice of the occurrence of certain events with respect to the Series 2021A Notes.

TAX MATTERS

In the opinion of Bond Counsel for the Series 2021A Notes, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Series 2021A Notes will be excludible from gross income for federal income tax purposes. Bond Counsel for the Series 2021A Notes is also of the opinion that interest on the Series 2021A Notes will not be a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the federal alternative minimum tax. Furthermore, Bond Counsel for the Series 2021A Notes is of the opinion that interest on the Series 2021A Notes is exempt from income taxation and the Series 2021A Notes are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2021A Notes. The District has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Series 2021A Notes 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 2021A Notes being includable in income for federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Series 2021A Notes. 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 2021A Notes may adversely affect the tax status of the interest on the Series 2021A Notes.

Certain requirements and procedures contained or referred to in the Series 2021A Note documents and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2021A Notes) 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 2021A Notes 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 Dinsmore & Shohl LLP.

Although Bond Counsel for the Series 2021A Notes is of the opinion that interest on the Series 2021A Notes will be excludible from gross income for federal income tax purposes and that interest on the Series 2021A Notes is excludible from gross income for Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2021A Notes may otherwise affect a registered holder'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 registered holder'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 registered holder or potential registered holder is urged to consult with tax counsel with respect to the effects of purchasing, holding, or disposing the Series 2021A Notes on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Series 2021A Notes may result in other collateral federal, state, or local tax consequences for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code; increasing the federal tax liability of certain insurance companies, under Section 832 of the Code; increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code; increasing the federal tax liability of certain individual recipients of Social Security or the Railroad Retirement benefits under Section 86 of the Code; and limiting the amount of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Series 2021A Notes may also result in the limitation of interest and certain other deductions

EXHIBIT A-1

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of at least three qualified bids for the Series 2021A Notes]

ISSUE PRICE CERTIFICATE

\$ _____ **Northern Kentucky Water District Revenue Bond Anticipation Notes, Series 2021A**

The undersigned, on behalf of [Name of Underwriter] (“[Short Name of Underwriter]”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Series 2021A Notes”).

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Notes to the Public by [Short Name of Underwriter] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Series 2021A Notes used by [Short Name of Underwriter] in formulating its bid to purchase the Series 2021A Notes. Attached as Schedule B is a true and correct copy of the bid provided by [Short Name of Underwriter] to purchase the Series 2021A Notes.

(b) [Short Name of Underwriter] was not given the opportunity to review other bids before submitting its bid.

(c) The bid submitted by [Short Name of Underwriter] constituted a firm offer to purchase the Series 2021A Notes.

2. CUSIP Number. The CUSIP number assigned to the final maturity of the Series 2021A Notes is 665306 [___].

3. Yield on the Notes. It computed the yield on the Series 2021A Notes, [Yield%], as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Series 2021A Notes, is the Expected Offering Prices, determined without taking into account issuance expenses and Underwriter’s discount.

4. Weighted Average Maturity. The “weighted average maturity” of the Series 2021A Notes has been calculated to be [WAM] years. The weighted average maturity is the sum of the products of the respective Expected Offering Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Expected Offering Prices of the Series 2021A Notes as of the date hereof.

5. Defined Terms.

(a) “District” means the Northern Kentucky Water District.

(b) “Maturity” means Series 2021A Notes with the same credit and payment terms. Series 2021A Notes with different maturity dates, or Series 2021A Notes with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) “Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Series 2021A Notes. The Sale Date of the Series 2021A Notes is March 2, 2021.

(e) “Underwriter” means (i) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2021A Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Series 2021A Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2021A Notes to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [Short Name of Underwriter]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the District with respect to certain of the representations set forth in the foregoing tax certificate and with respect to compliance with the federal income tax rules affecting the Series 2021A Notes, and by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Series 2021A Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the District from time to time relating to the Series 2021A Notes.

[NAME OF UNDERWRITER]

By: _____

Name: _____

Dated: March 18, 2021

**SCHEDULE A
TO
ISSUE PRICE CERTIFICATE
EXPECTED OFFERING PRICES**

(Attached)

**SCHEDULE B
TO
ISSUE PRICE CERTIFICATE**

COPY OF BID

(Attached)

EXHIBIT A-2

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of less than three qualified bids for the Series 2021A Notes]

\$ _____ Northern Kentucky Water District Revenue Bond Anticipation Notes, Series 2021A

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [Name of Underwriter] ([“[Short Name of Underwriter]”]), on behalf of itself and [Names of other Underwriters] (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Series 2021A Notes”).

1. Sale of the General Rule Maturities. As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. Initial Offering Price of the Hold-the-Offering-Price Maturities.

(a) [Short Name of Underwriter][The Underwriting Group] offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Series 2021A Notes is attached to this certificate as Schedule B.

(b) As set forth in the Official Terms and Conditions of Note Sale, [Short Name of Underwriter] has agreed in writing that (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Series 2021A Notes of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”); and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Series 2021A Notes during the Holding Period.

3. CUSIP Number. The CUSIP number assigned to the final maturity of the Series 2021A Notes is 665306 [___].

4. Yield on the Notes. It computed the yield on the Notes, [Yield%], as that yield (determined on the basis of semiannual compounding) which, when used in computing the present worth of all payments of principal and interest to be made with respect to particular obligations, produces an amount equal to their purchase price, which, in the case of the Series 2021A Notes is the Initial Offering Prices, determined without taking into account issuance expenses and Underwriter’s discount.

5. Weighted Average Maturity. The “weighted average maturity” of the Series 2021A Notes has been calculated to be [WAM] years. The weighted average maturity is the sum of the products of the respective Initial Offering Price of each Maturity and the number of years to maturity (determined separately for each Maturity and by taking into account mandatory redemptions), divided by the aggregate Initial Offering Prices of the Series 2021A Notes as of the date hereof.

6. Defined Terms.

(a) “General Rule Maturities” means those Maturities of the Series 2021A Notes listed in Schedule A hereto as the “General Rule Maturities.”

(b) “Hold-the-Offering-Price” Maturities means those Maturities of the Series 2021A Notes listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) “Holding Period” means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (March 9, 2021), or (ii) the date on which [Short Name of Underwriter][the Underwriting Group] [has][have] sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(d) “District” means the Northern Kentucky Water District.

(e) “Maturity” means Series 2021A Notes with the same credit and payment terms. Series 2021A Notes with different maturity dates, or Series 2021A Notes with the same maturity date but different stated interest rates, are treated as separate maturities.

(f) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(g) “Sale Date” means the first day on which there is a binding contract in writing for the sale of a Maturity of the Series 2021A Notes. The Sale Date of the Series 2021A Notes is March 2, 2021.

(h) “Underwriter” means (i) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2021A Notes to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Series 2021A Notes to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Series 2021A Notes to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [Short Name of Underwriter]’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the District with respect to certain of the representations set forth in the foregoing tax certificate and with respect to compliance with the federal income tax rules affecting the Series 2021A Notes, and by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Series 2021A Notes is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the District from time to time relating to the Series 2021A Notes.

[NAME OF UNDERWRITER][as Representative of the Underwriter Group]

By: _____

Name: _____

Dated: March 18, 2021

**SCHEDULE A
TO
ISSUE PRICE CERTIFICATE**

**SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**

(Attached)

**SCHEDULE B
TO
ISSUE PRICE CERTIFICATE**

PRICING WIRE OR EQUIVALENT COMMUNICATION

(Attached)

APPENDIX I

**NORTHERN KENTUCKY WATER DISTRICT
REVENUE BOND ANTICIPATION NOTES, SERIES 2021A**

OFFICIAL BID FORM

[Page intentionally left blank]

OFFICIAL BID FORM

\$25,000,000*

**NORTHERN KENTUCKY WATER DISTRICT
REVENUE BOND ANTICIPATION NOTES, SERIES 2021A**

Subject to the terms and conditions set forth in the Series 2021A Bond Anticipation Note Resolution adopted by the Board of Commissioners of the Northern Kentucky Water District (the "District") dated February 18, 2021 (the "Series 2021A Bond Anticipation Note Resolution"), providing for the sale of \$25,000,000* Northern Kentucky Water District Revenue Bond Anticipation Notes, Series 2021A (the "Series 2021A Notes"), and in accordance with the Official Terms and Conditions of Sale for the Series 2021A Notes, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Series 2021A Notes.

We hereby bid for the \$25,000,000* principal amount of the Series 2021A Notes* maturing February 1, 2023, the total sum of \$_____ (not less than \$24,500,000) plus accrued interest from March 18, 2021, at the following annual rate, payable semiannually, commencing August 1, 2021:

Maturity	Amount	Interest Rate
February 1, 2023	\$25,000,000*	_____ %

Neither the District nor the Financial Advisor assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel or equipment are available to accept all telephonic transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received. Bids must be submitted electronically via BiDCOMP™/PARITY™ pursuant to the Official Terms and Conditions of Sale until the appointed date and time, but no bid will be received after such time.

It is understood that the District will furnish the final, approving Legal Opinion of Dinsmore & Shohl LLP, Bond Counsel to the District. We understand that no certified or bank cashier's check will be required to accompany the bid, but that if we are the successful bidder, we shall be required to wire transfer an amount equal to 1.0% of the amount of Series 2021A Notes awarded by the close of business on the day following the award. The amount will be applied (without interest) to the purchase price when the Series 2021A Notes are tendered to us for delivery.

If we are the successful bidder, we agree to accept and make payment for the Series 2021A Notes in immediately available funds within forty-five days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

Bidder

Address

By: _____
Signature

Total interest cost from March 18, 2021, to final maturity	\$ _____
Plus discount or less premium, if any	\$ _____
True interest cost (i.e. TIC)	\$ _____
True interest rate (%)	_____ %

* Preliminary, subject to change.

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

Accepted this March 2, 2021 by the Northern Kentucky Water District, as follows:

Maturity	Amount	Interest Rate
February 1, 2023	\$_____	_____%

Chair
Northern Kentucky Water District