PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 23, 2021

NEW ISSUE **RATING: Moody's "Aa2"**

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

Northern Kentucky Water District

$29,450,000*
NORTHERN KENTUCKY WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2021B

Dated: Date of Delivery **Due Date: February 1, as shown below**

Interest on the Series 2021B Bonds is payable from their dated date on each February 1 and August 1, beginning February 1, 2022. The Series 2021B Bonds will mature on February 1 of the years, in the amounts, bear interest at the annual rates, have the yields and CUSIP numbers, as follows:

Maturity (February 1)	Amount*	Interest Rate	Yield	Price	CUSIP 665306
2022	$4,730,000	____%	____%	____%	
2023	$5,015,000				
2024	$5,125,000				
2025	$5,230,000				
2026	$5,350,000				
2027	$4,000,000				

The Bonds captioned above (the "Series 2021B Bonds") are issued pursuant to an Amended and Restated General Bond Resolution adopted by the Board of Commissioners of the Northern Kentucky Water District (the "District") on November 19, 1985 as amended by the First Supplemental General Bond Resolution adopted November 17, 1987 (the "General Bond Resolution"), and a Series 2021B Bond Resolution (the "Series 2021B Bond Resolution") adopted by the Board of Commissioners of the District on September 16, 2022 (collectively, the "Resolution"). The holders of the Series 2021B Bonds shall, on a parity basis with the holders of all bonds outstanding under the Resolution (the "Bonds"), have a priority lien on and security interest in the Pledged Receipts of the District and other special funds derived from the operations of the works and facilities of the District (the "System"). The District reserves the right to issue additional Bonds on a parity with the outstanding Bonds, subject to satisfaction of the conditions set forth in the Resolution. See "SECURITY FOR THE SERIES 2021B BONDS" herein.

The Series 2021B Bonds will be fully registered bonds in denominations of $5,000 or any integral multiple thereof without coupons. The Series 2021B Bonds will be issuable under a book entry system, registered in the name of The Depository Trust Company ("DTC") or its nominee. There will be no distribution of the Series 2021B Bonds to the ultimate purchasers. See "Book Entry" and APPENDIX E herein. Principal and interest on the Series 2021B Bonds 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 2021B Bonds are subject to optional redemption prior to maturity as described herein.

The Series 2021B Bonds are special and limited obligations of the District 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 2021B BONDS" herein.

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

The Series 2021B Bonds are offered when, as and if issued, subject to the approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel. Certain legal matters have been passed upon for the District by Thomas Edge, Esq., General Counsel to the District. The Series 2021B Bonds are expected to be available for delivery on or about December 14. 2021.

R | S | A
advisors

* Preliminary, subject to change.

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
Nicholas Winnike

President/CEO

C. Ronald Lovan, P.E.

Vice President of Finance and Support Services

Lindsey Rechtin, 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

BOND PAYING AGENT AND REGISTRAR
The Bank of New York Mellon Trust Company, N.A
Louisville, Kentucky

REGARDING THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page, has been prepared by officials of the Northern Kentucky Water District (the "District") in connection with the sale by the District of $29,450,000* aggregate principal amount of Refunding Revenue Bonds, Series 2021B of the District. Certain information concerning the authorization, purpose, terms, conditions of sale and sources of payment of, and security for, the Series 2021B Bonds are described herein. Insofar as such information embodies statements of opinion, or estimates, even if not so labeled, it should be regarded as suggesting independent investigation or consultation of other sources prior to making investment decisions. Certain information may not be the most current that is available; however, attempts were made to date and document sources of information.

No dealer, broker, salesman or other person has been authorized by the District to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been given by the District. 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 2021B Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

Neither this Official Statement nor any verbal or written representations by or on behalf of the District before sale of the Series 2021B Bonds should be regarded as part of the contract with the holders from time to time of the District's Series 2021B Bonds.

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

Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, no representation is made that any of such statements have been or will be realized, and such statements should be regarded as suggesting independent investigation or consultation of other sources prior to the making of investment decisions. Certain information may not be current; however, attempts were made to date and document sources of information. Neither this Official Statement nor any oral or written representations by or on behalf of the District preliminary to sale of the Bonds should be regarded as part of the District's contract with the successful bidder or the holders from time to time of the Bonds.

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

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

* Preliminary, subject to change.

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$29,450,000*
NORTHERN KENTUCKY WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2021B

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information with respect to the issuance of the Series 2021B Bonds.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2021B Bonds to potential investors is made only by means of the entire Official Statement.

The District

The Series 2021B Bonds are being issued by the Northern Kentucky Water District (the "District"), a public body corporate and politic created and existing under Chapter 74 of the Kentucky Revised Statutes.

Sources of Payment and Security for the Series 2021B Bonds

Pursuant to District's 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 (the "General Bond Resolution"), and a Series 2021B Bond Resolution (the "Series 2021B Bond Resolution") adopted by the Board of Commissioners of the District on September 16, 2021 (collectively, the "Resolution"), the District has pledged: (i) the proceeds of the District's Water District Revenue Bonds, Series 2021B (the "Series 2021B Bonds") authorized and directed to be issued under the Series 2021B Bond Resolution; (ii) any Investment Obligations, as hereinafter defined, purchased with the proceeds of the Series 2021B Bonds; and (iii) subject to the priority lien granted to the holders of the District's outstanding Revenue Bonds, including the Series 2021B Bonds, and any additional obligations issued on a parity therewith in accordance with the terms of the General Bond Resolution, the revenues from the operation of the facilities of the District (the "System"), to the payment of the principal of, premium, if any, and interest on the Series 2021B Bonds as and when same shall become due and payable.

THE SERIES 2021B BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF THE CONSTITUTION OF THE COMMONWEALTH OF KENTUCKY. THE SERIES 2021B BONDS ARE PAYABLE SOLELY FROM THE REVENUES OF THE SYSTEM AND THE ASSETS AND REVENUES PLEDGED THEREFORE UNDER THE RESOLUTION, AND ARE SECURED BY A STATUTORY MORTGAGE LIEN ON ALL OF THE PROPERTIES OF THE SYSTEM. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION OR TAXING AUTHORITY THEREOF, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2021B BONDS.

Purpose of the Series 2021B Bonds

The proceeds of the Series 2021B Bonds will be used to (i) refund the District's outstanding Revenue Refunding Bonds, Series 2012 dated June 21, 2012 (the "Prior Bonds"), which were issued to refund and retire the District's outstanding (a) Revenue Refunding Bonds, Series 1997 dated October 1, 1997, (b) Revenue Bonds, Series 1998 dated December 1, 1998, and (c) Revenue Bonds, Series 2001A dated October 1, 2001, the proceeds of which were used to provide funds used for paying the costs of various capital projects of for the System; (ii) make a required deposit to the Debt Service Reserve described herein; and (iii) make a deposit to the Series 2021B Bonds Cost of Issuance Account to pay the costs of issuing the Series 2021B Bonds.

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* Preliminary, subject to change.

Description of the Series 2021B Bonds

Redemption. The Series 2021B Bonds are not subject to optional redemption prior to their maturity (see "THE SERIES 2021B BONDS – Redemption," herein). [The Series 2021B Bonds are subject to mandatory sinking fund redemption as set forth in herein (see "THE SERIES 2021B BONDS – Redemption," herein).]

Denominations. The Series 2021B Bonds will be issued in principal amounts of $5,000 and integral multiples thereof.

Book Entry. The Series 2021B Bonds are issuable only as fully registered Series 2021B Bonds, without coupons. The Series 2021B Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2021B Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2021B Bonds purchased. So long as DTC or its nominee is the registered owner of the Series 2021B Bonds, payments of the principal of and interest due on the Series 2021B Bonds will be made directly to DTC. Principal of, redemption premium, if any, and interest on the Series 2021B Bonds will be paid directly to DTC by The Bank of New York Mellon Trust Company, N.A, Louisville, Kentucky, as Paying Agent and Registrar (the "Paying Agent" and "Registrar"). See "BOOK-ENTRY SYSTEM" and APPENDIX E herein.

Interest. The Series 2021B Bonds will bear interest at the rates set forth on the cover hereof, payable semi-annually on February 1 and August 1, beginning February 1, 2022.

Notices. If any Series 2021B Bonds are called for redemption, notice shall be given by mailing a copy of the redemption notice by registered mail not less than twenty days before the date fixed for redemption to the registered owner of each Series 2021B Bond to be redeemed.

Tax Exemption

Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest, including original issue discount, if any, on the Series 2021B Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Series 2021B Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax. In rendering the opinions in this paragraph regarding the Series 2021B Bonds, Bond Counsel has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinion as to the federal tax consequences of purchasing, holding, or disposing of the Series 2021B Bonds. Interest on the Series 2021B Bonds is exempt from income taxation and the Series 2021B Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The District has not designated the Series 2021B Bonds as "qualified tax exempt obligations" with respect to certain financial institutions under Section 265 of the Code. See Appendix F hereto for the form of the opinion Bond Counsel proposes to deliver in connection with the Series 2021B Bonds.

Parties to the Issuance of the Series 2021B Bonds

The Paying Agent and Registrar for the Series 2021B Bonds is The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky. Legal matters incidence to the issuance of the Series 2021B Bonds and with regard to the tax exempt status of the interest thereon are subject to the approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel. The financial advisor to the District with regard to the issuance of the Series 2021B Bonds is RSA Advisors, LLC, Lexington, Kentucky.

Authority for Issuance

Authority for the issuance of the Series 2021B Bonds is provided by Chapter 58 and Chapter 74 of the Kentucky Revised Statutes (collectively, the "Act") and the Resolution. Approval was received from the Kentucky Public Service Commission in the matter of Case No. 2021-00373 to issue the Series 2021B Bonds on October 22, 2021.

Offering and Delivery of the Series 2021B Bonds

The Series 2021B Bonds are offered when, as and if issued by the District. The Series 2021B Bonds will be delivered on or about December 14, 2021 in New York, New York through the Depository Trust Company (DTC).

Disclosure Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and continuing disclosure documents of the District are intended to be made available through one or more repositories. Copies of the basic documentation relating to the Series 2021B Bonds, including the Resolution and the bond form, are available from the District.

The District has deemed this Official Statement to be final for the purposes of Securities and Exchange Commission Rule 15c2-12, except for certain information on the cover page hereof and certain pages herein which has been omitted in accordance with the Rule and will be provided with the final Official Statement

Additional Information

Additional information concerning this Official Statement, as well as copies of the basic documentation relating to the Series 2021B Bonds, is available from RSA Advisors, LLC, 325 West Main Street, Suite 300, Lexington, Kentucky 40507, Attention: Mr. Joseph Lakofka.

Brief descriptions of the Series 2021B Bonds, security for the Series 2021B Bonds, the District, the System and the Resolution are included in this Official Statement. Certain information with respect to the District is included in Appendices hereto. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Resolution. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, copies of which are available at the office of the District.

THE DISTRICT AND AUTHORITY

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 Series 2021B Bonds are being issued under Section 510(2) of the General Bond Resolution and the Series 2021B Bond Resolution. The Series 2021B Bonds rank on a parity with the Outstanding Bonds of the District and any other Parity Bonds that may be issued in the future, and are collectively referred to as the “Bonds.” All Bonds are issued under the Act. Approval was received from the Kentucky Public Service Commission in the matter of Case No. 2021-00373 to issue the Series 2021B Bonds on October 22, 2021.

THE SERIES 2021B BONDS

General

The Series 2021B Bonds are to be issued only as fully registered Bonds in denominations of $5,000 or any integral multiple thereof without coupons. The Series 2021B Bonds will be dated their date of delivery, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year commencing February 1, 2022 (each an “Interest Payment Date”), and will mature on February 1, in the years and in the principal amounts set forth on the cover page of this Official Statement.

The Series 2021B Bonds shall be payable at the principal office of the Paying Agent and Registrar with respect to principal or premium, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public or private debts. All interest payments shall be payable by check or draft mailed to the record date registered Bondholders. The record dates for February 1 and August 1 interest payment dates shall be the preceding January 15 and July 15, respectively.

Each registered Series 2021B Bond shall be transferable only upon the books of the Registrar, at the request of the registered owner thereof or by his authorized Attorney upon surrender thereof together with an assignment satisfactory to the appropriate Registrar duly executed by the registered owner or his duly authorized Attorney. Upon the transfer of any such Series 2021B Bond, the District shall issue in the name of the transferee a new registered Series 2021B Bond of the same aggregate principal amount, series and maturity as the surrendered Series 2021B Bond. If any Series 2021B Bond is mutilated, lost, stolen or destroyed, the District will execute and deliver a new Series 2021B Bond in accordance with the General Bond Resolution.

Redemption

Optional Redemption. The Series 2021B Bonds are not subject to optional redemption prior to maturity.

Mandatory Sinking Fund Redemption. The Series 2021B Bonds maturing on February 1, 20[__], February 1, 20[__], and February 1, 20[__] are subject to mandatory sinking fund redemption on the dates and at the redemption price of par plus accrued interest to the Redemption Date as set forth below:

[Insert Mandatory Sinking Fund Redemption Dates]

Selection of Bonds to be Redeemed. In the event of redemption of less than all the outstanding Series 2021B Bonds of the same maturity, the District shall assign to each such outstanding Series 2021B Bond a distinctive number for each $5,000 of the principal amount of such Series 2021B Bond and shall select by lot, using such method of selection as it shall deem proper in its discretion, as many numbers as, at $5,000 for each number shall equal the principal amount of such Series 2021B Bonds to be redeemed. The Series 2021B Bonds to be redeemed shall be the Series 2021B Bonds to which were assigned numbers so selected; provided, however, that only so much of the principal amount of each such Series 2021B Bond of a denomination of more than $5,000 shall be redeemed as shall equal $5,000 for each number assigned to it and so selected.

Notice of Redemption. The District shall give notice in the name of the District of the redemption of Series 2021B Bonds determined by the District to be redeemed, which notice shall specify the maturities of the Series 2021B Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2021B Bonds of the same maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2021B Bonds so to be redeemed and, in the case of Series 2021B 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 Series 2021B Bond to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal thereof of Series 2021B 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 twenty days before the Redemption Date to the registered owners of any Series 2021B Bonds or portions of Series 2021B Bonds which are to be redeemed, at their last addresses, appearing upon the registry books.

Book Entry System

The Series 2021B Bonds initially will be issued solely in book entry form to be held in the book-entry only system maintained by DTC. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Series 2021B Bonds and Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Series 2021B Bonds under the Resolution. For additional information about DTC and the book-entry-only system see “APPENDIX E – Book-Entry Only System.”

THE INFORMATION IN THIS SECTION AND IN APPENDIX E 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.

SECURITY FOR THE SERIES 2021B BONDS

Security for the Series 2021B Bonds

All the Bonds issued under the Resolution of the District (the “Outstanding Bonds”) are issued and secured pursuant to the Resolution. For a more complete description of the terms and provisions of the Resolution, including the Funds and Accounts to be maintained by the District, the limitations on the issuance of additional Bonds and requirements as to rates and charges for water service, see Appendix D “SUMMARY OF THE GENERAL BOND RESOLUTION.” See “INTRODUCTION” as to the availability of copies of the Resolution.

Source of Payment. The interest and principal payments of the Series 2021B Bonds are payable from and secured by a pledge of District Revenues, as determined in accordance with generally accepted accounting principles. District Revenues are defined in the General Bond Resolution as “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.”

Rate Covenant. The District has covenanted, that it will at all times establish, enforce, and collect rates, rentals, and charges for services rendered and facilities constituting the System (subject to such regulatory approval as may be required by law), in an amount, after accumulation of all reserves required by the Resolution and allowances for all operation and maintenance costs (but not including depreciation), of 1.20 times the annual principal, interest, and sinking fund requirements on all Bonds that are Outstanding under the Resolution.

Debt Service Reserve. A Debt Service Reserve has been established for the Bonds. The District is required to maintain on deposit in the Debt Service Reserve an amount that is no less than the maximum principal, interest, and sinking fund requirements in any future Bond Fiscal Year on all Bonds that are Outstanding under the Resolution.

Mortgage Lien. The Bonds are further secured by a statutory mortgage lien on all properties of the District, granted to and in favor of the registered owners of the Bonds and said properties shall remain subject to the lien until the Series 2021B Bonds are no longer Outstanding under the Resolution.

Global Health Emergency Risk

General. The outbreak of a novel strain of coronavirus that can result in a severe respiratory disease, referred to as COVID-19, was first detected in China in December 2019. COVID-19 has since spread across the world, resulting in the death of more than 4,250,000 people internationally and more than 614,000 people in the United States. In March 2020, the outbreak of COVID-19 was declared a pandemic (the "COVID-19 Pandemic") by the World Health Organization, as well as a U.S. national emergency and a statewide emergency in the Commonwealth. The responses of governments, business, and individuals to the COVID-19 Pandemic have caused widespread and significant changes in economic activity. Certain sectors of the global, national, and local economies are experiencing negative effects due to reduced consumer spending and increased unemployment, as well as government mandated and voluntary responses to mitigate the COVID-19 Pandemic, including school and business closures, event cancellations, and reduced travel. Unemployment in the United States and in the Commonwealth has increased as a result of the COVID-19 Pandemic.

In late March of 2020, the United States enacted the "Coronavirus Aid, Relief, and Economic Security Act" (the "CARES Act"), a $2.2 trillion economic stimulus bill aimed at mitigating the economic and health effects of COVID-19. The CARES Act provided money and support to individuals in the form of increased unemployment and direct payments and provided money and support to many different businesses and governmental entities. On May 1, 2021, a second $1.9 trillion economic stimulus bill was passed, which will provide additional direct payments to individuals and another round of funding for various different businesses including an additional $350 billion in relief to state, local, and tribal governments.

In December of 2020, the first COVID-19 vaccine, developed by Pfizer-BioNTech, began distribution in the United States and a subsequent vaccine, developed by Moderna, began distribution in late December. A third vaccine, developed by Johnson & Johnson, began distribution in late February of 2021. As of August 1, 2021, nearly 58% of the total United States population had received at least one dose of a vaccine, and nearly 50% of the population is considered fully vaccinated. For the United States population over the age of 65, the percentages are approximately 90% and 80%, respectively.

There can be no assurances as to the continuing materiality, severity, or duration of the negative economic conditions caused by the COVID-19 Pandemic.

Impact on the Commonwealth. 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. Subsequently, on March 18, 2020, pursuant to an executive order issued by the Governor of the Commonwealth, Andy Beshear, all businesses that encourage public congregation, such as entertainment, recreational, and sporting event facilities, were required to cease operations.

On April 21, 2020, Governor Beshear announced the "Healthy at Work" initiative, a phased plan to reopen the economy of the Commonwealth, based on criteria set by public health experts and advice from industry experts, with progress to be monitored by the Kentucky Department for Public Health. The Healthy at Work initiative set out minimum requirements for all businesses, such as social distancing, face coverings, hand-washing, proper sanitation, and temperature checks. Additionally, the Healthy at Work initiative provides industry-specific guidance with additional rules and requirements for certain types of businesses.

As of April 5, 2021, all persons age 16 and older are eligible to receive the COVID-19 vaccine. Beginning in May, and concluding on June 11, 2021, most Kentucky regulations and mandates relating to COVID-19, elapsed. However, the declared state of emergency remains in place and has been extended until January 15, 2022 by the Kentucky Legislature. As of August 1, 2021, nearly 50% of Kentucky's population is considered fully vaccinated.

COVID-19 Delta Variant. The Delta Variant is a new mutation of COVID-19 which was first detected in India in December of 2020. Since that time, the Delta Variant has become the primary version of COVID-19 in the United States. Initial research indicates that the Delta Variant may be more contagious than prior versions of the COVID-19 virus. Beginning in June of 2021, the United States and the Commonwealth of Kentucky have both seen an increase in average cases per week, potentially due to the Delta Variant.

Impact on the District. The District cannot predict the full economic impact that the COVID-19 Pandemic or the Delta Variant will have on its financial condition or operations. The District will continue to monitor the impact on its revenue collections and operations.

PLAN OF FINANCE

The proceeds of the Series 2021B Bonds will be used to (i) refund the District's outstanding Revenue Refunding Bonds, Series 2012 dated June 21, 2012 (the "Prior Bonds"), which were issued to refund and retire the District's outstanding (a) Revenue Refunding Bonds, Series 1997 dated October 1, 1997, (b) Revenue Bonds, Series 1998 dated December 1, 1998, and (c) Revenue Bonds, Series 2001A dated October 1, 2001, the proceeds of which were used to provide funds used for paying the costs of various capital projects of for the System; (ii) make a required deposit to the Debt Service Reserve described herein; and (iii) make a deposit to the Series 2021B Bonds Cost of Issuance Account to pay the costs of issuing the Series 2021B Bonds.

SOURCES AND USES OF FUNDS

Sources	
Principal Amount of Series 2021B Bonds	$29,450,000*
[Less][Plus]Original Issue [Discount][Premium]	$[____]
Transfers from the Debt Service Reserve Fund	$[____]
TOTAL	$[____]
Uses	
Deposit to Series 2021B Note Payment Fund	$[____]
Deposit to Debt Service Reserve	$[____]
Costs of Issuance	$[____]
Underwriter's Discount	$[____]
TOTAL	$[____]

PLANS TO ISSUE ADDITIONAL DEBT - FIVE YEAR CAPITAL PLAN

The District over the years has acquired or consolidated several systems located in the older river cities located within the current boundaries of the District. Significant portions of the infrastructure of these systems are in need of repair or replacement. The District prioritizes all of these needs in order to use capital dollars in the most effective and efficient manner possible.

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.

* Preliminary, subject to change.

To fund a portion of these capital costs, the District issued its Revenue Bond Anticipation Notes, Series 2021A in an original principal amount of $24,685,000 (the "2021A BANs"). In the resolution of its Board of Commissioners authorizing the 2021A BANs, the District will covenant to issue Bonds in an amount sufficient to retire the 2021A BANs on or before their scheduled maturity, which is February 1, 2023. The District has not yet received PSC approval to issue those Bonds.

In addition, the District was approved for an Assistance Agreement with the Kentucky Infrastructure Authority for up to $8,000,000 on loan # F13-012. As of November 1, 2021, the District has received $4,523,000 of the loan proceeds. The obligations of the District under the Assistance Agreement are subordinate to the Series 2021B Bonds and all other bonds outstanding under the Resolution.

The District was also approved for an Assistance Agreement with the Kentucky Infrastructure Authority for up to $4,000,000 on loan # F16-027. As of November 1, 2021, the District has received $1,304,928 of the loan proceeds. The obligations of the District under the Assistance Agreement are subordinate to the Series 2021B Bonds and all other bonds outstanding under the Resolution.

The District was also approved for an Assistance Agreement with the Kentucky Infrastructure Authority for up to $8,000,000 on loan # F20-044. As of November 1, 2021, the District had not received any of the loan proceeds. The obligations of the District under the Assistance Agreement are subordinate to the Series 2021B Bonds and all other bonds outstanding under the Resolution.

The replacement of aging infrastructure, the upgrade of distribution capacity, and the provision for redundancy and reliability are the drivers of this capital effort in order to provide water to the region in a sustainable manner.

GENERAL LEGAL MATTERS

The issuance of the Series 2021B Bonds and certain legal matters incident to compliance by the District with Sections 103(b)(2) and 148 of the Code, and regulations thereunder relating to "arbitrage bonds" are subject to the approval of Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel, whose approving opinion will be delivered with the Series 2021B Bonds. Certain legal matters will be passed upon for the District by its counsel, Thomas Edge, Esq., General Counsel and Manager of Legal, Compliance, and Regulatory Affairs.

Bond Counsel has reviewed legal matters incident to those sections of the Official Statement entitled "The Series 2021B Bonds," "Security for the Bonds," "Summary of General Bond Resolution," and "Tax Exemption," and is of the opinion that the statements contained in such identified sections are, as to law and legal conclusions, correct and that such sections fairly summarize the contents of documents therein described. Bond Counsel assumes no responsibility for the accuracy or completeness of other statements or financial information contained in this Official Statement.

LITIGATION INVOLVING DISTRICT

There is no controversy or litigation of any nature now pending or threatened, restraining, or enjoining the issuance, sale, execution or delivery of the Series 2021B Bonds, or in any way contesting or affecting the validity of such Series 2021B Bonds, or any proceedings of the District taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of such Series 2021B Bonds, or the due existence or powers of the District.

TAX EXEMPTION

General. In the opinion of Bond Counsel for the Series 2021B Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions, interest on the Series 2021B Bonds will be excludible from gross income for federal income tax purposes. Bond Counsel for the Series 2021B Bonds is also of the opinion that interest on the Series 2021B Bonds 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 2021B Bonds is of the opinion that interest on the Series 2021B Bonds is exempt from income taxation by the Commonwealth and the Series 2021B Bonds 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 2021B Bonds is set forth in Appendix F attached hereto.

The Code imposes various restrictions, conditions, and requirements relating to the qualification of the Series 2021B Bonds as so-called "tax-exempt" bonds. The District has covenanted to comply with certain restrictions designed to ensure that interest on the Series 2021B Bonds will not be includable in gross income for federal income tax purposes. Failure to comply with these covenants could result in the Series 2021B Bonds not qualifying as “tax-exempt bonds,” and thus interest on the Series 2021B Bonds 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 2021B Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2021B Bonds may adversely affect either the federal or Kentucky tax status of the Series 2021B Bonds.

Certain requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2021B Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2021B Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel for the Series 2021B Bonds is of the opinion that interest on the Series 2021B Bonds will be excludible from gross income for federal income tax purposes and the Series 2021B Bonds 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 2021B Bonds 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 2021B Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Series 2021B Bonds 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 2021B Bonds 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 2021B Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky, may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Series 2021B Bonds.

The District has not designated the Series 2021B Bonds as “qualified tax-exempt obligations” under Section 265 of the Code.

Premium. “Acquisition Premium” is the excess of the cost of a bond over the stated redemption price of such bond at maturity or, for bonds that have one or more earlier call dates, the amount payable at the next earliest call date. The Series 2021B Bonds having a yield that is lower than their stated interest rate, as shown on the cover page hereto (the “Premium Bonds”), 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 bond the interest on which is excludable from gross income for federal income tax purposes (“tax-exempt bonds”) must be amortized and will reduce the bondholder’s adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining bondholder’s taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Premium Bonds, or on any of the Series 2021B Bonds, that must be amortized during any period will be based on the “constant yield” method, using the original bondholder’s basis in such bonds and compounding semiannually. This amount is amortized ratably over that semiannual period on a daily basis.

Holders of any Series 2021B Bonds, including any Premium Bonds, 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 2021B Bonds having a yield that is higher than their stated interest rate, as shown on the cover page hereto (the “Discount Bonds”), 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 a bond at maturity (the face amount) over the "issue price" of such bond. 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 bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond, and for the Discount Bonds, 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 Bond at its issue price, the portion of OID that accrues during the period that such purchaser owns the Discount Bond 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 Bond and thus, in practical effect, is treated as stated interest, which is excludable from gross income for federal income tax purposes.

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

RATING

Moody's has assigned its municipal bond rating to the Series 2021B Bonds, as shown on the cover page hereto. Such rating reflects only the view of the rating agency. Any explanation of the significance of such ratings may only be obtained from Moody's at the following address: Moody's Investors Service, Inc. at 7 World Trade Center, 250 Greenwich Street, Public Finance Group - 23rd Floor, New York, New York 10007, (212) 553-0300. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such organization if, in the judgment of such organization, circumstances so warrant. Any such downward revision or withdrawal of such rating will have adverse effects on the market price of the Series 2021B Bonds.

UNDERWRITING

The Series 2021B Bonds are being purchased for reoffering by [____] (the "Underwriter"). The Underwriter has agreed to purchase the Series 2021B Bonds at an aggregate purchase price of $[____] (reflecting the par amount of the Series 2021B Bonds, 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 2021B Bonds to certain dealers (including dealers depositing Series 2021B Bonds 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 2021B Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2021B Bonds is contingent upon the issuance and delivery thereof. The Preliminary Official Statement was prepared and distributed by the Financial Advisors. 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 Advisors.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the District will agree, pursuant to a Continuing Disclosure Agreement dated as of December 14, 2021 (the "Disclosure Agreement"), to be delivered on the date of delivery of the Series 2021B Bonds, 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 B" and "Appendix C" (the "Financial Data") of the Official Statement; such information shall be provided on or before October 1 following the fiscal year ending on the preceding December 31, commencing with the fiscal year ended December 31, 2021, 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; and

(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 the Issuer or Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or 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 the issuer or obligated person, any of which reflect financial difficulties.

(iii) in a timely manner, to the MSRB, notice of a failure (of which the Obligated Person has knowledge) of an Obligated Person to provide the required Annual Financial Information on or before the date specified in the Continuing Disclosure Agreement.

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

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

(i) there are no credit enhancements applicable to the Bonds;

(ii) there are no liquidity providers applicable to the Bonds; and

(iii) there is no property securing the repayment of the Bonds.

Pursuant to outstanding continuing disclosure agreements (the "Existing Agreements") the District is required to file certain annual financial information with the MSRB by October 1 of each year. The District operates on a fiscal year ending each December 31 and the General Bond Resolution requires that annual audits be completed within sixty days of the end of each fiscal year. Certain Existing Agreements correctly reference a fiscal year ending December 31 while others reference a fiscal year ending June 30th. The District has filed its annual audits by the following October 1 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, 2016 through December 31, 2020, 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 Agreements in the future 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.

CONCLUDING STATEMENT

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

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

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or holders of any of the Series 2021B Bonds.

[Signature page to follow]

Signature Page to Official Statement of the Northern Kentucky Water District

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

NORTHERN KENTUCKY WATER DISTRICT

By: ______________________________
Chairperson

NORTHERN KENTUCKY WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2021B

APPENDIX A

AGGREGATE DEBT SERVICE SCHEDULE

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Northern Kentucky Water District

Refunding Revenue Bonds, Series 2021

Estimated

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
12/31/2021	-	-	-	-
12/31/2022	5,160,000.00	2.000%	327,840.75	5,487,840.75
12/31/2023	4,935,000.00	2.000%	449,206.26	5,384,206.26
12/31/2024	5,040,000.00	2.000%	349,456.26	5,389,456.26
12/31/2025	5,140,000.00	2.000%	247,656.26	5,387,656.26
12/31/2026	5,250,000.00	2.000%	143,756.26	5,393,756.26
12/31/2027	3,925,000.00	2.325%	45,628.13	3,970,628.13
Total	**$29,450,000.00**	**-**	**$1,563,543.92**	**$31,013,543.92**

NORTHERN KENTUCKY WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2021B

APPENDIX B

INFORMATION REGARDING THE DISTRICT AND THE SYSTEM

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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 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 reflect the number of general service customers and water sales by each class served by the District at the beginning and end of calendar year 2020.

	2020 Beginning Year Customers	2020 Year End Customers	Year End Customers by Class	Sales	Sales by Class
Residential	77,767	77,624	91.17%	$37,580,425	62.89%
Commercial	4,051	4,129	4.85%	$7,564,583	12.66%
Industrial	107	107	0.13%	$4,697,395	7.86%
Public Authorities	462	472	0.55%	$2,152,780	3.60%
Multiple Family Dwellings	1,746	2,660	3.12%	$5,830,240	9.75%
Bulk Loading Stations	5	5	0.01%	$72,063	0.12%
Fire Hydrants	157	144	0.17%	$44,657	0.07%
Wholesale Customers	3	3	0.00%	$1,825,544	3.05%
Total:	84,298	85,144	100.00%	$59,767,687	100.00%

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	$ 719,308
Bullock Pen Water District	183,319,800	$ 738,346
Pendleton County Water	91,151,300	$ 367,890
Total:	453,764,500	$ 1,825,544

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 Memorial Parkway, Ft. Thomas and Taylor Mill water treatment plants. The total production 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 is currently undergoing an upgrade to both hardware and software 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

Meter Size	Monthly Charge	Quarterly Charge
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 Kentucky Public Service Commission as set forth below:

<u>Sub-district Charges</u>

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

District Production, Usage and Sales Trends

	2016	2017	2018	2019	2020
Customers					
Residential	76,055	76,616	77,145	77,767	77,624
Commercial	4,006	4,004	4,009	4,051	4,129
Industrial	110	110	109	107	107
Other	2,371	2,578	2,586	2,373	3,284
Total	82,542	83,308	83,849	84,298	85,144
Water Sales					
Residential	$31,146,733	$32,144,608	$32,997,415	$34,204,142	$37,580,425
Commercial	$7,246,450	$7,468,981	$7,450,952	$7,752,357	$7,564,583
Industrial	$3,966,911	$4,013,168	$4,084,359	$4,239,685	$4,697,395
Other	$8,617,046	$8,832,459	$9,072,366	$9,568,045	$9,925,284
Total	$50,977,140	$52,459,216	$53,605,092	$55,764,299	$59,767,687
Avg Monthly Bill by Customer					
Residential	$34.13	$34.96	$35.64	$36.65	$40.34
Commercial	$150.74	$155.45	$154.88	$159.47	$152.67
Industrial	$3,005.24	$3,040.28	$3,122.60	$3,301.94	$3,658.41
Other	$302.86	$285.51	$292.36	$336.00	251.86
Line Loss (as % of Production)	15.10%	12.65%	17.02%	16.53%	15.34%

Debt Service Coverage

Historical debt service calculations are set forth below:

	Year Ending 12/31/2018	Year Ending 12/31/2019	Year Ending 12/31/2020
Total Operating Revenue	$55,326,624	57,567,896	60,751,656
Total Operating Expense	26,138,403	28,738,889	28,706,549
Net Operating Income	29,188,221	28,829,007	32,045,107
Other Revenues			
Interest Income	1,664,146	1,881,532	688,108
Service Applications	420,303	631,675	729,815
Net Annual Income and Revenues	$31,272,670	31,342,214	33,463,030
Maximum Annual Debt Service Requirement	$17,434,169	18,467,359	16,834,515
Debt Service Coverage	1.79	1.70	1.99

Source: Northern Kentucky Water District & Financial Advisor Unaudited Projections

Outstanding Indebtedness

The table below lists the District's outstanding bond issues as of 09/01/2021, 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	$2,396,942	1.000%	12/01/32	N/A
2010KIA F09-02	$24,000,000	$15,527,521	2.000%	06/01/33	N/A
2012-REF*	$54,840,000	$0	4.000 - 5.000%	02/01/28	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	$116,466	0.750%	12/01/37	N/A
KIA Loan F15-011	$3,535,094	$3,080,079	1.750%	06/01/38	N/A
KIA Loan F14-015	$3,545,910	$3,089,502	1.750%	06/01/38	N/A
2020-REF	$22,325,000	$21,055,000	5.000 - 2.000%	02/01/35	Feb 2028 @ 100%
Series 2021 BAN	$24,685,000	$24,685,000	0.375%	02/01/23	Aug 2022 @ 100%
Totals:	*$266,131,199*	*$155,900,010*			
<u>*Proposed Debt*</u>					
2021B-REF	$24,450,000	$24,450,000	TBD		
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%		
Total Proposed:	$45,000,000	$30,827,928	---	---	---
Total Existing + Proposed	$310,581,199	$186,177,938			

*'*To be Refunded with Series 2021B Bonds*

***Not Yet Closed*

NORTHERN KENTUCKY WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2021B

APPENDIX C

NORTHERN KENTUCKY WATER DISTRICT AUDITED FINANCIAL STATEMENTS

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NORTHERN KENTUCKY WATER DISTRICT

December 31, 2020

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT INCLUDING SUPPLEMENTARY INFORMATION

NORTHERN KENTUCKY WATER DISTRICT
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VonLehman
CPA & ADVISORY FIRM

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, 2020 and 2019 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, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

810 Wright's Summit Parkway, Suite 300
Fort Wright, KY 41011
main: 859.331.3300
main fax: 859.331.4358 vlcpa.com

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 – 6 and 52 – 55, 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 other supplementary information is 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 is 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 April 15, 2021, 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.

Fort Wright, Kentucky
April 15, 2021

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, 2020. 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 $223,957,521 (net position). This was an increase of $13,367,262 in comparison to the prior year.

- Operating revenues increased $3,183,762 or 5.5% from 2019.
- The debt coverage ratio increased from 1.70 in 2019 to 1.99 in 2020.

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 additional 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.

Overview of Annual Financial Report

Table 1 provides a summary of the District's net position for 2020 compared to 2019.

Table 1
Net Position

	December 31, 2020	December 31, 2019
Assets		
Current Assets	$ 64,887,811	$ 53,909,267
Restricted Assets Noncurrent	38,901,855	44,662,876
Miscellaneous Deferred Charges	4,136,001	4,480,782
Capital Assets	341,687,056	343,654,137
Total Assets	449,612,723	446,707,062
Deferred Outflows of Resources	11,359,648	10,676,186
Liabilities		
Current Liabilities	19,358,024	20,614,679
Restricted Liabilities Noncurrent	1,024,188	1,220,428
Other Noncurrent Liabilities	215,106,931	222,172,952
Total Liabilities	235,489,143	244,008,059
Deferred Inflows of Resources	1,525,707	2,784,930
Net Position		
Net Investment in Capital Assets	151,974,245	140,884,382
Restricted	37,877,667	43,442,448
Unrestricted	34,105,609	26,263,429
Total Net Position	**$ 223,957,521**	**$ 210,590,259**

The District's net position for 2020 increased 6.35% to $223,957,521 compared to $210,590,259 for 2019. The increase was mainly attributable to the Phase II rate adjustment that was approved by the Kentucky Public Service Commission in Case No. 2018-00291.

A portion of the District's net position (16.9%) 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 (67.9%) 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 (15.2%) may be used to meet the District's ongoing obligations to customers and creditors.

The following points explain the major changes impacting net position as shown on the previous page:

- Cash and cash equivalents increased $7,516,216 from the previous year due to reduced spending because of the pandemic, in addition to cash conservation for new projects that are expected to begin in the upcoming year.
- Accounts receivable, net increased $1,634,349 from the previous year due to slower payments resulting from the temporary suspension of water turn offs because of the pandemic. Additionally, the second phase of rate increases went into effect in March 2020.
- Capital assets, net of accumulated depreciation decreased $1,967,081 from the previous year due to continued depreciation expense incurred on capital assets.
- Bond indebtedness decreased $12,414,016 from the previous year due to continued payments on outstanding bonds. Additionally, the District issued Refunding Revenue Bonds, Series 2020 for $22,325,000 during 2020 to refund the District's outstanding Revenue Bonds Series 2011 and Rural Development Loan 91-02 at a lower interest rate.
- Net pension liability increased $2,786,289 and net OPEB liability increased $2,637,180 as a result of an overall increase in the net pension and net OPEB liability of the Kentucky Retirement System's non-hazardous plan. Additionally, the District had an increase in their proportionate share percentage in the current year.

Table 2 shows the changes in net assets for 2020, as well as revenue and expense comparisons to 2019.

Table 2
Changes in Net Position

	Years Ended December 31, 2020	2019
Operating Revenues		
Water Sales	$ 59,767,687	$ 55,764,229
Forfeited Discounts	237,109	830,599
Rents From Property	548,933	385,845
Other Water Revenues	197,927	587,221
Total Operating Revenues	60,751,656	57,567,894
Operating Expenses		
Operating and Maintenance Expense	28,706,549	28,738,889
Depreciation Expense	12,301,512	12,179,078
Total Operating Expenses	41,008,061	40,917,967
Net Operating Income	19,743,595	16,649,927
Non-Operating Income (Expense)		
Investment Income	688,108	1,881,532
Miscellaneous Non-Operating Income	112,631	494,748
Loss on Abandonment of Mains	(264,847)	(532,386)
Interest on Long-Term Debt and Customer Deposits	(6,555,100)	(7,075,292)
Amortization of Debt Premiums and Defeasance Costs	851,294	887,155
Bond Issuance Costs	(226,603)	(103,192)
Pension Expense	(2,604,502)	(2,476,972)
Other Post Employment Benefit Expense	(564,502)	(97,596)
Arbitrage Expense	27,184	(178,770)
Gain on Sale of Capital Assets	60,861	48,374
Total Non-Operating Expenses	(8,475,476)	(7,152,399)
Change in Net Position Before Capital Contributions	11,268,119	9,497,528
Capital Contributions	2,099,143	1,551,675
Change in Net Position	**$ 13,367,262**	**$ 11,049,203**

In reviewing income before capital contributions, the financial statements showed net income for the year of $11,268,119. Operating revenues increased 5.5% mainly as a result of the Phase II rate adjustment that was implemented March 25, 2020. Operating expenses (including depreciation) increased 0.2% and overall remained comparable to the previous year. Non-Operating Income (Expense) decreased $1,323,077 due to increased pension and OPEB expense as a result of changes in the District's proportionate share of the Kentucky Retirement Systems' non-hazardous plan's net pension and OPEB liabilities. Capital contributions increased by $547,468 (35.3%) primarily due to the increase of mains constructed by other entities and contributed to the District.

The District budgeted for $58,097,724 in operating revenues. Actual revenues were $60,751,656, a difference of $2,653,932. The largest differences were due to water sales being overbudget by $3,238,963 and forfeited discounts being underbudget by $583,991. The water sales were overbudget primarily due to conservative budgeting practices, while forfeited discounts were underbudget due to temporary suspension of penalties because of the pandemic. Operation, maintenance, and administration expenses were budgeted at $31,169,960. Actual expenses were $28,706,549, a difference of $2,463,411. The largest portion of this difference was related to salaries and wages, and employee pension and benefits having a total combined budget of $16,007,761, while actual expenses totaled $14,549,045. The District budgeted for an increase in CERS contribution rates, however during the 2020 regular session, Senate Bill 249 froze the CERS employer rate phase-in for one year. Additionally, the District's salary expense was lower than budgeted due to various full-time budgeted positions remaining vacant at various times throughout the year and also as a result of the reduced need for part-time staff to perform disconnections since water service disconnections for non-payments were suspended during the pandemic.

Capital Assets

At December 31, 2020, the capital assets reported were $341,687,056 including land, buildings, water systems, equipment, and vehicles. This represents a net decrease of $1,974,481, or (0.6%), 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, 2020	December 31, 2019
Not Being Depreciated		
Land	$ 3,267,226	$ 3,267,226
Construction in Progress	9,363,904	13,054,992
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	508,590,398	495,430,358
Subtotal	526,737,664	517,268,712
Less Accumulated Depreciation	185,050,608	173,614,575
Totals	$ 341,687,056	$ 343,654,137

Major capital additions during the year included adding mains for approximately $8,803,408 and services for approximately $1,802,607.

Long-Term Liabilities

Table 4 summarizes the District's long-term liabilities at the end of 2020 as compared to 2019.

Table 4
Outstanding Long-Term Liabilities at Year End

	December 31, 2020	December 31, 2019
Compensated Absences	$ 1,369,138	$ 1,005,126
Arbitrage Liability	295,084	734,477
Bond Indebtedness	161,365,097	173,779,113
Notes Payable	32,043,014	32,997,722
	$ 195,072,333	$ 208,516,438

At year-end, the District had $193,408,111 in outstanding notes and bonds compared to $206,776,835 last year. That is a decrease of 6.5% as shown in Table 4.

Economic Factors and Next Year's Budget

The District's budget for 2021 is allowing for a decrease in revenue from previously budgeted amounts due to the fact that no rate increase will go into effect in 2021 and due to uncertainty with respect to interest income in an unstable market. 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, contractual services, insurance, bad debt expense, and competitively bid chemicals, along with a slight decrease in transportation expenses.

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, 2020	December 31, 2019
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and Cash Equivalents	$ 39,074,049	$ 31,557,833
Investments	3,884,495	2,341,386
Accounts Receivable		
Customers, Net	7,785,823	6,756,320
Unbilled Customers	7,460,000	6,500,000
Others	70,350	425,504
Assessments Receivable	165,091	155,813
Inventory Supplies for New Installation and Maintenance, at Cost	1,854,834	1,667,269
Prepaid Items	1,084,532	813,405
Restricted Assets - Cash and Cash Equivalents		
Bond Proceeds Fund	37,000	339,698
Debt Service Account	2,453,994	2,898,212
Improvement, Repair & Replacement	1,017,643	453,827
Total Current Assets	64,887,811	53,909,267
Non-current Assets		
Restricted Assets - Cash and Cash Equivalents		
Bond Proceeds Fund	674,652	2,960,095
Debt Service Account	18,091,707	20,021,398
Improvement, Repair and Replacement	164,656	689,509
Customer Deposits Fund	859,532	942,820
Restricted Assets - Investments		
Debt Service Reserve Account	19,111,308	20,049,054
Miscellaneous Deferred Charges	4,136,001	4,480,782
Capital Assets		
Land, System, Buildings and Equipment	517,373,760	504,213,720
Construction in Progress	9,363,904	13,054,992
Total Capital Assets	526,737,664	517,268,712
Less Accumulated Depreciation	185,050,608	173,614,575
Total Capital Assets, Net of Accumulated Depreciation	341,687,056	343,654,137
Total Noncurrent Assets	384,724,912	392,797,795
Total Assets	449,612,723	446,707,062
Deferred Outflows of Resources		
Deferred Outflows Related to Pension	4,066,559	4,558,221
Deferred Outflows Related to Other Postemployment Benefits	3,597,789	2,110,885
Deferred Loss on Refundings	3,695,300	4,007,080
Total Deferred Outflows of Resources	11,359,648	10,676,186
Total Assets and Deferred Outflows of Resources	$ 460,972,371	$ 457,383,248

See accompanying notes.

NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF NET POSITION
(Continued)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	December 31, 2020	December 31, 2019
Liabilities and Deferred Inflows of Resources		
Current Liabilities		
Bonded Indebtedness	$ 12,401,280	$ 12,966,128
Notes Payable	1,720,459	1,690,053
Accounts Payable	942,005	1,011,597
Accrued Payroll and Taxes	396,705	457,014
Compensated Absences	99,611	107,575
Arbitrage Liability	-	412,209
Other Accrued Liabilities	289,327	278,366
Liabilities Payable - Restricted Assets		
Accrued Interest Payable	2,453,994	2,898,212
Accounts Payable	1,054,643	793,525
Total Current Liabilities	19,358,024	20,614,679
Non-current Liabilities		
Liabilities Payable - Restricted Assets		
Accounts Payable	164,656	277,608
Customer Deposits	859,532	942,820
Compensated Absences	1,269,527	897,551
Arbitrage Liability	295,084	322,268
Bond Indebtedness	148,963,817	160,812,985
Notes Payable	30,322,555	31,307,669
Net Pension Liability	26,055,399	23,269,110
Net Other Postemployment Benefits Liability	8,200,549	5,563,369
Total Long-Term Liabilities	216,131,119	223,393,380
Total Liabilities	235,489,143	244,008,059
Deferred Inflows of Resources		
Deferred Inflows Related to Pension	53,168	726,617
Deferred Inflows Related to Other Postemployment Benefits	1,472,539	2,058,313
Total Deferred Inflows of Resources	1,525,707	2,784,930
Total Liabilities and Deferred Inflows of Resources	237,014,850	246,792,989
Net Position		
Net Investment in Capital Assets	151,974,245	140,884,382
Restricted For Debt Service Funds	37,203,015	40,070,452
Restricted For Capital Improvement Projects	674,652	3,371,996
Unrestricted	34,105,609	26,263,429
Total Net Position	223,957,521	210,590,259
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 460,972,371	$ 457,383,248

See accompanying notes.

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

	Years Ended December 31, 2020	2019
Operating Revenues		
Water Sales	$ 59,767,687	$ 55,764,229
Forfeited Discounts	237,109	830,599
Rents From Property	548,933	385,845
Other Water Revenues	197,927	587,221
Total Operating Revenues	60,751,656	57,567,894
Operating Expenses		
Operating and Maintenance Expense	28,706,549	28,738,889
Depreciation Expense	12,301,512	12,179,078
Total Operating Expenses	41,008,061	40,917,967
Net Operating Income	19,743,595	16,649,927
Non-Operating Income (Expense)		
Investment Income	688,108	1,881,532
Miscellaneous Non-Operating Income	112,631	494,748
Loss on Abandonment of Mains	(264,847)	(532,386)
Interest on Long-Term Debt and Customer Deposits	(6,555,100)	(7,075,292)
Amortization of Debt Premiums and Defeasance Costs	851,294	887,155
Bond Issuance Costs	(226,603)	(103,192)
Pension Expense	(2,604,502)	(2,476,972)
Other Post Employment Benefit Expense	(564,502)	(97,596)
Arbitrage Rebate (Expense)	27,184	(178,770)
Gain on Sale of Capital Assets	60,861	48,374
Total Non-Operating Income (Expenses)	(8,475,476)	(7,152,399)
Change in Net Position Before Capital Contributions	11,268,119	9,497,528
Capital Contributions	2,099,143	1,551,675
Change in Net Position	13,367,262	11,049,203
Net Position - Beginning of Year	210,590,259	199,541,056
Net Position - End of Year	$ 223,957,521	$ 210,590,259

See accompanying notes.

NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2020	Years Ended December 31, 2019
Cash Flows From Operating Activities		
Received From Customers	$ 59,024,741	$ 55,410,698
Received for Miscellaneous Non-Operating Income	112,631	-
Paid to Suppliers for Goods and Services	(14,181,880)	(13,748,106)
Paid to or on Behalf of Employees for Services	(14,245,342)	(14,172,043)
Net Cash Provided by Operating Activities	30,710,150	27,490,549
Cash Flows From Investing Activities		
Purchase of Investments	(53,241,616)	(65,223,668)
Proceeds From Sale of Investments	52,656,436	64,516,409
Investment Income	667,923	132,255
Net Cash Provided (Used) by Investing Activities	82,743	(575,004)
Cash Flows From Capital and Related Financing Activities		
Principal Paid on Debt	(13,442,555)	(12,309,207)
Debt Proceeds	735,347	2,174,496
Interest Paid on Bonds and Notes	(6,724,363)	(7,261,207)
Acquisition and Construction of Capital Assets	(8,531,994)	(9,857,174)
Proceeds on Sale of Capital Assets	92,722	(52,661)
Payment on Arbitrage Liability	(412,209)	-
Miscellaneous Non-Operating Income	-	521,552
Net Cash Used by Capital and Related Financing Activities	(28,283,052)	(26,784,201)
Net Change in Cash	2,509,841	131,344
Cash and Cash Equivalents Beginning of Year	59,863,392	59,732,048
Cash and Cash Equivalents End of Year	$ 62,373,233	$ 59,863,392
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Net Operating Income	$ 19,743,595	$ 16,649,927
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Depreciation	12,301,512	12,179,078
Miscellaneous Non-Operating Income	112,631	-
Change in Assets and Liabilities		
Accounts Receivable, Net	(1,634,349)	(2,059,124)
Assessments Receivable	(9,278)	(8,740)
Inventory Supplies	(187,565)	(97,235)
Prepaid Expenses	(271,127)	(340,291)
Miscellaneous Deferred Charges	344,781	417,582
Accounts Payable	78,574	402,831
Accrued Payroll and Taxes	(60,309)	67,566
Accrued Compensated Absences	364,012	342,206
Other Accrued Liabilities	10,961	26,081
Customer Deposits	(83,288)	(89,332)
Net Cash Provided by Operating Activities	$ 30,710,150	$ 27,490,549

See accompanying notes.

NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF CASH FLOWS
(Continued)

	Years Ended December 31, 2020	2019
Supplemental Schedule of Noncash Capital and Related Financing Activities		
Change in Fair Value of Investments	$ (1,673,767)	$ (1,139,986)
Contributions of Capital Assets	$ 2,099,143	$ 1,551,675
Current Refunding of Revenue Bonds, Series 2011	$ 22,587,779	$ -
Retirement of Rural Development Loan 91-02 through Refunding Revenue Bonds, Series 2020	$ 1,641,000	$
Accrued Interest on Refunding	$ 274,955	$ -
Bond Issuance Costs on Refunding	$ 226,603	$ -
Deferred Loss on Refunding	$ 76,496	$ -
Bond Anticipation Note Retired through Bond Issuance	$ -	$ 17,325,000
Pension Expense	$ (2,604,502)	$ (2,476,972)
Other Post Employment Benefit Expense	$ (564,502)	$ (97,596)
Amortization Expense	$ (851,294)	$ (886,538)
Reconciliations of Cash and Cash Equivalents to the Statement of Net Position		
Cash and Cash Equivalents - Current	$ 39,074,049	$ 31,557,833
Cash and Cash Equivalents - Restricted	23,299,184	28,305,559
Total Cash and Cash Equivalents	$ 62,373,233	$ 59,863,392

See accompanying notes.

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 unsettle 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 then uncollectible. Based on these criteria, the District has estimated an allowance for doubtful accounts of $470,000 and $35,000 at December 31, 2020 and 2019, respectively.

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

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 and 2019 were $1,369,138 and $1,005,126, 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.

Adoption of New Accounting Standards

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 reporting periods beginning after June 15, 2019. The impact of GASB Statement No. 88 has been implemented in the Long-Term Debt note 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 years beginning after June 15, 2021. The District is currently evaluating the impact GASB Statement No. 87 may have on its financial statements.

Conduit Debt Obligations

GASB Statement No. 91*, Conduit Debt Obligations,* was issued to provide a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related not disclosures. The requirements of GASB Statement No. 91 are effective for reporting periods beginning after December 15, 2021. The District is currently evaluating the impact GASB Statement No. 91 may have on its financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Omnibus 2020

GASB Statement No. 92, *Omnibus 2020*, was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of GASB Statement No. 92 are effective for fiscal years or reporting periods beginning after June 15, 2021, other than the requirements related to the effective date of GASB Statement No. 87, which is effective upon issuance. The District is currently evaluating the impact GASB Statement No. 92 may have on its financial statements.

Replacement of Interbank Offered Rates

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The requirements of GASB Statement No. 93, except paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirements in paragraph 11b is effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal year periods beginning after June 15, 2021. The District is currently evaluating the impact GASB Statement No. 93 may have on its financial statements.

Public-Private and Public-Public Partnerships and Availability Payment Arrangements

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, was issued to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements and to provide guidance for accounting and financial reporting for availability payment arrangements. The requirements of GASB Statement No. 94 are effective for fiscal years beginning after June 15, 2022. The District is currently evaluating the impact GASB Statement No. 94 may have on its financial statements.

Subscription-Based Information Technology Arrangements

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, was issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of GASB Statement No. 96 are effective for fiscal years beginning after June 15, 2022. The District is currently evaluating the impact GASB Statement No. 96 may have on its financial statements.

Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, was issued to (1) increase consistency and comparability related to the fiduciary reporting of component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan for benefits provided through those plans. Aspects of GASB Statement No. 97 are effective immediately, however there was no significant impact to the District's financial statements for the year ended December 31, 2020. Other requirements of GASB Statement No. 97 are effective for fiscal years or reporting periods beginning after June 15, 2021. The District is currently evaluating the impact GASB Statement No. 97 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

In accordance with KRS 66.480, the District is authorized to invest in the following:

A) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.

B) U.S. Treasury and other U.S. government obligations that carry the full faith and credit guarantee of the United States for the payment of principal and interest.

C) Federal Agency or U.S. government-sponsored enterprises obligations, participations or other instruments.

D) CDs issued by or other interest-bearing accounts of any bank or savings and loan institution having a physical presence in Kentucky and that are insured by the Federal Deposit Insurance Corporation or similar entity or that are collateralized by any obligations, including surety bonds permitted by KRS 41.240. KRS 66.480(1)(d).

E) Uncollateralized CDs issued by any bank or savings and loan having a physical presence in Kentucky rated in one of three highest categories by a competent rating agency.

F) Bankers' acceptances, which must be rated in one of the three highest categories by a competent rating agency.

G) Commercial paper, rated in the highest tier (e.g., A-1, P-1, F-1, or D-1 or higher) by a competent rating organization.

H) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.

I) Investment-grade obligations of state or local governments or instrumentality thereof rated one of three highest categories by a competent rating agency.

J) Shares of mutual funds and exchange traded funds as identified by KRS 66.480(1)(j).

K) Individual equity securities if the funds are managed by a professional investment manager regulated by a federal regulatory agency and are included within the S&P 500 pursuant to KRS 66.480(1)(k).

L) Individual high-quality corporate bonds managed by a professional investment manager pursuant to KRS 66.480(1)(l).

Overall investments in (E), (F), (G), (K), and (L) investment types are restricted to 20% of total local government investments.

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investments

The District had investments in certificates of deposit as of December 31, 2020 and 2019 in the amounts of $3,884,495 and $2,341,386, 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, 2020 and 2019, 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, 2020 and 2019.

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	
	2020	2019
Cash and Cash Equivalents	$ 711,652	$ 3,299,793

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:

	2020	2019
Cash and Cash Equivalents	$ 12,378,350	$ 10,199,049
Purchase and Resale Agreements	732,136	2,003,619
FAMC and FHLB Discount Notes	4,076,931	4,118,452
United States Treasuries	1,871,691	3,093,614
FNMA	-	499,645
Accrued Interest Receivable and CD Market Change	52,200	134,675
	$ 19,111,308	$ 20,049,054

NOTE 3 – RESTRICTED ASSETS (Continued)

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:

	December 31	
	2020	2019
Cash and Cash Equivalents	$ 20,545,701	$ 22,919,610

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	$ 1,182,299	$ 1,143,336

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	$ 859,532	$ 942,820

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts Receivable Arising From Billings of Metered Water Sales, Net of Allowance	$ 7,785,823	$ 6,756,320
Accrual for Estimated Unbilled Water Revenue	7,460,000	6,500,000
Other	70,350	425,504
Total	$ 15,316,173	$ 13,681,824

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.

NOTE 5 – FAIR VALUE MEASUREMENT (Continued)

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, 2020:

	Level 1	Level 2	Level 3	Total
Restricted Assets				
Purchase and Resale Agreements	$ -	$ 732,136	$ -	$ 732,136
FAMC and FHLB Discount Notes	-	4,076,931	-	4,076,931
United States Treasuries	-	1,871,691	-	1,871,691
Total Restricted Assets at Fair Value	$ -	$ 6,680,758	$ -	$ 6,680,758

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	$ -	$ 9,715,330	$ -	$ 9,715,330

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the District for the year ended December 31, 2020, was as follows:

	Balance December 31, 2019	Additions	Deductions	Balance December 31, 2020
Land, System, Buildings and Equipment				
Land and Land Rights	$ 3,267,226	$ -	$ -	$ 3,267,226
Structures and Improvements	127,650,495	1,305,882	(7,589)	128,948,788
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	11,920,406	61,860	-	11,982,266
Water Treatment Equipment	30,195,064	58,202	-	30,253,266
Distribution Reservoirs and Standpipes	11,414,093	-	(60,000)	11,354,093
Transmissions and Distribution Mains	221,336,326	8,803,408	(397,539)	229,742,195
Services	32,900,511	1,802,607	(219,601)	34,483,517
Meters and Meter	20,158,876	500,049	(108,534)	20,550,391
Installations Hydrants	10,379,057	430,690	(31,031)	10,778,716
Other Plant and Miscellaneous Equipment	3,419,128	-	-	3,419,128
Office Furniture and Equipment	4,086,335	169,021	(41,227)	4,214,129
Transportation Equipment	4,327,386	1,032,182	(290,446)	5,069,122
Tools, Shop, and Garage Equipment	860,258	132,837	(2,079)	991,016
Laboratory Equipment	821,248	6,430	-	827,678
Power Operated Equipment	1,272,390	7,675	(4,139)	1,275,926
Communication Equipment	6,287,274	-	-	6,287,274
Miscellaneous Equipment	581,124	11,382	-	592,506
Utility Plant Acquisition Adjustment	545,925	-	-	545,925
Acquisition Adjustment - Newport	4,970,211	-	-	4,970,211
Total Land, System, Buildings and Equipment	504,213,720	14,322,225	(1,162,185)	517,373,760
Construction in Progress	13,054,992	6,463,851	(10,154,939)	9,363,904
Total Capital Assets	517,268,712	20,786,076	(11,317,124)	526,737,664
Less Accumulated Depreciation	173,614,575	12,301,512	(865,479)	185,050,608
Capital Assets - Net	$ 343,654,137	$ 8,484,564	$ (10,451,645)	$ 341,687,056

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, 2020 and 2019, the arbitrage rebate liability was $295,084 and $734,477, 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. During the year ended December 31, 2020, the District paid $412,209. In the upcoming year, no payment is due and therefore no current portion is accrued for.

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 were refunded in October 2020 by the Refunding Revenue Bonds, Series 2020

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%.

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

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
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	5.00%	5,220,000	621,000	5,841,000
2026-2027	5.00%	9,810,000	461,000	10,271,000
Total		$ 33,675,000	$ 6,001,125	$ 39,676,125

NOTE 8 – LONG-TERM DEBT (Continued)

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:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
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	5.00%	970,000	756,276	1,726,276
2026-2030	4.00-5.00%	5,560,000	3,076,430	8,636,430
2031-2035	4.13-4.50%	6,855,000	1,781,822	8,636,822
2036-2038	4.13-4.25%	4,865,000	314,911	5,179,911
Total		$ 21,685,000	$ 9,405,918	$ 31,090,918

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.

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

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
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	4.00%	1,635,000	283,200	1,918,200
2026-2028	4.00-5.00%	5,350,000	401,250	5,751,250
Total		$ 12,840,000	$ 2,496,475	$ 15,336,475

NOTE 8 – LONG-TERM DEBT (Continued)

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:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
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	4.00%	515,000	83,938	598,938
2026-2029	3.00-4.00%	2,250,000	142,833	2,392,833
Total		$ 4,650,000	$ 737,948	$ 5,387,948

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.

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

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
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	5.00%	2,865,000	833,025	3,698,025
2026-2030	3.00-5.00%	16,455,000	2,067,700	18,522,700
2031	3.00%	3,660,000	54,900	3,714,900
Total		$ 33,155,000	$ 7,626,850	$ 40,781,850

NOTE 8 – LONG-TERM DEBT (Continued)

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:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
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	5.00%	530,000	500,850	1,030,850
2026-2030	3.00-5.00%	3,070,000	2,084,075	5,154,075
2031-2035	3.00%	3,660,000	1,501,200	5,161,200
2036-2040	3.00%	4,250,000	909,000	5,159,000
2041-2044	3.00%	3,885,000	237,375	4,122,375
Total		$ 17,310,000	$ 7,436,075	$ 24,746,075

Water District Refunding Revenue Bonds, Series 2020

In October 2020, the District issued $22,325,000 of Refunding Revenue Bonds, Series 2020 for the purpose of current refunding of the District's outstanding Revenue Bonds Series 2011 in the principal amount of $22,435,000 and for the refunding of the Rural Development Loan 91-02 in the principal amount $1,641,000. The bonds were sold at a premium of $2,481,834, for a total source of funds of $24,656,070. The 2020 bonds maturing on or after February 2035 are subject to redemption after February 2028 at a redemption price of 100%.

The reacquisition price exceeded the net carrying amount of the refunded debt by $76,496. 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 $5,828,770 and obtains an economic gain (difference between the present values of the old and new debt service) of $5,051,126.

The Water District Refunding Revenue Bonds, Series 2020 are scheduled to mature as follows:

Years	Interest Rates	Principal Amount	Interest Amount	Total Debt Service
2021	5.00%	$ 1,270,000	$ 587,587	$ 1,857,587
2022	5.00%	1,110,000	746,950	1,856,950
2023	5.00%	1,165,000	690,075	1,855,075
2024	5.00%	1,225,000	630,325	1,855,325
2025	5.00%	1,290,000	567,450	1,857,450
2026-2030	3.00-5.00%	7,470,000	1,815,975	9,285,975
2031-2035	2.00-3.00%	8,795,000	482,075	9,277,075
Total		$ 22,325,000	$ 5,520,437	$ 27,845,437

NOTE 8 – LONG-TERM DEBT (Continued)

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 remaining balance of this loan was paid in full in October 2020 through the Refunding Revenue Bonds, Series 2020.

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:

Years	Principal Amount	Interest Amount	Total Debt Service
2021	$ 27,000	$ 46,557	$ 73,557
2022	28,000	45,801	73,801
2023	28,500	45,024	73,524
2024	29,500	44,227	73,727
2025	30,500	43,402	73,902
2026-2030	164,000	203,871	367,871
2031-2035	187,500	179,746	367,246
2036-2040	215,500	152,069	367,569
2041-2045	246,500	120,377	366,877
2046-2050	282,500	84,047	366,547
2051-2055	323,500	42,480	365,980
2056-2057	143,500	3,995	147,495
Total	$ 1,706,500	$ 1,011,596	$ 2,718,096

Rate Covenant: 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.

Mortgage Lien: The District's bonds are secured by a statutory mortgage lien on all properties of the District.

Events of Default: Each of the following events in the bond ordinances is defined as and shall constitute an event of default:

a) Default by the District in the payment of any principal installment or premium, if any, on any bond when due;

b) Default by the District in the payment of any installment of interest on the bonds when due;

c) Failure or refusal by the District to comply with the act pursuant to which the District was created, or default in the performance or observance of any other of the covenants, agreements or conditions contained in the Resolution, any series resolution, any supplemental resolution or the bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the holder of not less than five percent in principal amount of the outstanding bonds.

NOTE 8 – LONG-TERM DEBT (Continued)

Enforcement of Remedies: In the event of default, the holders of not less than twenty-five percent in principal amount of the outstanding bonds may proceed, subject to certain provisions in the resolution, to protect and enforce the rights of the bondholders by such of the following remedies as such bondholders shall deem most effectual, including the following:

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

b) Bring suit upon the bonds;

c) Require the District by action or suit to account as if it were the trustee of an express trust for the holders of the bonds;

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

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

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

g) In the event that all bonds are declared due and payable, and a receiver is appointed, to sell all investments 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 to cause the receiver to take over the public water system and operate same in the name of the District for the use and benefit of the bondholders.

Notes from Direct Borrowings

<u>Fiscal Court of Kenton District, Kentucky</u>

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.

<u>Kentucky Infrastructure Authority Loan F08-07</u>

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.

NOTE 8 – LONG-TERM DEBT (Continued)

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

Years	Principal Amount	Interest Amount	Total Debt Service
2021	$ 196,704	$ 30,575	$ 227,279
2022	198,676	28,110	226,786
2023	200,668	25,620	226,288
2024	202,680	23,106	225,786
2025	204,711	20,566	225,277
2026-2030	1,054,757	63,832	1,118,589
2031-2032	436,852	6,843	443,695
Total	$ 2,495,048	$ 198,652	$ 2,693,700

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.

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

Years	Principal Amount	Interest Amount	Total Debt Service
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	1,240,541	248,994	1,489,535
2026-2030	6,586,904	812,745	7,399,649
2031-2033	3,547,538	120,524	3,668,062
Total	$ 16,097,481	$ 2,447,864	$ 18,545,345

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.

NOTE 8 – LONG-TERM DEBT (Continued)

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

Years	Principal Amount	Interest Amount	Total Debt Service
2021	$ 156,149	$ 62,567	$ 218,716
2022	158,893	59,431	218,324
2023	161,686	56,239	217,925
2024	164,529	52,991	217,520
2025	167,420	49,686	217,106
2026-2030	882,286	196,787	1,079,073
2031-2035	962,598	105,002	1,067,600
2036-2038	513,676	15,501	529,177
Total	$ 3,167,237	$ 598,204	$ 3,765,441

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.

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

Years	Principal Amount	Interest Amount	Total Debt Service
2021	$ 155,672	$ 62,377	$ 218,049
2022	158,409	59,249	217,658
2023	161,193	56,067	217,260
2024	164,026	52,829	216,855
2025	166,909	49,535	216,444
2026-2030	879,596	196,187	1,075,783
2031-2035	959,663	104,683	1,064,346
2036-2038	512,108	15,452	527,560
Total	$ 3,157,576	$ 596,379	$ 3,753,955

NOTE 8 – LONG-TERM DEBT (Continued)

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:

Years	Principal Amount	Interest Amount	Total Debt Service
2021	$ 66,315	$ 11,221	$ 77,536
2022	66,814	10,590	77,404
2023	67,316	9,954	77,270
2024	67,822	9,314	77,136
2025	68,331	8,668	76,999
2026-2030	349,435	33,486	382,921
2031-2035	362,762	16,606	379,368
2036-2037	148,949	1,772	150,721
Total	$ 1,197,744	$ 101,611	$ 1,299,355

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, 2020, $1,304,928 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.

Events of Default: The District's outstanding notes from direct borrowings contain an event of default that changes the timing of repayment of outstanding amounts to become immediately due if the District is unable to make a payment at the times specified in the note agreements.

Collateral: The District's outstanding notes from direct borrowings are collateralized by future revenue.

NOTE 8 – LONG-TERM DEBT (Continued)

Changes in long-term debt are as follows:

	Debt Outstanding December 31, 2019	Additions of New Debt	Retirements and Repayments	Debt Outstanding December 31, 2020	Amounts Due Within 1 Year
Bond Indebtedness					
Rural Development Loan 91-02	$ 1,692,000	$ -	$ 1,692,000	$ -	$ -
Rural Development Loan 91-03	1,733,000	-	26,500	1,706,500	27,000
Series 2011	23,490,000	-	23,490,000	-	-
Series 2011 Bond Premium	160,949	-	160,949	-	-
Series 2012	37,825,000	-	4,150,000	33,675,000	4,365,000
Series 2012 Bond Premium	4,782,032	-	562,592	4,219,440	562,592
Series 2013 A	22,440,000	-	755,000	21,685,000	795,000
Series 2013 A Bond Premium	929,355	-	50,236	879,119	50,235
Series 2013 B	14,135,000	-	1,295,000	12,840,000	1,355,000
Series 2013 B Bond Premium	1,043,948	-	119,309	924,639	119,308
Series 2014 B	6,155,000	-	1,505,000	4,650,000	440,000
Series 2014 B Bond Premium	842,249	-	84,225	758,024	84,225
Series 2016	35,535,000	-	2,380,000	33,155,000	2,325,000
Series 2016 Bond Premium	4,100,131	-	344,067	3,756,064	344,067
Series 2019	17,845,000	-	535,000	17,310,000	455,000
Series 2019 Bond Premium	1,070,449	-	43,396	1,027,053	43,397
Series 2020	-	22,325,000	-	22,325,000	1,270,000
Series 2020 Bond Premium	-	2,481,834	27,576	2,454,258	165,456
Total Bond Indebtedness	173,779,113	24,806,834	37,220,850	161,365,097	12,401,280
Notes Payable - Direct Borrowings					
KIA Loan F08-07	2,689,800	-	194,752	2,495,048	196,704
KIA Loan F09-02	17,220,527	-	1,123,046	16,097,481	1,145,619
KIA Loan F13-012	4,523,000	-	-	4,523,000	-
KIA Loan F14-015	3,320,689	-	153,452	3,167,237	156,149
KIA Loan F15-011	3,310,559	-	152,983	3,157,576	155,672
KIA Loan B15-003	1,263,566	-	65,822	1,197,744	66,315
KIA Loan F16-027	569,581	735,347	-	1,304,928	-
Kenton County Fiscal Court	100,000	-	-	100,000	-
Total Notes Payable - Direct Borrowings	32,997,722	735,347	1,690,055	32,043,014	1,720,459
Arbitrage Liability	734,477	-	439,393	295,084	-
Compensated Absences	1,005,126	364,012	-	1,369,138	99,611
Total Long-Term Debt	$ 208,516,438	$ 25,906,193	$ 39,350,298	$ 195,072,333	$ 14,221,350

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 09/01/2008

Age	Years of Service	Allowance Reduction
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

Age	Years of Service	Allowance Reduction
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

Age	Years of Service	Allowance Reduction
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

Accumulate Account Balance / Actuarial Factor = Monthly Life Annuity

Accumulate Account Balance				
Member Contributions	**Employer Contributions**	**Base Annual Interest**	**Upside Sharing Interest (FY 2020)**	**Actuarial Factor**
5.00%	4.00%	4.00%	0.97%	Various*

* See www.kyret.ky.gov for most recent Actuarial Factors

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 (requirement is waived if line of duty disability) 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% of member’s monthly 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 hybrid 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 greater of 20% 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.

NOTE 9 – PENSION PLAN (Continued)

For pre-retirement death benefits, the beneficiary of a deceased active member is eligible for a monthly benefit if the member died while in the line of duty with one month of service credit. The beneficiary of a deceased active member who did not die in the line of duty is eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 65 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.

The Kentucky General Assembly has the authority to increase, suspend, or reduce Cost of Living Adjustments (COLAs). Senate Bill (SB) 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.

House Bill 271 passed during the 2020 legislative session which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to an in line of duty or duty-related injury upon remarriage of the surviving spouse. It also increased benefits for a very small number of surviving spouses and dependent children who did not initially elect the in line of duty or duty-related benefit. There were no other material benefit provision changes since the prior valuation.

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. SB 249 (passed during the 2020 legislative session) froze the contribution rates for one year so that the rates for fiscal year ended June 30, 2021 were equal to the rates for fiscal year ended June 30, 2020. For the fiscal years ended June 30, 2021, 2020, and 2019, participating employers contributed 24.06% (19.30% pension fund and 4.76% insurance fund), 24.06% (19.30% pension fund and 4.76% insurance fund), and 21.48% (16.22% pension fund and 5.26% 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 $1,723,667 and $1,557,127 for the years ended December 31, 2020 and 2019, respectively.

NOTE 9 – PENSION PLAN (Continued)

Plan Information for December 31, 2020 Financial Statements

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

At December 31, 2020, the District reported a liability of $26,055,399 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2020, 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, 2020, the District's proportion for the non-hazardous system was 0.339709% which was an increase of 0.008855% from its proportion measured as of December 31, 2019.

For the year ended December 31, 2020, the District recognized pension expense of $2,604,502. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 652,004	$ -
Difference between expected and actual experience	649,739	-
Changes of assumptions	1,017,419	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	862,116	53,168
District contributions after measurement date	885,281	-
Total	$ 4,066,559	$ 53,168

The $885,281 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending December 31,	
2021	$ 1,508,684
2022	1,014,444
2023	343,123
2024	261,859
Total	$ 3,128,110

NOTE 9 – PENSION PLAN (Continued)

Actuarial assumptions: The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay Amortization Method
Remaining Amortization Period	30 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%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, Varies by Service
Investment Rate of Return	6.25% Net of Pension Plan Investment Expense, Including Inflation

The Board of Trustees for the Kentucky Retirement Systems adopted new actuarial assumptions since June 30, 2018. The Total Pension liability as of June 30, 2020 was determined using these updated assumptions.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases, This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

The mortality table used for active members was a PUB-2010 General Mortality table with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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 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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Growth		
US Equity	18.75 %	4.50 %
Non-US Equity	18.75	5.25
Private Equity	10.00	6.65
Specialty Credit/High Yield	15.00	3.90
Liquidity		
Core Bonds	13.50	(0.25)
Cash	1.00	(0.75)
Diversifying Strategies		
Real Estate	5.00	5.30
Opportunistic	3.00	2.25
Real Return	15.00	3.95
Total	100.00 %	

Discount rate: The single 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 projections of cash flows used to determine the single discount rate includes an assumption regarding actual employer contributions made each future year. Except where noted, the future contributions are projected assuming that each participating employer in the system contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 Legislative Session. This includes the phase-in provisions from House Bill 362 (passed in 2020) which kept CERS contributions level for fiscal year ending 2021.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate: The following present's 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:

	1% Decrease	Current Discount Rate	1% Increase
Non-Hazardous	$ 32,131,977	$ 26,055,399	$ 21,023,762

Changes of assumptions: There were no changes in actuarial assumptions for the June 30, 2020 valuation date.

NOTE 9 – PENSION PLAN (Continued)

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, 2019, 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.

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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	856,487	-
Total	$ 4,558,221	$ 726,617

The $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:

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

NOTE 9 – PENSION PLAN (Continued)

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, 2018
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay Amortization Method
Remaining Amortization Period	24 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%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 10.30%, Varies by Service
Investment Rate of Return	6.25% Net of Pension Plan Investment Expense, Including Inflation

The mortality table used for active members was a Pub-2010 General Mortality table, for the Non-Hazardous System projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
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	15.00	4.10
Total	100.00 %	

NOTE 9 – PENSION PLAN (Continued)

Discount rate: The single 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 year as determined by the current funding policy established in statue, which includes the phase-in provisions from House Bill 362 (passed in 2018) that applies to CERS.

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:

	1% Decrease	Current Discount Rate	1% Increase
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.

Other Information about the Pension Plan

Payable to the pension plan: At December 31, 2020 and 2019, the District reported a payable of $167,861 and $130,935 for the outstanding amount of contributions to the pension plan required for the years ended December 31, 2020 and 2019, 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.

NOTE 10 – OPEB PLAN (Continued)

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.

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:

Portion Paid by Insurance Fund	
Years of Service	Paid by Insurance Fund (%)
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.

NOTE 10 – OPEB PLAN (Continued)

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. SB 249 (passed during the 2020 legislative session) froze the contribution rates for one year so that the rates for fiscal year ended June 30, 2021 were equal to the rates for fiscal year ended June 30, 2020. For the fiscal years ended June 30, 2021, 2020, and 2019, participating employers contributed 24.06% (19.30% pension fund and 4.76% insurance fund), 24.06% (19.30% pension fund and 4.76% insurance fund), and 21.48% (16.22% pension fund and 5.26% 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 $425,112 and $438,448 for the years ended December 31, 2020 and 2019, respectively.

Plan Information for December 31, 2020 Financial Statements

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

At December 31, 2020, the District reported a liability of $8,200,549 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2020, 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, 2020, the District's proportion for the non-hazardous system was 0.339610%, which was an increase of 0.008842% from its proportion measured as of December 31, 2019.

NOTE 10 – OPEB PLAN (Continued)

For the year ended December 31, 2020, the District recognized OPEB expense of $564,502. At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 272,567	$ -
Difference between expected and actual experience	1,370,140	1,371,210
Changes of assumptions	1,426,411	8,674
Changes in proportion and difference between employer contributions and proportionate share of contributions	310,333	92,655
District contributions after measurement date	218,338	-
Total	$ 3,597,789	$ 1,472,539

The $218,338 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, 2021. 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,	
2021	$ 495,356
2022	576,020
2023	421,400
2024	420,964
2025	(6,828)
Total	$ 1,906,912

NOTE 10 – OPEB PLAN (Continued)

Actuarial assumptions: The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay Amortization Method
Amortization Period	30 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%
Payroll Growth Rate	2.00%
Salary Increase	3.30% to 11.55%, Varies by Services
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial Trend Starting at 6.40% at January 1, 2022 and Gradually Decreasing to an Ultimate Trend Rate of 4.05% Over a Period of 14 Years.
Healthcare Cost Trend Rates (Post-65)	Initial Trend Starting at 2.90% at January 1, 2022, and Increasing to 6.30% in 2023, then Gradually Decreasing to an Ultimate Trend Rate of 4.05% Over a period of 14 Years.
Mortality	
Pre-retirement	PUB-2010 General Mortality Table, for the Non-Hazardous Systems, Projected with the Ultimate Rates from the MP-2014 Mortality Improvement Scale Using a Base Year of 2010
Post Retirement (non-disabled)	System-Specific Mortality Table Based on Mortality Experience from 2013-2018, Projected with the Ultimate Rates from MP-2014 Mortality Improvement Scale Using a Base Year of 2010.
Post Retirement (disabled)	PUB-2010 Disabled Mortality Table, with a 4-yeat Set-forward for both Male and Female Rates, Projected With the Ultimate Rates from the MP-2014 Mortality Improvement Scale Using a Base Year of 2010

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the total OPEB liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan changes.

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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Growth		
US Equity	18.75 %	4.50 %
Non-US Equity	18.75	5.25
Private Equity	10.00	6.65
Specialty Credit/High Yield	15.00	3.90
Liquidity		
Core Bonds	13.50	(0.25)
Cash	1.00	(0.75)
Diversifying Strategies		
Real Estate	5.00	5.30
Opportunistic	3.00	2.25
Real Return	15.00	3.95
Total	100.00 %	

Discount rate: The single discount rate used to measure the total OPEB liability was 5.34% for non-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 2.45%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 28, 2020. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan's insurance fiduciary net position an 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 is not currently being included in the calculation of the system's actuarial determined contributions, and it is understood that any 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 include an assumption regarding actual employer contributions made each future year. The future contributions are projected assuming that each participating employer in system contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 Legislative Session. This includes the phase-in provisions from House Bill 362 (passed in 2018) that applies to the CERS Funds as well as the provisions from Senate Bill 249 (passed in 2020) which kept CERS contributions level from fiscal year ending 2021.

NOTE 10 – OPEB PLAN (Continued)

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 (4.34% for non-hazardous) or 1-percentage-point higher (6.34% for non-hazardous) than the current rate:

	1% Decrease	Current Discount	1% Increase
Non-Hazardous	$ 10,535,298	$ 8,200,549	$ 6,282,942

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:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Non-Hazardous	$ 6,349,274	$ 8,200,549	$ 10,447,114

Changes of assumptions: There were no changes in actuarial assumptions for the June 30, 2020 valuation date.

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, 2019, 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 0.018493% from its proportion measured as of December 31, 2018.

NOTE 10 – OPEB PLAN (Continued)

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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	211,237	-
Total	$ 2,110,885	$ 2,058,313

The $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:

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

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, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Percent of Pay Amortization Method
Amortization Period	24 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	2.00%
Payroll Growth Rate	2.30%
Salary Increase	3.30 to 10.30%, Varies by Service
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial Trend Starting at 7.00% at January 1, 2020 and Gradually Decreasing to an Ultimate Trend Rate of 4.05% Over a Period of 12 Years
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 5.00% at January 1, 2020 and 4.05% Over a Period of 10 Years.
Mortality	
Pre-retirement	PUB-2010 General Mortality Table, for the Non-Hazardous Systems, Projected with the Ultimate Rates from the MP-2014 Mortality Improvement Scale Using a Base Year of 2010
Post Retirement (non-disabled)	System-Specific Mortality Table Based on Mortality Experience from 2013-2018, Projected with the Ultimate Rates from MP-2014 Mortality Improvement Scale Using a Base Year of 2019.
Post Retirement (disabled)	PUB-2010 Disabled Mortality Table, with a 4-year Set-forward for both Male and Female Rates, Projected With the Ultimate Rates from the MP-2014 Mortality Improvement Scale Using a Base Year of 2010

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:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
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	15.00	4.10
Total	100.00 %	

Discount rate: The discount rate used to measure the total OPEB liability was 5.68% for non-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 an 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:

	1% Decrease	Current Discount	1% Increase
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 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:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
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.

Other Information about the OPEB Plan

Payable to the OPEB Plan: At December 31, 2020 and 2019, the District reported a payable of $41,400 and $32,293 for the outstanding amount of contributions to the OPEB plan required for the years ended December 31, 2020 and 2019, 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, 2020 and 2019 were $16,041 and $11,312, respectively.

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

Years Ending December 31,	
2021	$ 16,041
2022	16,041
2023	16,041
2024	5,827
	$ 53,950

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 – RISKS AND UNCERTAINTIES – COVID-19 OUTBREAK

Prior to year-end, the World Health Organization announced a global health emergency later classified as a global pandemic as a result of the COVID-19 outbreak. The outbreak and response has impacted financial and economic markets across the World and within the United States. The full impact continues to evolve and as such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity, and future results of operations. Management is actively monitoring the possible effects on every aspect of the District.

NOTE 14 – SUBSEQUENT EVENTS

The District has evaluated subsequent events through April 15, 2021, which is the date the financial statements were available to be issued.

In March 2021, the District issued $24,685,000 of Revenue Bond Anticipation Notes, Series 2021A. The proceeds are to be used to finance the costs of additions and improvements to the District's public water system.

In February 2021, the Board of Commissioners of the District passed a resolution to authorize the issuance, sale, execution, and delivery of its Revenue Bonds, Series 2023A, in an approximate aggregate amount of $27,000,000. The proceeds are to be used to 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.

REQUIRED SUPPLEMENTARY INFORMATION

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2020

County Employees Retirement System
Last 10 Calendar Years*

	2020	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability - Non-Hazardous	0.339709%	0.330854%	0.312275%	0.320590%	0.335200%	0.344120%	0.333600%
Total District's Proportionate Share of the Net Pension Liability	$ 26,055,399	$ 23,269,110	19,018,499	$ 18,765,118	$ 16,504,154	$ 14,819,690	$ 11,002,199
District's Covered Payroll	$ 8,757,359	$ 8,040,890	7,779,594	$ 7,880,340	$ 7,925,067	$ 7,972,340	$ 7,931,952
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	297.53%	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	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

** Only seven 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, 2020

County Employees Retirement System
Last 10 Calendar Years*

Non-Hazardous	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$ 1,723,667	$ 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	(1,723,667)	(1,557,127)	(1,230,042)	(1,099,103)	(1,045,628)	(1,429,517)	(1,483,609)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 8,930,918	$ 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	19.30%	17.78%	15.30%	14.21%	13.19%	17.93%	18.70%

** Only seven 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, 2020

County Employees Retirement System
Last 10 Calendar Years*

	2020	2019	2018	2017	2016
District's Proportion of the Net OPEB Liability - Non-Hazardous	0.339610%	0.330768%	0.312275%	0.320590%	0.335200%
Total District's Proportionate Share of the Net OPEB Liability	$ 8,200,549	$ 5,563,369	$ 5,544,345	$ 6,444,956	$ 5,055,231
District's Covered Payroll	$ 8,757,359	$ 8,040,890	$ 7,779,594	$ 7,880,340	$ 7,925,067
District's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll	93.64%	69.19%	71.27%	81.79%	63.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Non-Hazardous	51.67%	60.44%	57.62%	52.39%	55.24%

** Only five 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, 2020

County Employees Retirement System
Last 10 Calendar Years*

Non-Hazardous	2020	2019	2018	2017	2016
Contractually Required Contribution	$ 425,112	$ 438,448	$ 399,058	$ 364,575	$ 371,330
Contributions in Relation to the Contractually Required Contribution	(425,112)	(438,448)	(399,058)	(364,575)	(371,330)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 8,930,918	$ 8,757,359	$ 8,040,890	$ 7,732,260	$ 7,925,067
Contributions as a Percentage of Covered Payroll	4.76%	5.01%	4.96%	4.71%	4.69%

** Only five 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, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Water Sales	$ 56,528,724	$ 59,767,687	$ 3,238,963
Forfeited Discounts	821,100	237,109	(583,991)
Rents From Property	367,900	548,933	181,033
Other Water Revenues	380,000	197,927	(182,073)
Total Operating Revenues	58,097,724	60,751,656	2,653,932
Operating Expenses			
Operation and Maintenance Expense	31,169,960	28,706,549	2,463,411
Depreciation Expense	11,952,000	12,301,512	(349,512)
Total Operating Expenses	43,121,960	41,008,061	2,113,899
Net Operating Income	14,975,764	19,743,595	4,767,831
Non-Operating Income (Expense)			
Investment Income	1,506,800	688,108	(818,692)
Miscellaneous Non-Operating Income	120,400	112,631	(7,769)
Loss on Abandonment of Mains	-	(264,847)	(264,847)
Interest on Long-Term Debt and Customer Deposits	(7,437,585)	(6,555,100)	882,485
Amortization of Debt Premiums and Defeasance Costs	-	851,294	851,294
Bond Issuance Costs	-	(226,603)	(226,603)
Pension Expense	-	(2,604,502)	(2,604,502)
Other Post Employment Benefit Expense	-	(564,502)	(564,502)
Arbitrage Rebate	-	27,184	27,184
Gain on Sale of Capital Assets	-	60,861	60,861
Total Non-Operating Expense	(5,810,385)	(8,475,476)	(2,665,091)
Change in Net Position Before Capital Contributions	9,165,379	11,268,119	2,102,740
Capital Contributions	-	2,099,143	2,099,143
Change in Net Position	$ 9,165,379	$ 13,367,262	$ 4,201,883

NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF WATER OPERATING REVENUE

	Years Ended December 31, 2020	2019
Operating Revenues		
Metered Sales		
Sales to Residential Customers	$ 37,580,425	$ 34,204,142
Sales to Commercial Customers	7,564,583	7,752,357
Sales to Industrial Customers	4,697,395	4,239,685
Sales to Public Authorities	2,152,780	2,673,446
Sales to Multiple Family Dwellings	5,830,240	5,048,482
Sales Through Bulk Loading Stations	72,063	66,697
Total Metered Sales	57,897,486	53,984,809
Fire Protection Revenue	44,657	66,062
Sales For Resale	1,825,544	1,713,358
Total Sales of Water	59,767,687	55,764,229
Other Revenue	983,969	1,803,665
Total Operating Revenues	$ 60,751,656	$ 57,567,894

NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF COMBINED OPERATION AND MAINTENANCE EXPENSES

	Years Ended December 31,	
	2020	**2019**
Operating and Maintenance Expenses		
Salaries and Wages	$ 9,222,495	$ 9,158,236
Employee Pensions and Benefits	5,326,550	5,423,579
Taxes Other Than Income Taxes	651,852	648,930
Purchased Power	2,585,613	2,718,677
Chemicals	2,573,311	2,664,632
Materials and Supplies	2,413,632	2,375,356
Contractual Services	3,998,476	3,744,244
Transportation Expenses	506,318	605,498
Insurance	719,772	614,425
Bad Debt Expense	355,158	424,805
Miscellaneous Expense	209,775	228,075
Regulatory Commission Assessment	143,597	132,432
Total Operating and Maintenance Expenses	$ 28,706,549	$ 28,738,889

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF INSURANCE COVERAGES
December 31, 2020

Company	Policy Number	Description of Coverage	Amount of Coverage	Effective Period From	Effective Period To
Travelers Insurance	ZLP14T8065319	General Liability	$ 1,000,000	1/1/2020	1/1/2021
Travelers Insurance	ZUP14T8066519	Umbrella	$ 19,000,000	1/1/2020	1/1/2021
Travelers Insurance	ZLP14T8065319	Public Officials	$ 1,000,000	1/1/2020	1/1/2021
Travelers Insurance	H8102721X112COF19	Business Auto	$ 1,000,000	1/1/2020	1/1/2021
Travelers Insurance	H6302721X112TIL19	Property-Including Equipment	$ 299,407,063	1/1/2020	1/1/2021
Travelers Insurance	H6302721X112TIL19	Employee Dishonesty	$ 500,000	1/1/2020	1/1/2021
Travelers Insurance	ZPL14P0759919	Cyber Liability	$ 2,000,000	1/1/2020	1/1/2021
Kentucky Employers Mutual Insurance	WC 338786	Worker's Compensation	$ 1,000,000	7/1/2019	7/1/2020
Kentucky Employers Mutual Insurance	WC 338786	Worker's Compensation	$ 1,000,000	7/1/2020	7/1/2021
Cincinnati Insurance	8877070	Fidelity Bond	Per Application	1/1/2020	12/31/2020
Great American Insurance	PEL1093742-02	Pollution Liability	$ 15,000,000	1/1/2019	1/1/2022

RETAIL WATER RATES

1. Monthly Service Rate

First	1,500 Cubic Feet	$4.77 per 100 Cubic Feet
Next	163,500 Cubic Feet	$4.44 per 100 Cubic Feet
Over	165,000 Cubic Feet	$3.25 per 100 Cubic Feet

Sub District B shall be assessed a monthly surcharge in the amount of	$	12.53
Sub District C shall be assessed a monthly surcharge in the amount of	$	10.87
Sub District D shall be assessed a monthly surcharge in the amount of	$	39.30
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	$	15.55
Sub District G shall be assessed a monthly surcharge in the amount of	$	20.55
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	$	6.45
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	$	21.61
Sub District RL shall be assessed a monthly surcharge in the amount of	$	24.84

2. Quarterly Rates

First	4,500 Cubic Feet	$4.77 per 100 Cubic Feet
Next	490,500 Cubic Feet	$4.44 per 100 Cubic Feet
Next	495,000 Cubic Feet	$3.25 per 100 Cubic Feet

3. Fixed Service Charge

Meter Size	Monthly	Quarterly
5/8”	$ 18.50	$ 40.50
3/4”	$ 19.00	$ 42.50
1”	$ 20.80	$ 48.80
1½”	$ 23.40	$ 57.70
2”	$ 29.60	$ 80.90
3”	$ 71.30	$ 251.80
4”	$ 89.50	$ 315.50
6”	$ 132.40	$ 466.20
8”	$ 178.80	$ 637.10
10” and Larger	$ 237.80	$ 831.90

WHOLESALE WATER RATES

Bullock Pen Water District	$3.98 per 1,000 Gallons (or) $2.98 per 100 Cubic Feet
City of Walton	$3.98 per 1,000 Gallons (or) $2.98 per 100 Cubic Feet
Pendleton District	$3.98 per 1,000 Gallons (or) $2.98 per 100 Cubic Feet

MISCELLANEOUS SERVICE FEES

<u>Service Area Non-Recurring Charges</u>

Returned Check Charge	$	20.00	
Water Hauling Station	$	6.38	/ 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, 2020

COMMISSIONERS	TITLE	TERM EXPIRES
Douglas C Wagner, CDT	Chair	August 26, 2021
Joseph J. Koester	Vice-Chair	July 31, 2024
Jody R. Lange, CPA, CGMA	Treasurer	August 28, 2023
Fred A. Macke, Jr.	Secretary	August 26, 2024
Clyde Cunningham		August 28, 2023
Dr. Patricia Sommercamp		August 28, 2021

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

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, 2020 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 April 15, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 financial statements. 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*.

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main fax: 859.331.4358 vlcpa.com

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
April 15, 2021

NORTHERN KENTUCKY WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2021B

APPENDIX D

SUMMARY OF THE GENERAL BOND RESOLUTION

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GENERAL BOND RESOLUTION

The following is a summary of certain terms and provisions of the Resolution and is qualified in its entirety by reference to the Resolution. The following summary supplements the information set forth in "SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2021B BONDS - Security for the Series 2021B Bonds" and should be read in conjunction therewith. See "Introduction" as to the availability of copies of the Resolution.

Registration, Payment and Transfer

Payment of Principal. Principal of and interest on the Bonds will be payable when due without deduction for the services of the Paying Agent and Registrar. Principal of and redemption premium on any Bond will be paid to the registered owner thereof upon presentation and surrender thereof at the principal corporate trust office of the Paying Agent and Registrar.

Payment of Interest - Regular Record Dates. The interest on any Bonds which is payable, and is punctually paid or duly provided for, on any interest payment date will be paid by check or draft mailed by the Paying Agent to the person in whose name such Bond was registered on the registration books at the close of business on the regular record date for such interest payment date and will be mailed to such person at his address as it appears on the registration books. The regular record date for any interest payment date is the fifteenth day of the month next preceding the month in which the interest payment date occurs.

Exchange and Transfer. The Bonds shall be negotiable as provided by the Resolution, subject to the provisions for registration and transfer contained in the Resolution. 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.

Pledge of Revenues

Bonds, 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 the Resolution do not constitute an indebtedness of the District within the meaning of the Constitution of Kentucky, but are payable as to principal, interest and premium, if any, solely from and are secured by a pledge of revenues and income resulting from the collection of water rates, rentals and charges for the services rendered by the facilities of the District. A statutory mortgage lien is created and granted to and in favor of the registered owner or owners of the Bonds for the issue of which it forms a part and said properties will remain subject to the statutory mortgage lien until the payment in full of the principal and interest on the Bonds and the issue of which it forms a part are paid in full.

Application of Revenues

Establishment of Funds. The Resolution establishes the following funds (the "Funds") for the deposit and application of revenues:

(1) Bond Proceeds Fund
(2) General Revenue Fund
(3) Debt Service Fund
(4) Operation and Maintenance Fund
(5) Improvement Repair and Replacement Fund

The Resolution requires or permits investments of moneys in each Fund, consistent with the contemplated uses of such moneys, in "Investment Obligations." Investment Obligations are restricted to 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 secured by a pledge of annual contributions under annual contribution contracts with the United States or by requisition or payment agreements with the United States. Investment Obligations are deemed to be part of the Fund or account for which purchased, and income, interest, gains and losses on investments are credited or charged to the Fund or account for which such investments were purchased, subject, in the case of the Debt Service Reserve, that so long as the aggregate debt service reserve requirement is being maintained, income and revenues from such Fund are to be transferred to the General Revenue Fund.

A further description of each of the Funds follows:

Bond Proceeds Fund. Under the Resolution, the District is required to establish within the Bonds Proceeds Fund established by the Resolution a Cost of Issuance Account and a Construction and Acquisition Account for each series of Bonds outstanding. In addition, if Bond proceeds are to be used in whole or in part for the payment or provision therefore of outstanding debt obligations, a Refunding Account may be established. From the proceeds of the sale of a series of Bonds, there will be deposited in the Cost of Issuance Account the costs of issuing the series of Bonds. Moneys received by the District from any other source, unless otherwise provided by the Resolution, may also be deposited in the Cost of Issuance Account. So much of the remainder of the Bond proceeds as is required by the applicable series resolution (except for accrued and capitalized interest, if any, which shall be deposited in the Interest Account, and any premium over the principal amount of the Bonds, which is applied as provided in such series resolution) shall be deposited in the Construction and Acquisition Account. The Cost of Issuance Account and the Construction and Acquisition constitute all the accounts within the Bond Proceeds Fund.

Moneys in the Cost of Issuance Account and the Construction and Acquisition Account shall be applied by the appropriate depository, upon issuance of a check or other bill of exchange signed by two members of the Board of Commissioners of the District only for the making of disbursements and payments required to be made by the District for paying issuance costs and pursuant to construction and acquisition contracts relating to the Public Water System.

General Revenue Fund. All moneys received by the District as Pledged Receipts, together with income from the Debt Service Reserve as provided in the Resolution, are required to be deposited promptly in the General Revenue Fund. Pledged Receipts are defined as the totality of (i) all water service rates, rentals and charges imposed by the District, (ii) all interest earned and gains realized on investments, unless the 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, and (iii) other income received by the District, if any, from any agency of government, both Federal and State, as representing income or operating subsidies, if any, as distinguished from capital grants, to the extent not otherwise required to be treated and applied.

The designated depository is required to make monthly transfers from the moneys in the General Revenue Fund to the following Funds and Accounts and in the following amounts and order of priority:

1. **Debt Service Fund-Interest Account**. An amount, which when added to the amount then on deposit in the Interest Account, will equal the interest on all outstanding Bonds accrued and unpaid in respect of the next interest payment date.

2. **Debt Service Fund-Principal Account**. An amount which, when added to the amount then on deposit in the Principal Account, will equal the next Principal Installment, which is the sum of the principal amount of outstanding Bonds maturing in the Bond Fiscal Year (February 1/January 31) plus the unsatisfied balance of any sinking fund installment for such year.

3. **Operation and Maintenance Fund**. The amount required prior to the tenth day of the next month to pay operating and maintenance costs of the District in accordance with its annual budget, together with such proportionate amounts as will, during the twenty-four months following the issuance of any series of Bonds, together with sums on deposit in said Fund, equal Operation and Maintenance Costs for one month. Operation and Maintenance Costs include salaries, operating expenses and all other expenses of administering the public water system, fees and expenses of the paying agents and costs of issuance other than those paid from Bond proceeds.

4. **Improvement, Repair and Replacement Fund**. Any amounts remaining in the General Revenue Fund. So long as all required transfers are made in respect of amortization of outstanding Bonds, and all reserves are fully funded, the Board of Commissioners of the District may order that funds be retained in the General Revenue Fund in lieu of transferring such funds to the Improvement, Repair and Replacement Fund.

Debt Service Fund.

Interest Account. The District will cause the Paying Agent to disburse moneys from the interest Account for the purpose of paying interest on the Series 2021B Bonds when due and payable as well as interest on notes to be redeemed to the extent not otherwise provided for.

Principal Account. The District will cause the Paying Agent to disburse moneys from the Principal Account for the purpose of paying the principal of the Series 2021B Bonds when due and payable. In addition, the District may, at its option, apply amounts accumulated in the Principal Account for each sinking fund installment (plus amounts accumulated in the Interest Account for interest on notes for which the sinking fund installment was established), before the forty-fifth day preceding the due date of such sinking fund installment, to (i) the purchase of notes of the Series and maturity for which the sinking fund was established at prices (including brokerage and other charges) not exceeding the principal amount thereof plus premium, if any, payable from sinking fund installments for such notes when such notes are redeemable by application of such sinking fund installment plus unpaid interest accrued to the date of purchase or (ii) to the redemption of such notes, if then redeemable by their terms at the redemption price referred to in clause (i). The District is required to pay from the Principal Account the amount required to redeem such notes as may be necessary (after taking into account notes purchased as aforesaid) to complete the retirement of the principal amounts specified by any series resolution for the sinking fund installments.

Operation and Maintenance Fund. In addition to the amounts required to be transferred to the Operation and Maintenance Fund from the General Revenue Fund, there may be paid into said Fund any moneys received by the District from any other source, unless otherwise provided by the Resolution. The District may withdraw moneys for the Operation and Maintenance Fund from time to time for the purpose of paying reasonable and necessary Operation and Maintenance Costs, and moneys so withdrawn and paid are free and clear of the pledge created by the Resolution for the payment of the principal, premium, if any, and interest on the Bonds and any sinking fund installments. The District may also withdraw moneys from the Operation and Maintenance Fund for deposit to any other Fund or Account except the Improvement, Repair and Replacement Fund. At the District's discretion, amounts in the Operation and Maintenance Fund may be invested from time to time to provide funds when needed to pay Operation and Maintenance Costs.

Improvement, Repair and Replacement Fund. The Improvement, Repair and Replacement Fund is available and is to be utilized to balance depreciation to make unforeseen major repairs and replacements and to pay the cost of construction of additions, extensions, betterments and improvements of the Public Water System which will either increase income and revenues or provide a higher degree of service. In addition to any amounts required by any series resolution and the Resolution to be set aside and deposited therein there shall be transferred and deposited to the Improvement, Repair and Replacement Fund any other moneys (a) received by the District from any other source and duly ordered to be deposited therein (unless required to be otherwise applied), (b) for which the District has exercised a discretion to so deposit or transfer as permitted in the Resolution, and (c) ordered to be so deposited from the proceeds of any series of Bonds. Within ninety 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 by the depository upon written direction of the District only for (i) making up any deficiency in the Debt Service Fund and the Debt Service Reserve, (ii) redemption of Bonds, (iii) payments of principal installments of or interest on Bonds when due, (iv) transfer to the Operation and Maintenance Fund, or (v) investment in investment obligations. To the extent that other moneys are not available for payment of principal installments or interest on Bonds when due, all investment earnings credited to, and investments in, the Improvement, Repair and Replacement Fund shall be sold and the proceeds deposited in the Debt Service Fund.

Redemption Provisions

The Resolution provides that, whenever Bonds are to be redeemed, the District shall give notice for the redemption of Bonds determined by the District to be redeemed. Notice shall be given by registered mail only, postage prepaid, at least thirty days before the redemption date, addressed to the registered holder at the address shown in the records of the Registrar. After such notice has been given, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated in an amount equal to the principal amount thereof, premium, if any, plus interest accrued and unpaid to the redemption date. If on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any Series and maturity to be redeemed, together with interest to the redemption date, shall be held by any paying agent so to be available therefor on such date and if notice shall have been given as aforesaid, then, from and after the redemption date, interest on such Bonds or portions thereof shall cease to accrue. If less than all outstanding Bonds of a series and maturity are to be redeemed, the Registrar shall select, in such manner as the Registrar shall determine, each $5,000 of the principal amount of Bonds to be redeemed.

Issuance of Bonds, Additional Bonds and Other Obligations

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

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

Issuance of Parity Bonds

The Resolution provides that from and after the issuance of any Bonds thereunder, the Resolution shall constitute the sole and exclusive method for the issuance of any further Bonds by the District.

The District reserves the right to issue additional series of Bonds payable from the revenues of the District on a basis of parity and equality with all other parity Bonds authorized to be issued by the 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 distributions systems from any person, if said waterworks and water distribution systems are revenue- producing, and (d) refund any outstanding Bonds. No such parity Bonds shall be issued unless: (i) the facility or facilities to be acquired, constructed, reconstructed or improved from parity Bond proceeds are made in integral part of the District's public water system and revenues therefrom are pledged as additional security for all outstanding Bonds and additional parity 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 revenues and pledged receipts, (iii) the net annual income and revenues of the District for a period of twelve consecutive months of the fifteen months immediately prior to the issuance of said parity Bonds are certified in writing by an independent firm of state-licensed Certified Public Accountants to have been equal to at least 1.20 times the maximum annual debt service requirement coming due in any future twelve month period beginning February 1 and ending January 31 on all outstanding bonds, together with the parity bonds to be issued.

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

In the event parity bonds are issued in the future, the District is required to (i) adjust the monthly deposits into the Debt Service Fund in the manner prescribed by the Resolution to reflect the annual debt service on the additional parity bonds, and (ii) adjust the prescribed amount to be accumulated in the Debt Service Reserve in accordance with the provisions of the Resolution and fund from such parity bonds said additional amount in the Debt Service Reserve, being the maximum debt service requirement in any Bond Fiscal Year with respect to outstanding bonds of all series.

Issuance of Refunding Bonds

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

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

(b) irrevocable instructions to the Paying Agent and Registrar in respect of the bonds to be refunded to give due notice provided for in the Resolution to the Holders of outstanding bonds being refunded.

(c) Either:

1. moneys in an amount sufficient to effect payment at the applicable principal amount and premium, if any, of the bonds to be refunded, together with accrued interest thereon to the date of redemption, or

2. United States government obligations or obligations the payment of which is unconditionally guaranteed by the United States government, the principal of and interest on which, when due, will provide moneys which, together with any moneys deposited with the appropriate depository at the same time, will be sufficient to pay the principal or premium, if any, of and interest due or to become due on the bonds to be refunded.

(d) all other documents required to be delivered to the Paying Agent in respect of the bonds to be refunded as a condition precedent to delivery of bonds under the Resolution and any series resolution.

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

Modification, Adoption and Requirement for Consent

The Resolution provides procedures whereby the District may amend the Resolution by adoption of a Supplemental Resolution.

Amendments that may be made without the consent of the bondholders must be for purposes of further securing the bonds, imposing further limitations on or surrendering rights of the District or curing ambiguities.

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

Amendments of the respective rights and obligations of the District and the Bondholders may be made with the written consent of the holders of not less than 66-2/3% in principal amount of the outstanding Bonds affected by such amendment. No such amendment shall permit a change in the terms of redemption or maturity of the principal of any outstanding bond or any installment of interest thereon or a reduction in the premium payable with respect thereto or the rate of interest thereon or reduce the percentages or otherwise affect the classes of bonds the consent of the holders of which is required to effect such amendment.

Certain Covenants of the District

Among other covenants made by the District in the Resolution are those related to the following matters:

Tax Covenant. The District has covenanted to 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. 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 Internal Revenue Code as then in effect (now Section 103(b)(2) and 148 of the Internal Revenue Code of 1986) and to be subject to treatment under subsection (c)(1) of such Section, as an obligation not described in subsection (a)(1) of such Section, unless under any valid provisions of the 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 Internal Revenue Code (now Section 103(b)(2) and 148 of the Internal Revenue Code).

In order to assure compliance with such covenant, the District, from the date of adoption of the Resolution, has covenanted 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 Internal Revenue Code, and

(b) invest or direct any depository to invest moneys in any such Fund or Account in Investment Obligations that produce a yield in excess of such applicable maximum yield as may be permitted by the Internal Revenue Code.

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

Accounts and Reports. The District shall keep complete and accurate books of record and accounts relating to the Public Water System, and all Funds and Accounts established by the Resolution, which are subject at reasonable times to the inspection of the holders of an aggregate of not less than five percent (5%) in principal amount of the bonds then outstanding or their representatives duly authorized.

General Compliance. The District has covenanted to faithfully and punctually perform all duties with reference to the 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.

Rates and Charges. The District has covenanted to at all times establish, enforce and collect rates, rentals and charges for the services and facilities afforded by said District's works and facilities, the same to be adequate to operate and maintain the public water system, provide necessary allowances for depreciation and for extensions and additions, and to timely retire all outstanding bonds and interest thereon. Such rates must also be adequate to accumulate and maintain all reserves as provided in the Resolution, and to provide, after fulfillment of all contractual obligations required of the District incident to the bonds, including accumulation and maintenance of all reserves, and after payment of operating and maintenance costs of the District, 1.20 times coverage of annual principal, interest and sinking fund requirements on all bonds. If necessary, such rates, rentals and charges must be adjusted from time to time in order to comply with the Resolution (see "Security and Sources of Payment - Rate Covenant").

Budgets. 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 shall adopt an annual budget of current expenses covering its fiscal operations for the ensuing calendar year and will promptly file a copy of each such Budget, and any amendments thereto, in the office of the Secretary of the District. Copies of same shall be furnished to any bondholder upon request. The District may file amendments of the Annual Budget for the remainder of the calendar year. The District shall not incur current expenses in excess of the amounts provided therefore in the annual budget as originally prepared or as amended, except upon resolution duly adopted by the Board of Commissioners determining that such expenses are necessary in order to operate and maintain the Public Water System.

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

Annual Audit. The District has covenanted that it will, within sixty days after the end of each calendar year cause an audit to be made of the books of record and accounts pertinent to the District, and a report to be issued by an independent state-licensed certified public accountant reflecting in reasonable detail the financial condition and results of operations of the District, including the status of the several Funds created by the Resolution, the status of required insurance and fidelity bonding as provided by the Resolution, all in accordance with generally accepted governmental accounting principles. A copy of such audit must be submitted to the Board of Commissioners of the District, and a copy of same shall be filed in the office of the District where it will be available for public inspection.

Insurance of Facilities and Fidelity Bonding of Personnel. The District has covenanted to keep all buildings, machinery and equipment constituting any part of the public water system insured as provided in the Resolution, and to cause each officer or other person 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. The District has further covenanted to carry public liability, vehicular insurance and property damage insurance.

Waiver of Laws. The District has covenanted not to insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law not or at any time hereafter in force which may affect the covenants and agreements contained in the Resolution or in any series resolution or supplemental resolution or in the bonds, and all benefit or advantage of such law or laws has been expressly waived by the District.

Termination of Water Services to Delinquent Users. The District has covenanted that pursuant to KRS 74.367 and any other applicable provisions of law, it will, 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, and will promptly cause water service to be discontinued to any premises where such District bill is not paid in full.

Statutory Mortgage Lien. Pursuant to the provisions of Chapter 74 and Section 96.400 of the Kentucky Revised Statutes, the District has recognized for the further protection of the holders of the bonds a statutory mortgage lien upon the Public Water System (see "Security and Sources of Payment - Mortgage Lien").

Defaults and Remedies

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

(a) default by the District in the payment of any principal installment or premium, if any, on any bond when due;

(b) default by the District in the payment of any installment of interest on the bonds when due;

(c) failure or refusal by the District to comply with the Act pursuant to which the District was created, or default in the performance or observance of any other of the covenants, agreements or conditions contained in the Resolution, any series resolution, any supplemental resolution or the bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the holder of not less than five percent in principal amount of the outstanding bonds.

The Resolution provides that upon the happening and continuance of any event of default, the holders of not less than twenty-five percent in principal amount of the outstanding bonds may proceed, in their own name, subject to certain provisions in the Resolution, 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, including the following:

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

(b) bring suit upon the bonds;

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

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

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

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

(g) if all bonds are declared due and payable, and a receiver is appointed, to sell all investments 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 to cause the receiver to take over the public water system and operate same in the name of the District for the use and benefit of the bondholders.

No Individual Liability

All covenants, stipulations, promises, agreements and obligations of the District in the 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, premium, if any, or interest on the bonds or for any claims based thereon or on the Resolution against any member, officer, director or employee of the District or any natural person executing the bonds.

NORTHERN KENTUCKY WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2021B

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity date of the Bonds, each in the aggregate principal amount of such maturity, 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the 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 Bonds 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 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede &. Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, 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 Issuer 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 Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Issuer 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 Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

NORTHERN KENTUCKY WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2021B

APPENDIX F

FORM OF BOND COUNSEL OPINION

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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 bonds 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 subsequent to the date of such opinion.

[Date of Delivery]

Northern Kentucky Water District
Fort Wright, Kentucky

Re: $29,450,000* Northern Kentucky Water District Refunding Revenue Bonds, Series 2021B

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 $29,450,000* principal amount of Refunding Revenue Bonds, Series 2021B (the "Series 2021B Bonds").

The Series 2021B Bonds have been authorized and issued pursuant to Chapter 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 "Resolution"), a certain Series 2021B Bond Resolution authorizing approximately $30,000,000 of Series 2021B Bonds adopted on September 16, 2021 (the "Series 2021B Bond Resolution"). Pursuant to the Resolution and the Series 2021B Bond Resolution, the District has authorized the issuance of the Series 2021B Bonds for the purpose of (i) refunding and retiring the District's outstanding Revenue Refunding Bonds, Series 2012 dated June 21, 2012 (the "Prior Bonds"), which were issued to provide funds used for refunding four prior series of revenue bonds, the proceeds of which originally financed the costs of various capital projects of the System and (ii) paying the costs of issuing the Series 2021B Bonds.

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 2021B Bonds, including a specimen Bond, and other relevant matters. We have also made such investigation as we have deemed necessary for the purposes of such opinions, and relied upon certificates of officials of the District as to certain factual matters. Based upon the foregoing, we advise you that in our opinion under existing law:

1. The Series 2021B 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 2021B Bond 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 proceeds of the Series 2021B Bonds; (ii) any Investment Obligations, as defined in the Resolution, purchased with the proceeds of the Series 2021B Bonds; and (iii) 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 operation of the facilities of the District, to the payment of the principal of, premium, if any, and interest on the Series 2021B Bonds as and when same shall become due and payable.

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 2021B Bonds, or to the payment of premium, if any.

* Preliminary, subject to change.

3. The interest on the Series 2021B Bonds is not subject to taxation by the Commonwealth of Kentucky, and the Series 2021B Bonds are not subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof.

4. Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Series 2021B Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Series 2021B Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations, nor be includable in adjusted current earnings, under Section 56(c) of the Code, in computing the alternative minimum tax for corporations. 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 or state tax consequences of purchasing, holding or disposing of the Series 2021B Bonds.

5. The Bonds are <u>not</u> "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 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 Series 2021B Bonds 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 2021B Bonds, 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

NORTHERN KENTUCKY WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2021B

APPENDIX G

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

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OFFICIAL TERMS AND CONDITIONS OF BOND SALE

$29,450,000*
NORTHERN KENTUCKY WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2021B

SALE: November 30, 2021 @ 11:00 a.m., Eastern Time

The Board of Commissioners of Northern Kentucky Water District (the "District") will until 11:00 a.m., Eastern Time, on November 30, 2021, at the offices of the District, 2835 Crescent Springs Road, Erlanger, Kentucky 41018, receive sealed, competitive bids for the Series 2021B Bonds herein described. To be considered, a proposal for the purchase of the Series 2021B Bonds must be submitted on an Official Bid Form and must be delivered to the District at the address indicated on the date of sale no later than the hour indicated. Bids will be opened at the time stated and the successful bid may be formally accepted by the District's President or Chairperson without further action by the Board of Commissioners.

PURPOSE OF ISSUE AND SECURITY

The District's Board of Commissioners has adopted a Series Resolution, authorizing and providing for the issuance of approximately $29,450,000* of its Refunding Revenue Bonds, Series 2021B, the proceeds of which will be used to (i) refund the District's outstanding Revenue Refunding Bonds, Series 2012 dated June 21, 2012 (the "Prior Bonds"), which were issued to refund and retire the District's outstanding (a) Revenue Refunding Bonds, Series 1997 dated October 1, 1997, (b) Revenue Bonds, Series 1998 dated December 1, 1998, and (c) Revenue Bonds, Series 2001A dated October 1, 2001, the proceeds of which were used to provide funds used for paying the costs of various capital projects of for the System; (ii) make a required deposit to the Debt Service Reserve described herein; and (iii) make a deposit to the Series 2021B Bonds Cost of Issuance Account to pay the costs of issuing the Series 2021B Bonds.

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"). All Outstanding Bonds are issued and secured pursuant to a General Bond Resolution adopted by the Northern Kentucky Water District No. 1 Board of Commissioners on November 19, 1985 and a First Supplemental General Bond Resolution adopted on November 17, 1987 (the "Resolution").

The Series 2021B Bonds will rank on the same basis of parity and equality with all other Outstanding Bonds of the District. The District reserves the right to issue additional series of notes and bonds payable from the revenues of the System which then will be considered Outstanding on a basis of parity and equality with all other parity notes and bonds authorized and issued pursuant to the Resolution. See "INTRODUCTION - Sources of Payment and Security for the Series 2021B Bonds," herein for a more complete description as to the sources of payment and security for the Series 2021B Bonds.

The Series 2021B Bonds, when, as and if issued, will not constitute general obligations of or be an indebtedness of the District or of the Commonwealth of Kentucky, or its political subdivisions, within the meaning of the Constitution of Kentucky and neither the faith and credit nor the taxing power of the District, or its political subdivisions, or the Commonwealth of Kentucky will be pledged to the payment of the Series 2021B Bonds.

FORM OF BONDS, MATURITY, PRIOR REDEMPTION PROVISIONS

Reference is made to the Preliminary Official Statement for information regarding the form of Bonds, interest rates, dated date, delivery date, maturity, and redemption provisions relating to the Bonds.

BIDDING CONDITIONS AND RESTRICTIONS

(A) Bids must be made on an Official Bid Form, contained herein or available from the undersigned or RSA Advisors, LLC, 325 West Main Street, Suite 300, Lexington, Kentucky 40507. Complete Bid Forms may be sent via facsimile to the District at (859) 442-0665. Neither the District nor the Financial Advisor assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel and/or equipment are available to accept all facsimile bids before the appointed date and hour. No Bids will be accepted via telephone. Bidders have the sole responsibility of assuring that their bids have been received or delivered by an employee or agent for the Bidder before the appointed date and hour of sale. Any bids in progress, via facsimile, at the appointed time will be considered as received by the appointed time and hour.

* Preliminary, subject to change.

The minimum bid shall be not less than $26,505,000 (90% of par) and not more than $32,395,000 (110% of par). Interest rates shall be in multiples of 1/8 or 1/10 or 1/20 of 1%. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Bidders can bid a different interest rate for up to each of the individual maturities of the Bonds if desired. Interest rates for the Series 2021B Bond shall not exceed the maximum rate of five percent (5.00%).

(B) The determination of the best purchase bid for said Series 2021B Bonds shall be made on the basis of all bids submitted for exactly $29,450,000* principal amount of Series 2021B Bonds offered for sale under the terms and conditions herein specified; provided, however, the District reserves the right to adjust the total principal amount of Series 2021B Bonds sold to such best bidder, upward by an amount not exceeding $2,945,000, or downward by an amount determined necessary and desirable by the District. Upon any such adjustment, no rebidding or recalculation of a submitted bid will be required or permitted and the Underwriter's Discount of the Series 2021B Bonds as submitted by the successful bidder shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds.

(C) If three or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

(D) If less than three bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will be required to certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing Wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, (ii) the initial offering price to the public as of the Sale Date of any Maturity of the Bonds, and (iii) that they neither offered nor sold any of the Bonds of any 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.

(E) Unless bids for the Series 2021B Bonds are rejected, the Series 2021B Bonds will be awarded on an all or none basis on the sale date to the bidder whose bid result in the lowest true interest rate for the Series 2021B Bonds to be calculated as that rate (or yield) that, when used in computing the present worth of all payments of principal and interest on the Series 2021B Bonds (compounded semi-annually from the date of the Series 2021B Bonds), produces an amount equal to the purchase price of the Series 2021B Bonds, exclusive of accrued interest. For purposes of calculating the true interest cost, the principal amount of any Term Bonds scheduled for mandatory sinking fund redemption as part of the Term Bond shall be treated as a serial maturity in such year for the Series 2021B Bonds. If two or more bidders offer to purchase the Series 2021B Bonds at the same lowest true interest rate, the President, upon the advice of the Financial Advisor shall determine (in her sole discretion) which of the bidders shall be awarded the Series 2021B Bonds.

(F) In addition to other forms of bidding, electronic proposals will be received via PARITY®, in the manner described below, until 11:00 a.m., Eastern Time, on November 30, 2021. Bids may be submitted electronically via PARITY® pursuant to this Notice until 11:00 a.m., Eastern Time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY® conflict with this Notice, the terms of this Notice shall control. For further information about PARITY®, potential bidders may contact RSA Advisors, LLC at (800) 255-0795 or PARITY® at (212) 806-8304.

(G) The successful bidder may elect to notify the Financial Advisor within one hour of the award of the Series 2021B Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot as described in the Preliminary Official Statement.

(H) The Purchaser shall pay the CUSIP Service Bureau Charge. Improper imprinting 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 said Series 2021B Bonds in accordance with the terms of any accepted proposal for the purchase of said Series 2021B Bonds.

(I) The District shall provide to the successful Purchaser a Final Official Statement in accordance with SEC Rule 15c2-12 (the "Rule"). Arrangements have been made with the printer of the Preliminary Official Statement, upon

* Preliminary, subject to change.

submission of completion text, to print a reasonable quantity of Final Official Statements in sufficient time to meet the delivery requirements of the successful bidder under SEC or Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder shall be required to pay for the printing of the Final Official Statement.

(J) Bids need not be accompanied by a certified or bank cashier's good faith check. The successful purchaser shall be required (without further advice from the District) to wire transfer an amount equal to 1% of the principal amount of the Series 2021B Bonds awarded to the Paying Agent Bank, by the close of business on the day following the award as a good faith deposit and said amount will be applied (without interest) to the purchase price upon delivery. Said 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 2021B Bonds when ready. The good faith amount (without interest) will be applied to the purchase price upon delivery of the Series 2021B Bonds. The successful bidder shall not be required to take up and pay for the Series 2021B Bonds unless delivery is made within forty-five days from the date the bid is accepted.

(K) The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2021B Bonds. They will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Series 2021B Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Bonds 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 2021B Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (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 2021B Bonds 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 2021B Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

(L) Payment of all amounts due from the successful bidder shall be at the principal office of the Bond Registrar and shall be in IMMEDIATELY AVAILABLE FUNDS.

(M) Bidders are advised that RSA Advisors, LLC has been employed as Financial Advisor in connection with the issuance of the Series 2021B Bonds. Their fee for services rendered with respect to the sale of the Series 2021B Bonds is contingent upon the issuance and delivery thereof.

(N) The District reserves the right to reject any and all bids or to waive any informality in any bid. The Series 2021B Bonds 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 section hereof on TAX EXEMPTION.

(O) 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 Bonds from Moody's Investors Service, Inc.

(P) The winning bidder for the Bonds shall assist the District in establishing the issue price of the Bonds 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 Bonds, 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 Bond Sale to establish the issue price of the Bonds 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 Bonds) will apply to the initial sale of each of the Bonds (the "competitive sale requirements") because:

(1) the District shall disseminate these Official Terms and Conditions of Bond 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 Bonds to the bidder who submits a firm offer to purchase the Bonds at the lowest true interest cost, as set forth in these Official Terms and Conditions of Bond Sale.

Any bid submitted pursuant to this these Official Terms and Conditions of Bond Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(Q) Upon wrongful refusal of the purchasers to take delivery of and pay for the Series 2021B Bonds 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 2021B Bonds 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 2021B Bonds hereunder. However, it is contemplated that the Series 2021B Bonds 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 2021B Bonds on any designated date within such forty-five day period upon notice being given at least five business days before the designated delivery date.

CONTINUING DISCLOSURE

The District has agreed to provide or cause to be provided, in accordance with the requirements of the Rule (i) on or prior to October 1 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 certain appendices to the Official Statement, and (ii) timely notice of the occurrence of certain material events with respect to the Series 2021B Bonds.

TAX EXEMPTION

Reference is made to the Preliminary Official Statement for information concerning local, state, and federal tax exemption of interest earned on the Series 2021B Bonds.

NORTHERN KENTUCKY WATER DISTRICT

By: *_/s/ Ron Lovan_*
President/CEO

EXHIBIT A-1

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of at least 3 qualified bids for the Series 2021B Bonds]

ISSUE PRICE CERTIFICATE

Dated December 14, 2021

Re: $[____] Northern Kentucky Water District Refunding Revenue Bonds, Series 2021B Issue Price Certificate

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 "Bonds").

1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds 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 Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

3. CUSIP Number. The CUSIP number assigned to the final maturity of the Bonds is [CUSIP NUMBER].

4. Yield on the Bonds. It computed the yield on the Bonds, [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 Bonds is the Expected Offering Prices, determined without taking into account issuance expenses and Underwriter's discount.

5. Weighted Average Maturity. The "weighted average maturity" of the Bonds has been calculated to be _____ 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 Bonds as of the date hereof.

6. Defined Terms.

(a) "Issuer" means the Northern Kentucky Water District.

(b) "Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds 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 Bonds. The Sale Date of the Bonds is November 30, 2021.

(e) "Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds 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 Bonds 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 Bonds 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 Issuer 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 Bonds, and by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds 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 Issuer from time to time relating to the Bonds.

[NAME OF UNDERWRITER]

By: ______________________________________
Name: ____________________________________

SCHEDULE A
TO ISSUE PRICE CERTIFICATE

EXPECTED OFFERING PRICES

(See attachment)

SCHEDULE B
TO ISSUE PRICE CERTIFICATE

COPY OF BID

(See attachment)

EXHIBIT A-2

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of less than 3 qualified bids for the Series 2021B Bonds]

ISSUE PRICE CERTIFICATE

Dated December 14, 2021

Re: $[____] Northern Kentucky Water District Refunding Revenue Bonds, Series 2021B Issue Price Certificate

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] (["[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 "Bonds").

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 Bonds is attached to this certificate as Schedule B.

(b) As set forth in the Official Terms and Conditions of Bond 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 Bonds 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 Bonds during the Holding Period.

3. CUSIP Number. The CUSIP number assigned to the final maturity of the Bonds is [CUSIP NUMBER].

4. Yield on the Bonds. It computed the yield on the Bonds, [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 Bonds 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 Bonds has been calculated to be [____] 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 Bonds as of the date hereof.

6. Defined Terms.

(a) "General Rule Maturities" means those Maturities of the Bonds listed in Schedule A hereto as the "General Rule Maturities."

(b) "Hold-the-Offering-Price" Maturities means those Maturities of the Bonds 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 (December 7, 2021), or (ii) the date on which [SHORT NAME OF UNDERWRITER][the Underwriters] [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) “Issuer” means the Northern Kentucky Water District.

(e) “Maturity” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds 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 Bonds. The Sale Date of the Bonds is November 30, 2021.

(h) “Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds 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 Bonds 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 Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDERWRITING FIRM]’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 Issuer 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 Bonds, and by Dinsmore & Shohl LLP in connection with rendering its opinion that the interest on the Bonds 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 Issuer from time to time relating to the Bonds.

[NAME OF UNDERWRITER]

By: ____
Name: ______________________________________

SCHEDULE A
TO ISSUE PRICE CERTIFICATE

SALE PRICES OF THE GENERAL RULE MATURITIES AND
INITIAL OFFERING PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES

(See attachment)

SCHEDULE B
TO ISSUE PRICE CERTIFICATE

PRICING WIRE OR EQUIVALENT COMMUNICATION

(See attachment)

NORTHERN KENTUCKY WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2021B

APPENDIX H

OFFICIAL BID FORM

OFFICIAL BID FORM

$29,450,000*
NORTHERN KENTUCKY WATER DISTRICT
REFUNDING REVENUE BONDS, SERIES 2021B

Subject to the terms and conditions set forth in the Official Terms and conditions of Bond Sale for $29,450,000* Northern Kentucky Water District Refunding Revenue Bonds, Series 2021B, dated their date of delivery, and in accordance with the Notice of Sale, as duly advertised, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for the $29,450,000* principal amount of Bonds, the total sum of not less than $26,505,000 (90% of par) and not more than $32,395,000 (110% of par) at the following annual rates, payable semiannually:

SCHEDULE OF PRINCIPAL AMOUNTS

Maturity	Principal Amount*	Serial Bond Rate	Term Bond Rate
February 1, 2022	$4,730,000		
February 1, 2023	$5,015,000		
February 1, 2024	$5,125,000		
February 1, 2025	$5,230,000		
February 1, 2026	$5,350,000		
February 1, 2027	$4,000,000		

It is understood that the District will furnish the final, approving Legal Opinion of Dinsmore & Shohl LLP Bond Counsel, Covington, Kentucky.

We understand this bid may be accepted with variations in maturing amounts, at the same price per $1,000 Bond, with the variation in such amount occurring in any maturity of all maturities, such variations to be determined by the District at the time of acceptance of the best bid.

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 1% of the principal amount of Bonds awarded by the close of business on the day following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through RSA Advisors, LLC at (800) 255-0795.

The successful bidder may elect to notify the Financial Advisor within one hour of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot as described in the Preliminary Official Statement.

Notwithstanding other forms of bidding, electronic proposals will be received via PARITY®, in the manner described below, until 11:00 a.m. (Eastern Time), on November 30, 2021. Bids may be submitted electronically via PARITY® pursuant to this Notice until 11:00 a.m. (Eastern Time), but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in PARITY® conflict with this Notice, the terms of this Notice shall control. For further information about PARITY®, potential bidders may contact RSA Advisors, LLC at (800) 255-0795 or PARITY® at (212) 807-3800.

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds within forty-five days of sale.

Respectfully submitted,

____
Bidder

____
Address

* Preliminary, subject to change.

____
Telephone Number

By: ____
Signature

(a) Total interest cost from delivery (December 14, 2021) to final maturity	$____________________
(b) Plus Discount	$____________________
(c) Net interest cost (Total interest cost plus discount)	$____________________
(d) True Interest Rate (i.e. TIC)	$____________________

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

ACCEPTANCE

Accepted by the President of the District for the adjusted $__________________ principal amount of Bonds at the price of $__________________ as follows:

SCHEDULE OF ADJUSTED PRINCIPAL AMOUNTS

Maturity Date	**Principal Amount**
February 1, 2022	$_______________
February 1, 2023	$_______________
February 1, 2024	$_______________
February 1, 2025	$_______________
February 1, 2026	$_______________
February 1, 2027	$_______________

____
Authorized Official
Northern Kentucky Water District

Dated: November 30, 2021