

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 29, 2022

NEW ISSUE

RATING: Moody’s “Aa2”

In the opinion of Bond Counsel for the Series 2023A 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 2023A 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 alternative minimum tax; however, interest on any Series 2023A Bonds held by an “applicable corporation” is included in annual “adjusted financial statement income” for purposes of calculating the alternative minimum tax imposed on applicable corporations for tax years beginning after December 31, 2022. Interest on the Series 2023A Bonds is exempt from Kentucky income tax and the Series 2023A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. See “TAX EXEMPTION” herein.



\$18,420,000*
NORTHERN KENTUCKY WATER DISTRICT
REVENUE BONDS, SERIES 2023A

Dated: Date of Delivery

Due Date: February 1, as shown below

Interest on the above-captioned Bonds (the “Series 2023A Bonds”) is payable from their dated date, on each February 1 and August 1, beginning August 1, 2023. The Series 2023A Bonds will mature on February 1 of the years, in the amounts, bear interest at the annual rates, and have the yields and CUSIP numbers, as follows:

<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP 665306</u>	<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP 665306</u>
2024	\$445,000				2037	\$725,000			
2025	460,000				2038	760,000			
2026	475,000				2039	790,000			
2027	495,000				2040	825,000			
2028	515,000				2041	860,000			
2029	530,000				2042	895,000			
2030	555,000				2043	935,000			
2031	575,000				2044	980,000			
2032	595,000				2045	1,020,000			
2033	620,000				2046	1,070,000			
2034	645,000				2047	1,115,000			
2035	670,000				2048	1,165,000			
2036	700,000								

The Series 2023A 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 by the Board of Commissioners of the District on November 17, 1987 (the “General Bond Resolution”), and a Series 2023A Bond Resolution adopted by the Board of Commissioners of the District on February 18, 2021 (the “Series 2023A Bond Resolution” and, together with the General Bond Resolution, the “Resolution”). The holders of the Series 2023A Bonds shall, on a parity basis with the holders of all bonds of the District outstanding under the Resolution (the “Bonds”), have a priority lien on and security interest in the Pledged Receipts (as defined in the Resolution) of the District and other special funds derived from the operations of the works and facilities of the District. 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 2023A BONDS” herein.

The Series 2023A Bonds will be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof, without coupons. The Series 2023A Bonds will be issuable under a book-entry only system, registered in the name of The Depository Trust Company or its nominee. There will be no distribution of the Series 2023A Bonds to the ultimate purchasers. See “THE SERIES 2023A BONDS – Book-Entry Only System” herein and APPENDIX E hereto. Principal of the Series 2023A Bonds is payable at the principal office of The Bank of New York Mellon Trust Company, N.A, Louisville, Kentucky, as Registrar and Paying Agent. Interest on the Series 2023A Bonds is payable by check or draft mailed to the registered owners thereof. The Series 2023A Bonds are subject to optional redemption before maturity as described herein.

The Series 2023A 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 full faith and credit or the taxing power of the District. See “SECURITY FOR THE SERIES 2023A BONDS” herein.

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

The Series 2023A 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 2023A Bonds are expected to be available for delivery on or about January 26, 2023.



* Preliminary, subject to change.

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

NORTHERN KENTUCKY WATER DISTRICT

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***General Counsel & Manager of Legal,
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Thomas E. Edge, Esq.

BOND COUNSEL

Dinsmore & Shohl LLP
Covington, Kentucky

FINANCIAL ADVISOR

RSA Advisors, LLC
Lexington, Kentucky

REGISTRAR AND PAYING AGENT

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

REGARDING THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page and appendices hereto, has been prepared by officials of the Northern Kentucky Water District (the "District") in connection with the sale by the District of \$18,420,000* aggregate principal amount of Revenue Bonds, Series 2023A of the District. Certain information concerning the authorization, purpose, terms, conditions of sale, and sources of payment of and security for the Series 2023A Bonds are described herein. Insofar as such information embodies statements of opinion, or estimates, even if not so labeled, such information should be regarded as suggesting independent investigation or consultation of other sources before 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 the Series 2023A Bonds, nor shall there be any sale of the Series 2023A 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 the sale of the Series 2023A Bonds should be regarded as part of the contract with the holders from time to time of the District's Series 2023A 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. The financial and other information herein 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.

References herein to provisions of Kentucky law, whether codified in the Kentucky Revised Statutes ("KRS") or uncodified, or provisions 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 the principal of and premium, if any, and interest on the obligations referred to, and "Commonwealth" or "Kentucky" means the Commonwealth of Kentucky.

* Preliminary, subject to change.

TABLE OF CONTENTS

INTRODUCTION 1

 The District 1

 Sources of Payment and Security for the Series 2023A Bonds 1

 Purpose of the Series 2023A Bonds 1

 Description of the Series 2023A Bonds 1

 Tax Exemption 2

 Parties to the Issuance of the Series 2023A Bonds 2

 Authority for Issuance 2

 Offering and Delivery of the Series 2023A Bonds 3

 Disclosure Information 3

 COVID-19 Pandemic 3

 Additional Information 3

THE DISTRICT AND AUTHORITY 3

THE SERIES 2023A BONDS 3

 General 3

 Redemption 4

 Book-Entry Only System 4

SECURITY FOR THE SERIES 2023A BONDS 5

 Security for the Series 2023A Bonds 5

 Global Health Emergency Risk 5

PLAN OF FINANCE 7

SOURCES AND USES OF FUNDS 7

PLANS TO ISSUE ADDITIONAL DEBT – FIVE YEAR CAPITAL PLAN 7

GENERAL LEGAL MATTERS 8

LITIGATION INVOLVING DISTRICT 8

TAX EXEMPTION 8

RATING 10

UNDERWRITING 10

FINANCIAL ADVISOR 10

CONTINUING DISCLOSURE 11

CONCLUDING STATEMENT 13

APPENDIX A Aggregate Debt Service Schedule A-1

APPENDIX B Information Regarding the District and the Public Water System B-1

APPENDIX C Northern Kentucky Water District Audited Financial Statements C-1

APPENDIX D Summary of the General Bond Resolution D-1

APPENDIX E Book-Entry-Only System E-1

APPENDIX F Form of Bond Counsel Opinion F-1

APPENDIX G Official Terms and conditions of Bond Sale G-1

APPENDIX H Official Bid Form H-1

\$18,420,000*
NORTHERN KENTUCKY WATER DISTRICT
REVENUE BONDS, SERIES 2023A

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 \$18,420,000* aggregate principal amount of Revenue Bonds, Series 2023A of the Northern Kentucky Water District, as specified on the cover page hereof.

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 2023A Bonds to potential investors is made only by means of the entire Official Statement.

The District

The Series 2023A 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 (“KRS”).

Sources of Payment and Security for the Series 2023A Bonds

Pursuant to the 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 by the Board of Commissioners of the District on November 17, 1987 (the “General Bond Resolution”), and a Series 2023A Bond Resolution adopted by the Board of Commissioners of the District on February 18, 2021 (the “Series 2023A Bond Resolution” and, together with the General Bond Resolution, the “Resolution”), the District has pledged (i) the proceeds of the Series 2023A Bonds, as authorized and directed to be issued under the Series 2023A Bond Resolution; (ii) any Investment Obligations, as hereinafter defined, purchased with the proceeds of the Series 2023A Bonds; and (iii) subject to the priority lien granted to the holders of the District’s outstanding Revenue Bonds, including the Series 2023A 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 “Public Water System”), to the payment of the principal of and premium, if any, and interest on the Series 2023A Bonds as and when the same shall become due and payable.

THE SERIES 2023A BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF THE CONSTITUTION OF THE COMMONWEALTH OF KENTUCKY. THE SERIES 2023A BONDS ARE PAYABLE SOLELY FROM THE REVENUES OF THE PUBLIC WATER 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 PUBLIC WATER SYSTEM. NEITHER THE FULL 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 AND PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2023A BONDS.

Purpose of the Series 2023A Bonds

The proceeds of the Series 2023A Bonds, along with other available funds of the District, will be used (i) to refund the District’s outstanding Revenue Bond Anticipation Notes, Series 2021A dated March 18, 2021 (the “Prior Notes”), which were issued to finance (a) the costs of various additions and improvements to the District’s public water system (the “Public Water System”), (b) the costs of issuance of the Prior Notes, and (c) capitalized interest on the Prior Notes; (ii) to make a required deposit to the Debt Service Reserve described herein; and (iii) to make a deposit to the Series 2023A Costs of Issuance Account to pay the costs of issuing the Series 2023A Bonds.

Description of the Series 2023A Bonds

Redemption. The Series 2023A Bonds are subject to optional redemption before their maturity (see “THE SERIES 2023A BONDS – Redemption – Optional Redemption,” herein). [The Series 2023A Bonds are subject to

* Preliminary, subject to change.

mandatory sinking fund redemption as set forth herein (see “THE SERIES 2023A BONDS – Redemption – Mandatory Sinking Fund Redemption,” herein).]

Denominations. The Series 2023A Bonds will be issued in principal amounts of \$5,000 and any integral multiple thereof.

Book-Entry. The Series 2023A Bonds are issuable only as fully registered bonds, without coupons. The Series 2023A 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 2023A Bonds. Purchasers of the Series 2023A Bonds will not receive certificates representing their ownership interest in the Series 2023A Bonds. So long as DTC or its nominee is the registered owner of the Series 2023A Bonds, payments of the principal of, redemption premium, if any, and interest due on the Series 2023A Bonds will be made directly to DTC. The principal of and redemption premium, if any, and interest on the Series 2023A Bonds will be paid directly to DTC by The Bank of New York Mellon Trust Company, N.A, Louisville, Kentucky, as Registrar and Paying Agent (the “Paying Agent” and “Registrar”). See “THE SERIES 2023A BONDS – Book-Entry System” herein and APPENDIX E hereto.

Interest. The Series 2023A Bonds will bear interest at the rates set forth on the cover page hereof, payable semiannually on each February 1 and August 1, beginning August 1, 2023.

Notices. If any Series 2023A Bonds are called for redemption, notice of such redemption shall be given by mailing a copy of the redemption notice, by registered mail, to the registered owner of each Series 2023A Bond to be redeemed not less than twenty days before the date fixed for redemption.

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 2023A 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 2023A 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; however, interest on any Series 2023A Bonds held by an “applicable corporation,” as defined in Section 59(k) of the Code, will be included in annual “adjusted financial statement income” for purposes of calculating the alternative minimum tax imposed on applicable corporations for tax years beginning after December 31, 2022. In rendering the opinions in this paragraph, Dinsmore & Shohl LLP, Bond Counsel for the Series 2023A Bonds, 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 or state tax consequences of purchasing, holding, or disposing of the Series 2023A Bonds. Interest on the Series 2023A Bonds is also exempt from Kentucky income taxation and the Series 2023A 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 2023A Bonds as “qualified tax-exempt obligations” with respect to certain financial institutions under Section 265 of the Code.

See “TAX EXEMPTION” herein and see APPENDIX F hereto for the form of the opinion Bond Counsel proposes to deliver in connection with the Series 2023A Bonds.

Parties to the Issuance of the Series 2023A Bonds

The Registrar and Paying Agent for the Series 2023A Bonds is The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky. Legal matters incident to the issuance of the Series 2023A Bonds and with respect to the tax-exempt status of the interest thereon are subject to the approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, Bond Counsel for the Series 2023A Bonds. The financial advisor to the District with regard to the issuance of the Series 2023A Bonds is RSA Advisors, LLC, Lexington, Kentucky.

Authority for Issuance

Authority for the issuance of the Series 2023A Bonds is provided by Chapter 58 and Chapter 74 of the Kentucky Revised Statutes (collectively, the “Act”) and the Resolution. On December 6, 2022, the Kentucky Public Service Commission, by Order entered in Case No. 2022-00161, approved the issuance of the Series 2023A Bonds by the District.

Offering and Delivery of the Series 2023A Bonds

The Series 2023A Bonds are offered when, as, and if issued by the District. The Series 2023A Bonds will be delivered on or about January 26, 2023 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 the 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 2023A Bonds, including the Resolution and the bond form, are available from the District.

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

COVID-19 Pandemic

In March 2020, the Commonwealth of Kentucky and the United States both declared a state of emergency in response to the outbreak of COVID-19 (the “COVID-19 Pandemic”). In December 2020, the first COVID-19 vaccines became available, and by May 2021, most state mandates and regulations related to the COVID-19 Pandemic expired. The long term effects of the COVID-19 Pandemic may be significant and are undetermined at this time, and thus far, COVID-19 has caused the deaths of over 6,670,000 people worldwide. (See “SECURITY FOR THE SERIES 2023A BONDS – Global Health Emergency Risk” herein.)

Additional Information

Additional information concerning this Official Statement, as well as copies of the basic documentation relating to the Series 2023A Bonds, is available from RSA Advisors, LLC, 147 East Third Street, Lexington, Kentucky 40508, Attention: Mr. Joseph Lakofka.

Brief descriptions of the Series 2023A Bonds, the security for the Series 2023A Bonds, the District, the Public Water System, and the Resolution are included in this Official Statement. Certain information with respect to the District is included in the Appendices hereto. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to them in the Resolution. All summaries of documents and agreements contained herein 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 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 2023A Bonds are being issued under Section 510(2) of the General Bond Resolution and the Series 2023A Bond Resolution. The Series 2023A Bonds rank on a parity with the Outstanding Bonds of the District and any other Parity Bonds that may be issued by the District in the future, and are collectively referred to as the “Bonds.” All Bonds of the District are issued under the Act. On December 6, 2022, the PSC, by Order entered in Case No. 2022-00161, approved the issuance of the Series 2023A Bonds by the District.

THE SERIES 2023A BONDS

General

The Series 2023A Bonds are to be issued only as fully registered bonds in denominations of \$5,000 or any integral multiple thereof, without coupons. The Series 2023A Bonds will be dated their date of delivery, will bear interest from that date, as described herein, payable semiannually on February 1 and August 1 of each year, commencing August 1, 2023, 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 principal of and premium, if any, on the Series 2023A Bonds shall be payable at the principal office of the Registrar and Paying Agent, 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. Interest on the Series 2023A Bonds shall be payable by check or draft mailed to the record date registered Bondholders. The record dates for the February 1 and August 1 interest payment dates shall be the preceding January 15 and July 15, respectively.

Each registered Series 2023A Bond shall be transferable only upon the books of the Registrar, at the request of the registered owner thereof or his or her authorized attorney, upon surrender thereof, together with an assignment satisfactory to the Registrar, duly executed by such registered owner or his or her duly authorized attorney. Upon the transfer of any Series 2023A Bond, the District shall issue, in the name of the transferee, a new registered Series 2023A Bond of the same aggregate principal amount, series, and maturity as the Series 2023A Bond so surrendered for transfer. If any Series 2023A Bond is mutilated, lost, stolen, or destroyed, the District will execute and deliver a new Series 2023A Bond in accordance with the General Bond Resolution.

Redemption

Optional Redemption. The Series 2023A Bonds maturing on or after February 1, 2031 are subject to optional redemption, in whole or in part, on any date beginning February 1, 2030, at a redemption price equal to the principal amount of Series 2023A Bonds to be redeemed, plus accrued interest to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2023A Bonds maturing on February 1, 20[___], February 1, 20[___], and February 1, 20[___] are subject to mandatory sinking fund redemption prior to maturity on the dates and at the redemption price of par plus accrued interest to the date of redemption, as set forth below:

[Insert Mandatory Sinking Fund Redemption Dates]

Selection of Series 2023A Bonds to be Redeemed. Upon the redemption of less than all of the outstanding Series 2023A Bonds of the same maturity, the District shall assign to each such outstanding Series 2023A Bond a distinctive number for each \$5,000 of the principal amount of such Series 2023A Bond and shall select by lot, using such method of selection as the District shall deem proper, in its discretion, as many numbers as, at \$5,000 for each number, shall equal the principal amount of such Series 2023A Bonds to be redeemed. The Series 2023A Bonds to be redeemed shall be the Series 2023A Bonds which were assigned the numbers so selected by the District; provided, however, that only so much of the principal amount of each such Series 2023A 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 any Series 2023A Bonds determined by the District to be redeemed, which notice shall specify the maturities of the Series 2023A 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 2023A Bonds of the same maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2023A Bonds to be redeemed and, in the case of Series 2023A 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 of redemption shall further state that on such date, there shall become due and payable, upon each Series 2023A Bond to be redeemed, the redemption price thereof, or the redemption price of the specified portions of the principal thereof for Series 2023A Bonds to be redeemed in part only, together with accrued interest to the date of redemption specified in such notice, and that from and after such date of redemption, interest on the Series 2023A Bonds to be redeemed shall cease to accrue and be payable. The District shall provide the Registrar and Paying Agent notice of such redemption no less than twenty-five days before the date of redemption. The Registrar and Paying Agent, on behalf of the District, shall mail a copy of such notice, postage prepaid, registered mail, not less than twenty days before the date of redemption, to the registered owners of any Series 2023A Bonds or portions thereof which are to be redeemed, at their last addresses appearing upon the registry books maintained by the Registrar.

Book-Entry Only System

The Series 2023A Bonds will initially 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 only system is used, only DTC will receive or have the right to receive physical delivery of the Series 2023A Bonds, and the beneficial owners of the Series 2023A Bonds will not be or be considered to be, and will not have any rights as, owners or holders of the Series 2023A Bonds under the Resolution. For additional information about DTC and the book-entry only system, see APPENDIX E hereto.

THE INFORMATION SET FORTH IN THIS SECTION AND IN APPENDIX E HERETO 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 2023A BONDS

Security for the Series 2023A Bonds

All Bonds of the District issued under the Resolution (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 (as defined therein) to be maintained by the District thereunder, the limitations on the issuance of additional Bonds, and the requirements as to rates and charges for water service, see APPENDIX D hereto. See "INTRODUCTION – Additional Information" as to the availability of copies of the Resolution.

Source of Payment. The interest and principal payments on the Series 2023A 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 Public Water 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 excluding depreciation), equal to no less than 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 the properties shall remain subject to the lien until the Series 2023A Bonds are no longer Outstanding under the Resolution.

Global Health Emergency Risk

General. The outbreak of a novel strain of coronavirus that can cause severe respiratory disease, referred to as COVID-19, was first detected in China in December 2019. Since then, COVID-19 has spread across the world, resulting in the death of more than 6,670,000 people internationally and more than 1,085,000 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 national emergency in the United States and a statewide emergency in the Commonwealth of Kentucky. The responses of governments, businesses, 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 have experienced negative effects due to reduced consumer spending, increased unemployment, and 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 of Kentucky has increased as a result of the COVID-19 Pandemic.

In March 2020, Congress 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 the COVID-19 Pandemic. The CARES Act provided money and support to individuals, in the form of increased unemployment assistance and direct payments, and to various businesses and governmental entities. In March 2021, Congress passed the American Rescue Plan Act, a \$1.9 trillion economic stimulus bill that provided additional direct payments to individuals and funding for various businesses and governmental entities, including an additional \$350 billion in relief to state, local, and tribal governments.

In December 2020, the first COVID-19 vaccine, developed by Pfizer-BioNTech, and a vaccine developed by Moderna, began distribution in the United States. A third vaccine, developed by Johnson & Johnson, began distribution in February 2021. As of April 2021, all persons age 16 and older are eligible to receive the COVID-19 vaccine, as of November 2021, all persons age 5 and older are eligible to receive the COVID-19 vaccine, and as of June 2022, all persons age 6 months and older are eligible to receive the COVID-19 vaccine. In November 2021, the FDA authorized the use of a booster dose of the COVID-19 vaccine for all persons age 18 or older, and as of January 2022, all persons age 12 and older are eligible to receive a booster dose of the COVID-19 vaccine, and as of May 2022, all persons age 5 and older are eligible to receive a booster dose of the COVID-19 vaccine. On August 31, 2022, the FDA authorized the use of bivalent formulations of the Pfizer-BioNTech and Moderna vaccines as a booster dose for all individuals age 12 and older, and as of October 12, 2022, all individuals age 6 and older are eligible to receive a bivalent booster dose. As of December 20, 2022, over 81% of the United States population had received at least one dose of a vaccine, approximately 69% of the population is considered fully vaccinated, and over 14% of the fully vaccinated population had received the bivalent booster dose.

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. In March 2020, pursuant to an executive order issued by Governor Andy Beshear, all businesses in Kentucky that encourage public congregation, such as entertainment, recreational, and sporting event facilities, were required to cease operations. In response to increases in new cases of COVID-19 in late June and early July 2020, Governor Beshear signed an executive order mandating masks in most public places for thirty days, which executive order was renewed and remained in place until June 11, 2021.

In April 2020, Governor Beshear announced the Healthy at Work initiative, a phased plan to reopen Kentucky's economy, 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 sets out minimum requirements for all businesses, such as social distancing, face coverings, hand-washing, proper sanitation, and temperature checks and provides industry-specific guidance with additional rules and requirements for certain types of businesses.

In June 2021, most regulations and mandates (excluding those for certain high-risk activities) in Kentucky related to COVID-19 lapsed. As of December 20, 2022, approximately 59.6% of Kentucky's population is considered fully vaccinated.

COVID-19 Variants

Delta Variant. The Delta Variant is a mutation of COVID-19 that was first detected in India in December 2020. In July 2021, the Delta Variant became the primary strain of COVID-19 in the United States. Initial research indicates the Delta Variant is more contagious than prior strains of the COVID-19 virus. In June 2021, both the United States and the Commonwealth of Kentucky began seeing an increase in average cases per week, potentially due to the Delta Variant.

Omicron Variant. The Omicron Variant is a mutation of COVID-19 that was first detected in Botswana and South Africa in October 2021. In December 2021, the Omicron Variant became the dominant strain of COVID-19 in the United States. Initial research indicates the Omicron Variant is more contagious than prior strains of the COVID-19 virus but causes less severe illness. In December 2021, both the United States and the Commonwealth of Kentucky began seeing an increase in average cases per week, potentially due to the Omicron Variant.

BA.2 Variant. The BA.2 Variant, a sub-variant of the Omicron Variant, is a mutation of COVID-19 that was first detected in the Philippines in November 2021. In March 2022, the BA.2 Variant became the dominant strain of COVID-19 in the United States. Initial research indicates the BA.2 Variant is more contagious than prior strains of the COVID-19 virus but causes less severe illness. In March 2022, both the United States and the Commonwealth of Kentucky began seeing an increase in average cases per week, potentially due to the BA.2 Variant.

BA.5 Variant. The BA.5 Variant, a sub-variant of the Omicron Variant, is a mutation of COVID-19 that was first detected in South Africa in February 2022. The BA.5 Variant has been the dominant strain of COVID-19 in the United States since July 2022. Initial research indicates the BA.5 Variant is the most contagious strain of COVID-19 thus far, but causes less severe illness. In June 2022, both the United States and the Commonwealth of Kentucky began seeing an increase in average cases per week, potentially due to the BA.5 Variant.

Impact on the District. The District cannot predict the full economic impact that the COVID-19 Pandemic or the BA.5 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 2023A Bonds will be used, together with other available funds of the District, (i) to refund the District’s outstanding Revenue Bond Anticipation Notes, Series 2021A dated March 18, 2021 (the “Prior Notes”), which were issued to finance (a) the costs of various additions and improvements to the District’s public water system (the “Public Water System”), (b) the costs of issuance of the Prior Notes, and (c) capitalized interest on the Prior Notes; (ii) to make a required deposit to the Debt Service Reserve described herein; and (iii) to make a deposit to the Series 2023A Costs of Issuance Account to pay the costs of issuing the Series 2023A Bonds.

SOURCES AND USES OF FUNDS

<u>Sources</u>	
Principal Amount of Series 2023A Bonds	\$18,420,000.00*
[Less][Plus]Original Issue [Discount][Premium]	\$[____]
TOTAL SOURCES	<u>\$[____]</u>
 <u>Uses</u>	
Deposit to Series 2021A Note Payment Fund	\$[____]
Deposit to Debt Service Reserve	\$[____]
Costs of Issuance	\$[____]
Underwriter’s Discount	\$[____]
TOTAL USES	<u>\$[____]</u>

PLANS TO ISSUE ADDITIONAL DEBT – FIVE YEAR CAPITAL PLAN

Over the years, the District 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 2023 through 2027 of \$262,805,000.

The District issued the Prior Notes on March 18, 2021 to fund a portion of these capital costs. Commensurate with its approval of the Prior Notes, the Board of Commissioners of the District also adopted its Series 2023A Bond Resolution on February 18, 2021, authorizing the issuance and sale of the Series 2023A Bonds for the purpose of refunding the Prior Notes on or before their final maturity date. On December 6, 2022, the Kentucky Public Service Commission, by Order entered in Case No. 2022-00161, approved the issuance of the Series 2023A Bonds by the District for the purpose of refunding the Prior Notes.

* Preliminary, subject to change.

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 December 1, 2022, 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 2023A 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 December 1, 2022, the District has received \$1,558,034 of the loan proceeds. The obligations of the District under the Assistance Agreement are subordinate to the Series 2023A 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 December 1, 2022, the District had not received any of the loan proceeds. The obligations of the District under the Assistance Agreement are subordinate to the Series 2023A 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 the District's capital efforts in order to provide water to the region in a sustainable manner.

GENERAL LEGAL MATTERS

The issuance of the Series 2023A Bonds and certain legal matters incident to compliance by the District with Section 103(b)(2) and Section 148 of the Code, and the regulations issued 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 2023A 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 all legal matters incident to those sections of the Official Statement entitled "THE SERIES 2023A BONDS," "SECURITY FOR THE SERIES 2023A BONDS," "TAX EXEMPTION," and APPENDIX D – SUMMARY OF GENERAL BOND RESOLUTION, and is of the opinion that the statements contained in such sections are, as to law and legal conclusions, correct and that such sections fairly summarize the contents of any documents described therein. Bond Counsel assumes no responsibility for the accuracy or completeness of any 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 2023A Bonds, or in any way contesting or affecting the validity of such Series 2023A 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 2023A Bonds, or the due existence or powers of the District.

TAX EXEMPTION

General. In the opinion of Bond Counsel for the Series 2023A Bonds, based upon an analysis of existing laws, regulations, rulings, and court decisions in effect as of the date hereof, interest on the Series 2023A Bonds is excludible from gross income for federal income tax purposes. Bond Counsel is also of the opinion that interest on the Series 2023A Bonds will not be a specific item of tax preference under Section 57 of the Code for purposes of computing the federal alternative minimum tax; however, interest on any Series 2023A Bonds held by an "applicable corporation" will be included in annual "adjusted financial statement income" for purposes of calculating the alternative minimum tax imposed on applicable corporations for tax years beginning after December 31, 2022 (see "TAX EXEMPTION – Corporate Alternative Minimum Tax" herein). Furthermore, Bond Counsel is of the opinion that interest on the Series 2023A Bonds is exempt from income taxation by the Commonwealth of Kentucky and that the Series 2023A Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

A copy of the form of opinion of Bond Counsel for the Series 2023A Bonds is set forth in APPENDIX F hereto.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion of interest on obligations, such as the Series 2023A Bonds, from gross income of the holders thereof for federal income tax purposes. The District has covenanted to comply with certain restrictions designed to ensure that interest on the Series 2023A Bonds will not be includable in gross income for federal income tax purposes. Failure to comply with these covenants could result in the Series 2023A Bonds not qualifying as “tax-exempt bonds,” and thus interest on the Series 2023A 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 2023A Bonds. The opinion of Bond Counsel set forth in Appendix F hereto 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 2023A Bonds may adversely affect either the federal or Kentucky tax status of the Series 2023A 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 2023A 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 2023A Bonds or the interest thereon if any such change occurs or any such action is taken or omitted upon the advice or approval of bond counsel other than Dinsmore & Shohl LLP.

Although Bond Counsel is of the opinion that interest on the Series 2023A Bonds will be excludable from gross income for federal income tax purposes and the Series 2023A 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 2023A 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 of the Series 2023A Bonds is urged to consult with tax counsel with respect to the effects of purchasing, holding, or disposing the Series 2023A Bonds on the tax liabilities of the individual or entity.

Receipt of tax-exempt interest, ownership, or disposition of the Series 2023A 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 Section 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 2023A Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of the Series 2023A 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 2023A Bonds.

The District has not designated the Series 2023A Bonds as “qualified tax-exempt obligations” within the meaning of 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 2023A 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 holder’s adjusted basis in that bond. However, no amount of amortized Acquisition Premium on tax-exempt bonds may be deducted in determining holder’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 2023A Bonds, that must be amortized during any period will be based on the “constant yield” method, using the original holder’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 2023A 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 2023A 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.

Corporate Alternative Minimum Tax. The Inflation Reduction Act of 2022 imposes a new corporate alternative minimum tax equal to 15% of the “adjusted financial statement income” of “applicable corporations,” as defined in Section 59(k) of the Code. Generally, an applicable corporation includes any corporation (as defined for federal income tax purposes, other than S corporations, regulated investment companies, and real estate investment trusts) having an “average annual adjusted financial statement income” of more than \$1,000,000,000 over any preceding period of three tax years (ending with a tax year that ends after December 31, 2021). This new corporate alternative minimum tax would apply for tax years beginning after December 31, 2022. Under the Inflation Reduction Act, interest on tax-exempt bonds, such as the interest on the Series 2023A Bonds, would be included (i) in average annual adjusted financial statement income for the purpose of determining whether a corporation is an “applicable corporation” and (ii) in the calculation of an applicable corporation’s “adjusted financial statement income” for purposes of calculating the alternative minimum tax imposed on corporations, regardless of the issue date of such tax-exempt bonds.

RATING

Moody’s Investors Service, Inc. (“Moody’s”) has given the Series 2023A Bonds the municipal bond rating of “Aa2”. 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., 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 2023A Bonds.

UNDERWRITING

The Series 2023A Bonds are being purchased for reoffering by [____] (the “Underwriter”). The Underwriter has agreed to purchase the Series 2023A Bonds at an aggregate purchase price of \$[____] (reflecting the par amount of the Series 2023A 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 2023A Bonds to certain dealers (including dealers depositing Series 2023A 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 2023A Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Series 2023A Bonds is contingent upon the issuance and delivery of the Series 2023A Bonds. 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 to be dated as of January 26, 2023 (the “Disclosure Agreement”), to be delivered on the date of delivery of the Series 2023A Bonds, to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board (the “MSRB”), or any successor thereto for purposes of the Rule, through the continuing disclosure service portal provided by the MSRB’s Electronic Municipal Market Access (“EMMA”) system, as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission, for each fiscal year of the District, certain annual financial information and operating data of the District (the “Annual Financial Information”), 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” of this Official Statement; such Annual Financial 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, 2022, 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 District;
- (ii) to the MSRB through EMMA, in a timely manner, 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 Series 2023A 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 – This event is considered to occur upon the occurrence of any of the following: The appointment of a receiver, fiscal agent or similar officer for the District 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 District, 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 District);

- (m) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (o) Incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, 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 District, any of which reflect financial difficulties.
- (iii) in a timely manner, to the MSRB through EMMA, notice of a failure (of which the District has knowledge) of the District to provide the required Annual Financial Information on or before the date specified in the Disclosure Agreement.

“Financial Obligation” shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

The Disclosure Agreement provides holders of the Series 2023A Bonds, including beneficial owners of the Series 2023A 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 2023A Bonds are advised that the Disclosure Agreement, the form of which may be obtained 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 the District’s 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 30. 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, 2017 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 2023A 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

Dated January [__], 2022

**NORTHERN KENTUCKY WATER DISTRICT
REVENUE BONDS, SERIES 2023A**

APPENDIX A

AGGREGATE DEBT SERVICE SCHEDULE

Northern Kentucky Water Service District

Revenue Bonds, Series 2023

Estimated Debt Service Schedule

Date	Principal	Interest	Total P+I
12/31/2023	-	387,486.35	387,486.35
12/31/2024	445,000.00	746,462.50	1,191,462.50
12/31/2025	460,000.00	730,847.50	1,190,847.50
12/31/2026	475,000.00	714,366.25	1,189,366.25
12/31/2027	495,000.00	697,025.00	1,192,025.00
12/31/2028	515,000.00	678,716.25	1,193,716.25
12/31/2029	530,000.00	659,512.50	1,189,512.50
12/31/2030	555,000.00	639,301.25	1,194,301.25
12/31/2031	575,000.00	617,970.00	1,192,970.00
12/31/2032	595,000.00	595,591.25	1,190,591.25
12/31/2033	620,000.00	572,047.50	1,192,047.50
12/31/2034	645,000.00	547,218.75	1,192,218.75
12/31/2035	670,000.00	520,912.50	1,190,912.50
12/31/2036	700,000.00	493,170.00	1,193,170.00
12/31/2037	725,000.00	464,313.75	1,189,313.75
12/31/2038	760,000.00	433,862.50	1,193,862.50
12/31/2039	790,000.00	401,700.00	1,191,700.00
12/31/2040	825,000.00	368,188.75	1,193,188.75
12/31/2041	860,000.00	332,580.00	1,192,580.00
12/31/2042	895,000.00	294,847.50	1,189,847.50
12/31/2043	935,000.00	255,502.50	1,190,502.50
12/31/2044	980,000.00	213,840.00	1,193,840.00
12/31/2045	1,020,000.00	169,840.00	1,189,840.00
12/31/2046	1,070,000.00	123,860.00	1,193,860.00
12/31/2047	1,115,000.00	75,790.00	1,190,790.00
12/31/2048	1,165,000.00	25,630.00	1,190,630.00
Total	\$18,420,000.00	\$11,760,582.60	\$30,180,582.60

**NORTHERN KENTUCKY WATER DISTRICT
REVENUE BONDS, SERIES 2023A**

APPENDIX B

INFORMATION REGARDING THE DISTRICT AND THE PUBLIC WATER SYSTEM

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 Campbell County Kentucky Water District and the Kenton County Water District No. 1 (collectively, the “Prior Districts”) petitioned the 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 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 Judge/Executives of the County’s within the District’s service area.

The District serves more than 300,000 customers in Northern Kentucky. 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 County, Kenton County, and portions of Boone County in Kentucky. The service area is bound to the west by Boone County, to the south by Grant County and Pendleton County, and to the east by Bracken County. The Ohio River forms a natural boundary to the north.

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 2021:

	2021 Beginning Year Customers	2021 Year End Customers	Year End Customers by Class	Sales	Sales by Class
Residential	77,624	78,364	91.11%	\$36,916,772	62.59%
Commercial	4,129	4,155	4.83%	\$7,749,227	13.14%
Industrial	107	109	0.13%	\$4,034,073	6.84%
Public Authorities	472	473	0.55%	\$2,243,348	3.80%
Multiple Family Dwellings	2,660	2,731	3.18%	\$5,907,716	10.02%
Bulk Loading Stations	5	5	0.01%	\$66,507	0.11%
Fire Hydrants	144	169	0.20%	\$43,306	0.07%
Wholesale Customers	<u>3</u>	<u>3</u>	<u>0.00%</u>	<u>\$2,022,746</u>	<u>3.43%</u>
Total:	<u>85,144</u>	<u>86,009</u>	<u>100.00%</u>	<u>\$58,983,695</u>	<u>100.00%</u>

Wholesale Customers

At the end of calendar year 2021, the District served as a supplier to 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 3 water distribution systems at the end of calendar year 2021:

	Consumption Gallons (000’s)	Revenue
City of Walton	181,607	\$ 724,588
Bullock Pen Water District	231,133	\$ 924,000
Pendleton County Water	92,978	\$ 374,157
Total:	505,718	\$ 2,022,746

Major Customers

The ten largest customers of the District during calendar year 2021 were:

Customer Name	Total Consumption (Gallons, HCF)	Total Water Sales
Bullock Pen Water	309,001	926,594
Continental Silver Grove, LLC	255,631	856,971
City of Walton	242,790	724,588
Sara Lee	206,184	723,048
Kenton County Airport	189,400	642,025
Taylor Farms Tennessee Inc.	144,125	493,035
Pendleton Co. Water	124,302	375,633
St. Elizabeth Healthcare	113,415	420,345
Wild Flavors	102,551	380,466
U.S. Housing	101,211	390,172
Totals:	1,788,610	5,932,877

Water Supply and Water Quality

The District obtains its raw water supply from the Ohio River and the Licking River. Treatment of the District's raw water supply is provided at the Memorial Parkway water treatment plant, the Fort Thomas water treatment plant, and the Taylor Mill water treatment plant. The total combined 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 its 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 to generate daily, weekly, and monthly operation reports.

The District's 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, the District is in compliance with all of the requirements of the Safe Drinking Water Act of the Environmental Protection Agency and the District is planning accordingly for the increased monitoring and reporting requirements of the Act.

Water Rates

Current Rates

Pursuant to Order 2018-00291 of the PSC dated March 26, 2019 (the "Order"), 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 of the system 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

In addition, certain customers of the system pay a surcharge that has been approved by the PSC, as set forth below:

Sub-district Charges

Sub-district B shall be assessed a monthly surcharge in the amount of \$11.96
 Sub-district C shall be assessed a monthly surcharge in the amount of \$11.06
 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 \$29.41
 Sub-district F shall be assessed a monthly surcharge in the amount of \$13.70
 Sub-district G shall be assessed a monthly surcharge in the amount of \$19.19
 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 \$28.92
 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 RF shall be assessed a monthly surcharge in the amount of \$20.97

District Production, Usage, and Sales Trends

	2017	2018	2019	2020	2021
Customers					
Residential	76,616	77,145	77,767	77,624	78,364
Commercial	4,004	4,009	4,051	4,129	4,155
Industrial	110	109	107	107	109
Other	2,578	2,586	2,373	3,284	3,381
Total	83,308	83,849	84,298	85,144	86,009
Water Sales					
Residential	\$32,144,608	\$32,997,415	\$34,204,142	\$37,580,425	\$36,916,772
Commercial	\$7,468,981	\$7,450,952	\$7,752,357	\$7,564,583	\$7,749,227
Industrial	\$4,013,168	\$4,084,359	\$4,239,685	\$4,697,395	\$4,034,073
Other	\$8,832,459	\$9,072,366	\$9,568,045	\$9,925,284	\$10,283,623
Total	\$52,459,216	\$53,605,092	\$55,764,299	\$59,767,687	\$58,983,695
Avg Monthly Bill by Customer					
Residential	\$34.96	\$35.64	\$36.65	\$40.34	\$39.26
Commercial	\$155.45	\$154.88	\$159.47	\$152.67	\$155.42
Industrial	\$3,040.28	\$3,122.60	\$3,301.94	\$3,658.41	\$3,084.15
Other	\$285.51	\$292.36	\$336.00	\$251.86	\$253.47
Line Loss (as % of Production)	12.65%	17.02%	16.53%	15.34%	17.80%

Debt Service Coverage

Historical debt service calculations are set forth below:

	Year Ending 12/31/2019	Year Ending 12/31/2020	Year Ending 12/31/2021
Total Operating Revenue	57,567,896	60,751,656	60,075,322
Total Operating Expense	28,738,889	28,706,549	29,965,655
Net Operating Income	28,829,007	32,045,107	30,109,667
Other Revenues			
Interest Income	1,881,532	688,108	481,325
Service Applications	631,675	729,815	932,998
Net Annual Income and Revenues	31,342,214	33,463,030	31,523,990
Maximum Annual Debt Service Requirement	18,467,359	16,834,515	16,311,877
Debt Service Coverage	1.70	1.99	1.93

Source: Northern Kentucky Water District & Financial Advisor Unaudited Projections

Outstanding Indebtedness

The table below lists the District's outstanding bond issues as of December 1, 2022, 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	\$2,099,670	1.200%	12/01/32	N/A
2010KIA F09-02	\$24,000,000	\$13,783,216	2.250%	06/01/33	N/A
2013	\$26,400,000	\$20,055,000	4.250 - 5.000%	02/01/38	Aug 2023 @ 100%
2013-REF	\$24,120,000	\$10,055,000	5.000 - 4.000%	02/01/28	Aug 2023 @ 100%
2014-REF	\$15,805,000	\$3,745,000	3.125 - 4.000%	02/01/29	Aug 2023 @ 100%
2016-REF	\$41,905,000	\$28,380,000	5.000 - 3.000%	02/01/31	Feb 2026 @ 100%
2019	\$17,845,000	\$16,385,000	3.000 - 5.000%	02/01/44	Aug 2027 @ 100%
USDA Loan 91-03	\$1,733,000	\$1,651,500	2.750%	02/01/57	N/A
KIA Fund B 15-003	\$1,392,195	\$1,064,616	0.950%	12/01/37	N/A
KIA Loan F15-011	\$3,535,094	\$2,843,495	2.000%	06/01/38	N/A
KIA Loan F14-015	\$3,545,910	\$2,852,195	2.000%	06/01/38	N/A
2020-REF	\$22,325,000	\$19,945,000	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%
2021B-REF	\$27,730,000	\$22,915,000	4.000%	02/01/27	Non-Callable
Totals:	\$239,021,199	\$170,459,691			
<i>Proposed Debt</i>					
Series 2023 Bonds*	TBD	TBD	TBD	02/01/48	Feb 2031 @ 100%
KIA Loan F13-012**	\$8,000,000	\$4,523,000	2.000%		
KIA Loan F16-027**	\$4,000,000	\$1,558,034	2.000%		
KIA Loan F20-044**	\$8,000,000	\$0	1.750%		
Total Proposed:	\$20,000,000	\$6,081,034	---	---	---
Total Existing + Proposed	\$259,021,199	\$176,540,725			

*Assumes bond issue dated 01/26/2023 and KIA Loans Funded as 12/01/22

**Not Yet Closed

**NORTHERN KENTUCKY WATER DISTRICT
REVENUE BONDS, SERIES 2023A**

APPENDIX C

NORTHERN KENTUCKY WATER DISTRICT AUDITED FINANCIAL STATEMENTS



NORTHERN KENTUCKY WATER DISTRICT

December 31, 2021

Financial Statements and Independent Auditors'
Report Including Supplementary Information

**NORTHERN KENTUCKY WATER DISTRICT
TABLE OF CONTENTS**

	PAGE
Independent Auditors' Report	
Management's Discussion and Analysis (Unaudited).....	1
Basic Financial Statements	
Statements of Net Position	7
Statements of Revenues, Expenses and Changes in Net Position	9
Statements of Cash Flows.....	10
Notes to the Financial Statements.....	12
Required Supplementary Information	
Schedule of the District's Proportionate Share of the Net Pension Liability.....	54
Schedule of the District's Pension Contributions.....	55
Schedule of the District's Proportionate Share of the Net OPEB Liability.....	56
Schedule of the District's OPEB Contributions.....	57
Other Supplementary Information	
Statement of Revenues, Expenses and Changes in Net Position – Budget to Actual.....	58
Statements of Water Operating Revenue	59
Statements of Combined Operation and Maintenance Expenses	60
Schedule of Insurance Coverages	61
Schedule of Rates, Rules and Regulations.....	62
Members of the Commission and Administrative Staff.....	64
Required Regulatory Information	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	65

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Northern Kentucky Water District
Erlanger, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of the Northern Kentucky Water District, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Northern Kentucky Water District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021 and 2020, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Northern Kentucky Water District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in the Prior Period Adjustment note to the financial statements, the previously issued financial statements for both the years ended December 31, 2020 and 2019 have been restated for the correction of an error. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Northern Kentucky Water District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Northern Kentucky Water District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Northern Kentucky Water District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Northern Kentucky Water District's basic financial statements. The statement of revenues, expenses and changes in net position – budget to actual, statements of water operating revenue, statements of combined operation and maintenance expenses, schedule of insurance coverages, schedule of rates, rules and regulations, and the members of the commission and administrative staff are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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 June 30, 2022 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 Northern Kentucky Water District's internal control over financial reporting and compliance.

VonLehman & Company Inc.

Fort Wright, Kentucky
June 30, 2022

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

Our discussion and analysis of Northern Kentucky Water District's financial performance provides an overview of the District's financial activities for the year ended December 31, 2021. 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 \$240,485,087 (net position). This was an increase of \$14,887,566 in comparison to the prior year.

- Operating revenues decreased \$676,334 or 1.1% from 2020.
- The debt coverage ratio decreased from 1.99 in 2020 to 1.93 in 2021.

Overview of the Financial Statements

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

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

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

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

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

Basis of Accounting

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

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

Overview of Annual Financial Report

Table 1 provides a summary of the District's net position for 2021 compared to 2020.

**Table 1
Net Position**

	December 31,	
	2021	2020 (As Restated)
Assets		
Current Assets	\$ 68,844,595	\$ 66,527,811
Restricted Assets Noncurrent	63,364,426	38,901,855
Miscellaneous Deferred Charges	4,031,730	4,136,001
Capital Assets, Net	342,107,768	341,687,056
Total Assets	478,348,519	451,252,723
Deferred Outflows of Resources	8,712,038	11,359,648
Liabilities		
Current Liabilities	20,109,293	19,358,024
Restricted Liabilities Noncurrent	294,537	1,024,188
Other Noncurrent Liabilities	217,012,978	215,106,931
Total Liabilities	237,416,808	235,489,143
Deferred Inflows of Resources	9,158,662	1,525,707
Net Position		
Net Investment in Capital Assets	158,184,530	151,974,245
Restricted	45,654,439	37,877,667
Unrestricted	36,646,118	35,745,609
Total Net Position	\$ 240,485,087	\$ 225,597,521

The District's net position for 2021 increased 6.6% to \$240,485,087 compared to \$225,597,521 for 2020.

A portion of the District's net position (19.0%) 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 (65.8%) 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.

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

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 \$29,090,609 from the previous year primarily due to issuance of bond anticipation notes that were unspent at year end.
- Investments decreased \$1,271,527 primarily due to transfer of an investment reserve fund to cash and cash equivalents in the current year.
- Accounts receivable, net decreased \$1,277,234 from the previous year due to slower payments at the end of the prior year resulting from the temporary suspension of water turn offs because of the pandemic.
- Capital assets, net of accumulated depreciation increased \$420,712 from the previous year due to additions of capital assets totaling \$13,146,721, depreciation expense incurred on capital assets of \$12,436,919, and net disposals totaling \$289,090.
- Bond indebtedness decreased \$15,215,483 and notes payable decreased \$1,720,458 from the previous year due to continued payments on outstanding bonds and notes. Additionally, the District issued Refunding Revenue Bonds, Series 2021 for \$27,730,000 during 2021 to refund the District's outstanding Revenue Bonds Series at a lower interest rate.
- Bond Anticipation Notes increased \$24,685,000 due to issuance of Series 2021A notes to fund the cost of ongoing capital improvement projects.
- Net pension liability decreased \$3,635,782 and net OPEB liability decreased \$1,470,224 as a result of an overall decrease in the net pension and net OPEB liability of the Kentucky Public Pension Authority's CERS non-hazardous plan.

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

Table 2 shows the changes in net assets for 2021, as well as revenue and expense comparisons to 2020.

**Table 2
Changes in Net Position**

	Years Ended December 31,	
	2021	2020
Operating Revenues		
Water Sales	\$ 58,983,695	\$ 59,767,687
Forfeited Discounts	442,082	237,109
Rents From Property	383,269	548,933
Other Water Revenues	266,276	197,927
	<u>60,075,322</u>	<u>60,751,656</u>
Operating Expenses		
Operating and Maintenance Expense	29,965,655	28,706,549
Depreciation Expense	12,436,919	12,301,512
	<u>42,402,574</u>	<u>41,008,061</u>
	<u>17,672,748</u>	<u>19,743,595</u>
Non-Operating Income (Expense)		
Investment Income	481,326	688,108
Miscellaneous Non-Operating Income	347,304	112,631
Loss on Abandonment of Mains	(289,089)	(264,847)
Interest on Long-Term Debt and Customer Deposits	(5,826,155)	(6,555,100)
Amortization of Debt Premiums and Defeasance Costs	989,953	851,294
Bond Issuance Costs	(181,821)	(226,603)
Pension Expense	(1,029,997)	(2,604,502)
Other Post Employment Benefit Expense	(267,744)	(564,502)
Arbitrage Rebate	53,883	27,184
Gain on Sale of Capital Assets	25,977	60,861
	<u>(5,696,363)</u>	<u>(8,475,476)</u>
	11,976,385	11,268,119
	<u>2,911,181</u>	<u>2,099,143</u>
	<u>\$ 14,887,566</u>	<u>\$ 13,367,262</u>

In reviewing income before capital contributions, the financial statements showed net income for the year of \$11,976,385. Operating revenues decreased 1.1% mainly as a result of a decrease in water consumption in 2021 compared to 2020. Operating expenses (including depreciation) increased 3.4% from the previous year due to an increase in salary and related expenses. Non-Operating Income (Expense) increased \$2,779,113 due to decreased pension and OPEB expense, as well as a reduction in interest expense on long-term debts. Capital contributions increased by \$812,038 (38.7%) primarily due to the increase of mains constructed by other entities and contributed to the District.

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

The District budgeted for \$57,297,758 in operating revenues. Actual revenues were \$60,075,322, a difference of \$2,777,564. The largest difference was due to water sales being overbudget by \$2,825,477. The water sales were overbudget primarily due to conservative budgeting practices. Operation, maintenance, and administration expenses were budgeted at \$32,153,526. Actual expenses were \$29,965,655, a difference of \$2,187,871. This difference is due to employee pension and benefits having a total budget of \$6,418,953, while actual expenses totaled \$5,762,134. 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 budgeted for an increase in contractual service expense, which ended under budget of \$788,577 for 2021.

Capital Assets

At December 31, 2021, the capital assets reported were \$342,107,768 including land, buildings, water systems, equipment, and vehicles. This represents a net increase of \$420,712, or (0.1%), 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**

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Not Being Depreciated		
Land	\$ 3,348,169	\$ 3,267,226
Construction in Progress	12,495,400	9,363,904
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	<u>517,618,547</u>	<u>508,590,398</u>
Subtotal	538,978,252	526,737,664
Less Accumulated Depreciation	<u>196,870,484</u>	<u>185,050,608</u>
Totals	<u>\$ 342,107,768</u>	<u>\$ 341,687,056</u>

Major capital additions during the year included adding mains for approximately \$4,400,000 and services for approximately \$1,800,000.

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

Long-Term Liabilities

Table 4 summarizes the District's long-term liabilities at the end of 2021 as compared to 2020.

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

	December 31,	
	2021	2020
Compensated Absences	\$ 1,652,359	\$ 1,369,138
Arbitrage Liability	241,201	295,084
Bond Anticipation Notes	24,685,000	-
Bond Indebtedness	146,149,614	161,365,097
Notes Payable	30,322,556	32,043,014
	\$ 203,050,730	\$ 195,072,333

At year-end, the District had \$201,157,170 in outstanding bond anticipation notes, bond indebtedness, and notes payable compared to \$193,408,111 last year. That is an increase of 4.0% as shown in Table 4.

Economic Factors and Next Year's Budget

The District's budget for 2022 is allowing for a slight increase in revenue from previously budgeted amounts to reflect water sales based on projected consumption and the reinstatement of forfeited discounts and disconnections for non-payment. A modest increase is anticipated for operating expenses as a result of an increase in employee related expenses along with projected increases in competitively bid chemicals, GAC, materials and supplies, contractual services, and transportation, along with decreases in purchased power, insurance and bad debt expense.

The District's operations are presented as a proprietary fund, and as such, the District is not required to present budgetary comparison information as required supplementary information (RSI). However, the District's 1985 general bond resolution does require the adoption of an annual budget of current expenses and revenues. The annual budget is further used 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,	
	2021	2020
		(As Restated)
Assets and Deferred Outflows of Resources		
Current Assets		
Cash and Cash Equivalents	\$ 42,708,186	\$ 39,074,049
Investments	4,389,971	3,884,495
Accounts Receivable		
Customers, Net	6,350,629	7,785,823
Unbilled Customers	9,100,000	9,100,000
Others	228,310	70,350
Assessments Receivable	174,942	165,091
Inventory Supplies for New Installation and Maintenance, at Cost	2,048,552	1,854,834
Prepaid Items	1,118,470	1,084,532
Restricted Assets - Cash and Cash Equivalents		
Bond Proceeds Fund	486,648	37,000
Debt Service Account	1,922,180	2,453,994
Improvement, Repair & Replacement	316,707	1,017,643
	68,844,595	66,527,811
Non-current Assets		
Restricted Assets - Cash and Cash Equivalents		
Bond Proceeds Fund	16,928,802	674,652
Debt Service Account	18,678,385	18,091,707
Improvement, Repair and Replacement	10,422,934	164,656
Customer Deposits Fund	-	859,532
Restricted Assets - Investments		
Debt Service Reserve Account	17,334,305	19,111,308
Miscellaneous Deferred Charges	4,031,730	4,136,001
Capital Assets		
Land, System, Buildings and Equipment	526,482,852	517,373,760
Construction in Progress	12,495,400	9,363,904
	538,978,252	526,737,664
Less Accumulated Depreciation	196,870,484	185,050,608
	342,107,768	341,687,056
	409,503,924	384,724,912
	478,348,519	451,252,723
Deferred Outflows of Resources		
Deferred Outflows Related to Pension	2,553,369	4,066,559
Deferred Outflows Related to Other Postemployment Benefits	3,519,560	3,597,789
Deferred Loss on Refundings	2,639,109	3,695,300
	8,712,038	11,359,648
Total Assets and Deferred Outflows of Resources	\$ 487,060,557	\$ 462,612,371

See accompanying notes.

NORTHERN KENTUCKY WATER DISTRICT
STATEMENTS OF NET POSITION
(Continued)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	December 31,	
	2021	2020
		(As Restated)
Liabilities and Deferred Inflows of Resources		
Current Liabilities		
Bonded Indebtedness	\$ 12,886,273	\$ 12,401,280
Notes Payable	1,751,438	1,720,459
Accounts Payable	1,264,825	942,005
Accrued Payroll and Taxes	475,742	396,705
Compensated Absences	324,632	99,611
Arbitrage Liability	225,351	-
Other Accrued Liabilities	455,497	289,327
Liabilities Payable - Restricted Assets		
Accrued Interest Payable	1,922,180	2,453,994
Accounts Payable	803,355	1,054,643
	<u>20,109,293</u>	<u>19,358,024</u>
Non-current Liabilities		
Liabilities Payable - Restricted Assets		
Accounts Payable	294,537	164,656
Customer Deposits	-	859,532
Compensated Absences	1,327,727	1,269,527
Arbitrage Liability	15,850	295,084
Bond Anticipation Notes	24,685,000	-
Bond Indebtedness	133,263,341	148,963,817
Notes Payable	28,571,118	30,322,555
Net Pension Liability	22,419,617	26,055,399
Net Other Postemployment Benefits Liability	6,730,325	8,200,549
	<u>217,307,515</u>	<u>216,131,119</u>
Total Long-Term Liabilities	<u>217,307,515</u>	<u>216,131,119</u>
Total Liabilities	<u>237,416,808</u>	<u>235,489,143</u>
Deferred Inflows of Resources		
Deferred Inflows Related to Pension	3,205,757	53,168
Deferred Inflows Related to Other Postemployment Benefits	3,132,278	1,472,539
Deferred Gain on Refundings	2,820,627	-
	<u>9,158,662</u>	<u>1,525,707</u>
Total Deferred Inflows of Resources	<u>9,158,662</u>	<u>1,525,707</u>
Total Liabilities and Deferred Inflows of Resources	<u>246,575,470</u>	<u>237,014,850</u>
Net Position		
Net Investment in Capital Assets	158,184,530	151,974,245
Restricted For Debt Service Funds	36,012,690	37,203,015
Restricted For Capital Improvement Projects	9,641,749	674,652
Unrestricted	36,646,118	35,745,609
	<u>240,485,087</u>	<u>225,597,521</u>
Total Net Position	<u>240,485,087</u>	<u>225,597,521</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 487,060,557</u>	<u>\$ 462,612,371</u>

See accompanying notes.

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

	Years Ended December 31,	
	2021	2020
		(As Restated)
Operating Revenues		
Water Sales	\$ 58,983,695	\$ 59,767,687
Forfeited Discounts	442,082	237,109
Rents From Property	383,269	548,933
Other Water Revenues	266,276	197,927
	<u>60,075,322</u>	<u>60,751,656</u>
Operating Expenses		
Operating and Maintenance Expense	29,965,655	28,706,549
Depreciation Expense	12,436,919	12,301,512
	<u>42,402,574</u>	<u>41,008,061</u>
Net Operating Income	<u>17,672,748</u>	<u>19,743,595</u>
Non-Operating Income (Expense)		
Investment Income	481,326	688,108
Miscellaneous Non-Operating Income	347,304	112,631
Loss on Abandonment of Mains	(289,089)	(264,847)
Interest on Long-Term Debt and Customer Deposits	(5,826,155)	(6,555,100)
Amortization of Debt Premiums and Defeasance Costs	989,953	851,294
Bond Issuance Costs	(181,821)	(226,603)
Pension Expense	(1,029,997)	(2,604,502)
Other Post Employment Benefit Expense	(267,744)	(564,502)
Arbitrage Rebate (Expense)	53,883	27,184
Gain on Sale of Capital Assets	25,977	60,861
	<u>(5,696,363)</u>	<u>(8,475,476)</u>
Change in Net Position Before Capital Contributions	11,976,385	11,268,119
Capital Contributions	<u>2,911,181</u>	<u>2,099,143</u>
Change in Net Position	14,887,566	13,367,262
Net Position - Beginning of Year	<u>225,597,521</u>	<u>212,230,259</u>
Net Position - End of Year	<u>\$ 240,485,087</u>	<u>\$ 225,597,521</u>

See accompanying notes.

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

	Years Ended December 31,	
	2021	2020
		(As Restated)
Cash Flows From Operating Activities		
Received From Customers	\$ 60,483,173	\$ 59,024,741
Received for Miscellaneous Non-Operating Income	347,304	112,631
Paid to Suppliers for Goods and Services	(14,270,905)	(14,181,880)
Paid to or on Behalf of Employees for Services	(15,088,294)	(14,245,342)
	<u>31,471,278</u>	<u>30,710,150</u>
Cash Flows From Investing Activities		
Purchase of Investments	(43,124,955)	(53,241,616)
Proceeds From Sale of Investments	44,624,625	52,656,436
Investment Income	281,979	667,923
	<u>1,781,649</u>	<u>82,743</u>
Cash Flows From Capital and Related Financing Activities		
Principal Paid on Debt	(12,752,459)	(13,442,555)
Debt Proceeds	24,685,000	735,347
Interest Paid on Bonds and Notes	(5,804,373)	(6,724,363)
Acquisition and Construction of Capital Assets	(10,316,463)	(8,531,994)
Proceeds on Sale of Capital Assets	25,977	92,722
Payment on Arbitrage Liability	-	(412,209)
	<u>(4,162,318)</u>	<u>(28,283,052)</u>
Net Cash Used by Capital and Related Financing Activities		
Net Change in Cash	29,090,609	2,509,841
Cash and Cash Equivalents Beginning of Year	<u>62,373,233</u>	<u>59,863,392</u>
Cash and Cash Equivalents End of Year	<u>\$ 91,463,842</u>	<u>\$ 62,373,233</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Net Operating Income	\$ 17,672,748	\$ 19,743,595
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Depreciation	12,436,919	12,301,512
Miscellaneous Non-Operating Income	347,304	112,631
Change in Assets and Liabilities		
Accounts Receivable, Net	1,277,234	(1,634,349)
Assessments Receivable	(9,851)	(9,278)
Inventory Supplies	(193,718)	(187,565)
Prepaid Items	(33,938)	(271,127)
Miscellaneous Deferred Charges	104,271	344,781
Accounts Payable	201,413	78,574
Accrued Payroll and Taxes	79,037	(60,309)
Accrued Compensated Absences	283,221	364,012
Other Accrued Liabilities	166,170	10,961
Customer Deposits	(859,532)	(83,288)
	<u>31,471,278</u>	<u>30,710,150</u>
Net Cash Provided by Operating Activities	<u>\$ 31,471,278</u>	<u>\$ 30,710,150</u>

See accompanying notes.

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

	Years Ended December 31,	
	2021	2020
	<u> </u>	<u> </u>
Supplemental Schedule of Noncash Capital and Related Financing Activities		
Change in Fair Value of Investments	\$ <u>(244,161)</u>	\$ <u>(1,673,767)</u>
Contributions of Capital Assets	\$ <u>2,911,181</u>	\$ <u>2,099,143</u>
Current Refunding of Revenue Bonds, Series 2012	\$ <u>33,013,731</u>	\$ <u>-</u>
Current Refunding of Revenue Bonds, Series 2011	\$ <u>-</u>	\$ <u>22,587,779</u>
Retirement of Rural Development Loan 91-02 through Refunding Revenue Bonds, Series 2020	\$ <u>-</u>	\$ <u>1,641,000</u>
Accrued Interest on Refunding	\$ <u>553,596</u>	\$ <u>274,955</u>
Bond Issuance Costs on Refunding	\$ <u>181,821</u>	\$ <u>226,603</u>
Deferred (Gain) Loss on Refunding	\$ <u>(3,520,545)</u>	\$ <u>76,496</u>
Pension Expense	\$ <u>(1,029,997)</u>	\$ <u>(2,604,502)</u>
Other Post Employment Benefit Expense	\$ <u>(267,744)</u>	\$ <u>(564,502)</u>
Amortization Expense	\$ <u>(989,953)</u>	\$ <u>(851,294)</u>
Reconciliations of Cash and Cash Equivalents to the Statement of Net Position		
Cash and Cash Equivalents - Current	\$ 42,708,186	\$ 39,074,049
Cash and Cash Equivalents - Restricted	<u>48,755,656</u>	<u>23,299,184</u>
Total Cash and Cash Equivalents	\$ <u>91,463,842</u>	\$ <u>62,373,233</u>

See accompanying notes.

**NORTHERN KENTUCKY WATER DISTRICT
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Presentation, Basis of Accounting, and Measurement Focus

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

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

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

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

Use of Estimates

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

Operating Revenues and Expenses

Enterprise funds distinguish operating revenues and expenses from non-operating items in accordance with the flow of economic resources measurement focus and the accrual basis of accounting. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues from water sales, forfeited discounts, rents from property, and other water revenues are reported as operating revenues. Operating expenses for enterprise funds include 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cash and Cash Equivalents

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

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

Investments

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

Accounts Receivable - Customers

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

Accounts receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. The District begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the District's collection history, the financial stability and recent payment history of the customer, and other pertinent factors. Receivables are written off as uncollectible after the District has used reasonable collection efforts and deems them uncollectible. Based on these criteria, the District has estimated an allowance for doubtful accounts of \$90,000 and \$470,000 at December 31, 2021 and 2020, 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 net realizable value. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

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

Compensated Absences

Employees of the District are entitled to paid vacation and sick depending on length of service and other factors. The amounts recorded for accumulated vacation and sick as of December 31, 2021 and 2020 were \$1,652,359 and \$1,369,138, 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 premiums, 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.

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. However, these did not have a significant impact to the District's financial statements. The District is currently evaluating the impact that the remaining aspects of 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*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. However, these did not have a significant impact to the District's financial statements. The District is currently evaluating the impact that the remaining aspects of GASB Statement No. 97 may have on its financial statements.

Omnibus 2022

GASB Statement No. 99, *Omnibus 2022*, was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of GASB Statement No. 99 related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023. Other aspects of GASB 99 are effective immediately. However, there was not a significant impact to the District's financial statements for the year ended December 31, 2021. The District is currently evaluating the impact the remaining aspects of GASB Statement No. 99 may have on its financial statements.

Subsequent Events

The District has evaluated subsequent events through June 30, 2022, which is the date the financial statements were available to be issued.

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.

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, 2021 and 2020, 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.

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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, 2021 and 2020.

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	
	2021	2020
Cash and Cash Equivalents	\$ 17,415,450	\$ 711,652

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:

Cash and Cash Equivalents	\$ 10,649,698	\$ 12,378,350
Purchase and Resale Agreements	732,136	732,136
Forward Delivery Agreements	4,112,089	4,076,931
United States Treasuries	-	1,871,691
FHLB Bonds	1,800,000	-
Accrued Interest Receivable and CD Market Change	40,382	52,200
	<u>\$ 17,334,305</u>	<u>\$ 19,111,308</u>

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

Cash and Cash Equivalents	\$ 20,600,565	\$ 20,545,701
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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	\$ 10,739,641	\$ 1,182,299
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NOTE 3 – RESTRICTED ASSETS (Continued)

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:

	December 31	
	2021	2020
Cash and Cash Equivalents	\$ -	\$ 859,532

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts Receivable Arising From Billings of Metered Water Sales, Net of Allowance	\$ 6,350,629	\$ 7,785,823
Accrual for Estimated Unbilled Water Revenue	9,100,000	9,100,000
Other	228,310	70,350
Total	\$ 15,678,939	\$ 16,956,173

NOTE 5 – FAIR VALUE MEASUREMENT

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

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

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

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

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

NOTE 5 – FAIR VALUE MEASUREMENT (Continued)

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Investments				
Certificates of Deposit	\$ 438,466	\$ -	\$ -	\$ 438,466
Commercial Paper	-	3,951,505	-	3,951,505
Total Investments	438,466	3,951,505	-	4,389,971
Restricted Investments				
Cash and Cash Equivalents	10,690,080	-	-	10,690,080
Purchase and Resale Agreements	-	732,136	-	732,136
Forward Delivery Agreements	-	4,112,089	-	4,112,089
FHLB Bonds	-	1,800,000	-	1,800,000
Total Restricted Investments	10,690,080	6,644,225	-	17,334,305
Total Assets at Fair Value	\$ 11,128,546	\$ 10,595,730	\$ -	\$ 21,724,276

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value at December 31, 2020:

Investments				
Certificates of Deposit	\$ 441,034	\$ -	\$ -	\$ 441,034
Commercial Paper	-	3,443,461	-	3,443,461
Total Investments	441,034	3,443,461	-	3,884,495
Restricted Investments				
Cash and Cash Equivalents	12,430,550	-	-	12,430,550
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 Investments	12,430,550	6,680,758	-	19,111,308
Total Assets at Fair Value	\$ 12,871,584	\$ 10,124,219	\$ -	\$ 22,995,803

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the District for the year ended December 31, 2021, was as follows:

	Balance December 31, 2020	Additions	Deductions	Balance December 31, 2021
Land, System, Buildings and Equipment				
Land and Land Rights	\$ 3,267,226	\$ 80,943	\$ -	\$ 3,348,169
Structures and Improvements	128,948,788	344,678	-	129,293,466
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	544,504	-	4,036,027
Pumping Equipment	11,982,266	550,721	-	12,532,987
Water Treatment Equipment	30,253,266	737,992	-	30,991,258
Distribution Reservoirs and Standpipes	11,354,093	-	-	11,354,093
Transmissions and Distribution Mains	229,742,195	4,411,381	(420,683)	233,732,893
Services	34,483,517	1,782,133	(231,623)	36,034,027
Meters and Meter Installations Hydrants	20,550,391	465,638	(132,967)	20,883,062
10,778,716	224,784	(40,696)	10,962,804	
Other Plant and Miscellaneous Equipment	3,419,128	8,300	-	3,427,428
Office Furniture and Equipment	4,214,129	18,218	-	4,232,347
Transportation Equipment	5,069,122	731,644	(80,164)	5,720,602
Tools, Shop, and Garage Equipment	991,016	24,418	-	1,015,434
Laboratory Equipment	827,678	5,300	-	832,978
Power Operated Equipment	1,275,926	7,063	-	1,282,989
Communication Equipment	6,287,274	77,508	-	6,364,782
Miscellaneous Equipment	592,506	-	-	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	517,373,760	10,015,225	(906,133)	526,482,852
Construction in Progress	9,363,904	8,614,131	(5,482,635)	12,495,400
Total Capital Assets	526,737,664	18,629,356	(6,388,768)	538,978,252
Less Accumulated Depreciation	185,050,608	12,436,919	(617,043)	196,870,484
Capital Assets - Net	\$ 341,687,056	\$ 6,192,437	\$ (5,771,725)	\$ 342,107,768

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, 2021 and 2020, the arbitrage rebate liability was \$241,201 and \$295,084, 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, 2021 and 2020, the District paid \$-0- and \$412,209, respectively.

NOTE 8 – LONG-TERM DEBT

Revenue Bonds

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 refunded in December 2021 by the Refunding Revenue Bonds, Series 2021.

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:

<u>Years</u>	<u>Interest Rates</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
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	5.00%	1,020,000	706,526	1,726,526
2027-2031	4.00-5.00%	5,795,000	2,843,445	8,638,445
2032-2036	4.13-4.50%	7,155,000	1,481,028	8,636,028
2037-2038	4.13-4.25%	3,310,000	142,164	3,452,164
Total		<u>\$ 20,890,000</u>	<u>\$ 8,473,517</u>	<u>\$ 29,363,517</u>

NOTE 8 – LONG-TERM DEBT (Continued)

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:

<u>Years</u>	<u>Interest Rates</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2022	5.00%	\$ 1,430,000	\$ 489,450	\$ 1,919,450
2023	5.00%	1,500,000	416,200	1,916,200
2024	5.00%	1,570,000	347,300	1,917,300
2025	4.00%	1,635,000	283,200	1,918,200
2026	4.00%	1,700,000	216,500	1,916,500
2027-2028	4.00-5.00%	3,650,000	184,750	3,834,750
Total		\$ 11,485,000	\$ 1,937,400	\$ 13,422,400

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:

<u>Years</u>	<u>Interest Rates</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2022	5.00%	\$ 465,000	\$ 135,263	\$ 600,263
2023	5.00%	485,000	116,363	601,363
2024	3.00%	495,000	101,663	596,663
2025	3.00%	515,000	83,938	598,938
2026	4.00%	540,000	62,838	602,838
2027-2029	3.00-4.00%	1,710,000	79,995	1,789,995
Total		\$ 4,210,000	\$ 580,060	\$ 4,790,060

NOTE 8 – LONG-TERM DEBT (Continued)

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:

<u>Years</u>	<u>Interest Rates</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
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	5.00%	3,015,000	686,025	3,701,025
2027-2031	3.00-5.00%	17,100,000	1,436,485	18,536,485
Total		<u>\$ 30,830,000</u>	<u>\$ 6,271,485</u>	<u>\$ 37,101,485</u>

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:

<u>Years</u>	<u>Interest Rates</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2022	3.00%	\$ 470,000	\$ 560,750	\$ 1,030,750
2023	3.00%	485,000	544,000	1,029,000
2024	4.00%	505,000	524,200	1,029,200
2025	4.00%	530,000	500,850	1,030,850
2026	5.00%	560,000	473,600	1,033,600
2027-2031	3.00-5.00%	3,200,000	1,953,975	5,153,975
2032-2036	3.00%	3,770,000	1,389,750	5,159,750
2037-2041	3.00%	4,380,000	779,550	5,159,550
2042-2044	3.00%	2,955,000	134,775	3,089,775
Total		<u>\$ 16,855,000</u>	<u>\$ 6,861,450</u>	<u>\$ 23,716,450</u>

NOTE 8 – LONG-TERM DEBT (Continued)

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:

<u>Years</u>	<u>Interest Rates</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
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	5.00%	1,355,000	501,325	1,856,325
2027-2031	3.00-5.00%	7,785,000	1,499,450	9,284,450
2032-2035	2.00-3.00%	7,125,000	297,275	7,422,275
Total		<u>\$ 21,055,000</u>	<u>\$ 4,932,850</u>	<u>\$ 25,987,850</u>

Water District Refunding Revenue Bonds, Series 2021B

In December 2021, the District issued \$27,730,000 of Refunding Revenue Bonds, Series 2021B for the purpose of current refunding of the District’s outstanding Revenue Bonds Series 2012 in the principal amount of \$29,310,00. The bonds were sold at a premium of \$3,703,731, for a total source of funds of \$33,013,731.

The net carrying amount of the refunded debt exceeded the reacquisition price \$2,848,371. 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 \$3,149,288 and obtains an economic gain (difference between the present values of the old and new debt service) of \$3,093,721.

The Water District Refunding Revenue Bonds, Series 2021B are scheduled to mature as follows:

<u>Years</u>	<u>Interest Rates</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2022	4.00%	\$ 4,815,000	\$ 603,112	\$ 5,418,112
2023	4.00%	4,485,000	826,900	5,311,900
2024	4.00%	4,675,000	643,700	5,318,700
2025	4.00%	4,865,000	452,900	5,317,900
2026	4.00%	5,070,000	254,200	5,324,200
2027	4.00%	3,820,000	76,400	3,896,400
Total		<u>\$ 27,730,000</u>	<u>\$ 2,857,212</u>	<u>\$ 30,587,212</u>

NOTE 8 – LONG-TERM DEBT (Continued)

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
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	31,000	42,556	73,556
2027-2031	168,500	199,299	367,799
2032-2036	193,000	174,514	367,514
2037-2041	221,000	146,068	367,068
2042-2046	253,500	113,502	367,002
2047-2051	290,000	76,175	366,175
2052-2056	332,500	33,460	365,960
2057	73,500	1,011	74,511
Total	<u>\$ 1,679,500</u>	<u>\$ 965,039</u>	<u>\$ 2,644,539</u>

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.

Revenue Bond Anticipation Note

In March, 2021, the District issued \$24,685,000 of Revenue Bond Anticipation Notes, Series 2021A in order to fund various construction projects. The Series 2021A notes mature in February 2023 and are subject to optional redemption, in whole or in part, on any date beginning August 1, 2022. The Series 2021A notes are secured by a pledge of the proceeds of the Series 2023A Bonds to be issued by the District before the maturity date of the Series 2021A notes and any investment obligations purchased with the proceeds of the Series 2021A notes.

Notes from Direct Borrowings

Fiscal Court of Kenton District, Kentucky

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

Kentucky Infrastructure Authority Loan F08-07

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

NOTE 8 – LONG-TERM DEBT (Continued)

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

<u>Years</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
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	206,764	18,001	224,765
2027-2031	1,065,331	50,614	1,115,945
2032	219,514	2,060	221,574
Total	\$ 2,298,344	\$ 168,077	\$ 2,466,421

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:

<u>Years</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
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	1,265,476	220,942	1,486,418
2027-2031	6,719,301	663,799	7,383,100
2032-2033	2,149,665	48,528	2,198,193
Total	\$ 14,951,862	\$ 2,092,082	\$ 17,043,944

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:

<u>Years</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
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	170,362	46,323	216,685
2027-2031	897,794	179,064	1,076,858
2032-2036	979,517	85,666	1,065,183
2037-2038	310,887	6,235	317,122
Total	\$ <u>3,011,088</u>	\$ <u>535,635</u>	\$ <u>3,546,723</u>

Kentucky Infrastructure Authority Loan F15-011

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

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

<u>Years</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
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	169,843	46,182	216,025
2027-2031	895,056	177,518	1,072,574
2032-2036	976,531	85,406	1,061,937
2037-2038	309,937	6,217	316,154
Total	\$ <u>3,001,904</u>	\$ <u>533,003</u>	\$ <u>3,534,907</u>

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:

<u>Years</u>	<u>Principal Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
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	68,845	8,018	76,863
2027-2031	352,060	30,160	382,220
2032-2036	365,488	13,153	378,641
2037	74,753	533	75,286
Total	<u>\$ 1,131,429</u>	<u>\$ 90,390</u>	<u>\$ 1,221,819</u>

Kentucky Infrastructure Authority Loan F16-027

In July 2017, the District entered into an agreement with the Kentucky Infrastructure Authority (KIA) for a reimbursement loan for the cost of constructing various projects to the District's water system. The full amount of allowable funds is \$5,385,000 at an interest rate of 1.75%. As of December 31, 2021, \$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.

NORTHERN KENTUCKY WATER DISTRICT

NOTE 8 – LONG-TERM DEBT (Continued)

Changes in long-term debt are as follows:

	Debt Outstanding December 31, 2020	Additions of New Debt	Retirements and Repayments	Debt Outstanding December 31, 2021	Amounts Due Within 1 Year
Bond Indebtedness					
Rural Development Loan 91-03	\$ 1,706,500	\$ -	\$ 27,000	\$ 1,679,500	\$ 28,000
Series 2012	33,675,000	-	33,675,000	-	-
Series 2012 Bond Premium	4,219,440	-	4,219,440	-	-
Series 2013 A	21,685,000	-	795,000	20,890,000	835,000
Series 2013 A Bond Premium	879,119	-	50,235	828,884	50,235
Series 2013 B	12,840,000	-	1,355,000	11,485,000	1,430,000
Series 2013 B Bond Premium	924,639	-	119,308	805,331	119,308
Series 2014 B	4,650,000	-	440,000	4,210,000	465,000
Series 2014 B Bond Premium	758,024	-	84,225	673,799	84,225
Series 2016	33,155,000	-	2,325,000	30,830,000	2,450,000
Series 2016 Bond Premium	3,756,064	-	344,067	3,411,997	344,067
Series 2019	17,310,000	-	455,000	16,855,000	470,000
Series 2019 Bond Premium	1,027,053	-	43,397	983,656	43,397
Series 2020	22,325,000	-	1,270,000	21,055,000	1,110,000
Series 2020 Bond Premium	2,454,258	-	165,456	2,288,802	165,456
Series 2021	-	27,730,000	-	27,730,000	4,815,000
Series 2021 Bond Premium	-	2,446,473	23,828	2,422,645	476,585
Total Bond Indebtedness	161,365,097	30,176,473	45,391,956	146,149,614	12,886,273
Bond Anticipation Notes					
Series 2021 A	-	24,685,000	-	24,685,000	-
Notes Payable - Direct Borrowings					
KIA Loan F08-07	2,495,048	-	196,703	2,298,345	198,676
KIA Loan F09-02	16,097,481	-	1,145,619	14,951,862	1,168,646
KIA Loan F13-012	4,523,000	-	-	4,523,000	-
KIA Loan F14-015	3,167,237	-	156,149	3,011,088	158,893
KIA Loan F15-011	3,157,576	-	155,672	3,001,904	158,409
KIA Loan B15-003	1,197,744	-	66,315	1,131,429	66,814
KIA Loan F16-027	1,304,928	-	-	1,304,928	-
Kenton County Fiscal Court	100,000	-	-	100,000	-
Total Notes Payable - Direct Borrowings	32,043,014	-	1,720,458	30,322,556	1,751,438
Arbitrage Liability	295,084	-	53,883	241,201	225,351
Compensated Absences	1,369,138	283,221	-	1,652,359	324,632
Total Long-Term Debt	\$ 195,072,333	\$ 55,144,694	\$ 47,166,297	\$ 203,050,730	\$ 15,187,694

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 Public Pensions Authority (KPPA) under the provisions of Kentucky Revised Statute Section 78.782 and 61.645. The plan was formerly administered by the Kentucky Retirement System (KRS). However, during the 2020 Legislative Session, House Bill 484 was passed establishing a new governance structure for the agency that operates the system. Effective April 1, 2021, KRS as an agency of the Commonwealth became known as the KPPA. 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				
<u>Final Compensation</u>	<u>X</u>	<u>Benefit Factor</u>	<u>X</u>	<u>Years of Service</u>
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 2021)	Actuarial Factor
5.00%	4.00%	4.00%	6.35%	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 hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the 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.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for qualified members who become "totally and permanently disabled" as a result of a duty-related disability. The minimum disability benefit increased from 25% of the member's monthly final rate of pay to 75% of the member's monthly average pay. The insurance premium for the member, the member's spouse, and the member's dependent children shall also be paid in full by the System. For non-hazardous members to be eligible for this benefit, they must be working in a position that could be certified as a hazardous position. There were no other material plan 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.

Local government participating employers are required to contribute an actuarially determined rate for CERS pension contributions, per the Kentucky Revised Statute Section 78.545(33). The CERS Board of Trustees establishes the employer contribution rate based on Kentucky Revised Statute section 78.454(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. House Bill 362 passed during the 2018 legislative session, which caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.

NOTE 9 – PENSION PLAN (Continued)

For the fiscal years ended June 30, 2022, 2021, and 2020, participating employers contributed 26.95% (21.17% pension fund and 5.78% insurance fund), 24.06% (19.30% pension fund and 4.76% insurance fund), and 24.06% (19.30% pension fund and 4.76% 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 \$1,875,015 and \$1,723,667 for the years ended December 31, 2021 and 2020, respectively.

Plan Information for December 31, 2021 Financial Statements

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

At December 31, 2021, the District reported a liability of \$22,419,617 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2021, 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, 2021, the District's proportion for the non-hazardous system was 0.351637% which was an increase of 0.011928% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2021, the District recognized pension expense of \$1,029,997. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 2,988,159
Difference between expected and actual experience	257,446	217,598
Changes of assumptions	300,898	-
Changes in proportion and difference between employer contributions and proportionate share of contributions	961,977	-
District contributions after measurement date	<u>1,033,048</u>	<u>-</u>
Total	<u>\$ 2,553,369</u>	<u>\$ 3,205,757</u>

NOTE 9 – PENSION PLAN (Continued)

The \$1,033,048 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, 2022. 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,	
2022	\$ 293,097
2023	(391,421)
2024	(651,374)
2025	<u>(935,738)</u>
Total	<u>\$ (1,685,436)</u>

Actuarial assumptions: The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2020
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

There have been no actuarial assumption or method changes since June 30, 2020. Senate Bill 169 passed during the 2021 legislative session increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total pension liability as of June 30, 2021, is determined using these updated benefit provisions.

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.

NOTE 9 – PENSION PLAN (Continued)

The long-term (10-year) expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were 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 rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Growth		
US Equity	21.75 %	5.70 %
Non-US Equity	21.75	6.35
Private Equity	10.00	9.70
Specialty Credit/High Yield	15.00	2.80
Liquidity		
Core Bonds	10.00	-
Cash	1.50	(0.60)
Diversifying Strategies		
Real Estate	10.00	5.40
Real Return	10.00	4.55
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 must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that each participating employer in CERS contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 Legislative Session. The assumed future employer contributions for CERS reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028.

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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Non-Hazardous	\$ 28,754,222	\$ 22,419,617	\$ 17,177,880

Changes of assumptions: There were no changes in actuarial assumptions for the June 30, 2021 valuation date.

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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	<u>885,281</u>	<u>-</u>
Total	<u>\$ 4,066,559</u>	<u>\$ 53,168</u>

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:

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

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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	<u>15.00</u>	3.95
Total	<u><u>100.00 %</u></u>	

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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
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)**Other Information about the Pension Plan**

Payable to the pension plan: At December 31, 2021 and 2020, the District reported a payable of \$187,554 and \$167,861 for the outstanding amount of contributions to the pension plan required for the years ended December 31, 2021 and 2020, respectively.

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Public Pensions Authority Annual Comprehensive Financial Report on the KPPA 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 Public Pensions Authority (KPPA) under the provisions of Kentucky Revised Statute Section 78.782 and 61.645. The plan was formerly administered by the Kentucky Retirement System (KRS). However, during the 2020 Legislative Session, House Bill 484 was passed establishing a new governance structure for the agency that operates the system. Effective April 1, 2021, KRS as an agency of the Commonwealth became known as the KPPA. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS. The District only participates in the non-hazardous plan.

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

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

NOTE 10 – OPEB PLAN (Continued)

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

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.

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.

Local government participating employers are required to contribute an actuarially determined rate for CERS pension contributions, per the Kentucky Revised Statute Section 78.545(33). The CERS Board of Trustees establishes the employer contribution rate based on Kentucky Revised Statute section 78.454(33) each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year for local governments in Kentucky. House Bill 362 passed during the 2018 legislative session, which caps CERS employer contribution rate increases up to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028.

NOTE 10 – OPEB PLAN (Continued)

For the fiscal years ended June 30, 2022, 2021, and 2020, participating employers contributed 26.95% (21.17% pension fund and 5.78% insurance fund), 24.06% (19.30% pension fund and 4.76% insurance fund), and 24.06% (19.30% pension fund and 4.76% insurance fund), respectively, for the non-hazardous system of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the insurance fund (excluding the pension portion) from the District were \$489,371 and \$425,112 for the years ended December 31, 2021 and 2020, respectively.

Plan Information for December 31, 2021 Financial Statements

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

At December 31, 2021, the District reported a liability of \$6,730,325 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2021, 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, 2021, the District's proportion for the non-hazardous system was 0.351554%, which was an increase of 0.011944% from its proportion measured as of December 31, 2020.

For the year ended December 31, 2021, the District recognized OPEB expense of \$267,744. At December 31, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,052,867
Difference between expected and actual experience	1,058,346	2,009,451
Changes of assumptions	1,784,337	6,258
Changes in proportion and difference between employer contributions and proportionate share of contributions	394,826	63,702
District contributions after measurement date	<u>282,051</u>	<u>-</u>
Total	<u>\$ 3,519,560</u>	<u>\$ 3,132,278</u>

NOTE 10 – OPEB PLAN (Continued)

The \$282,051 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Years Ending December 31,</u>	
2022	\$ 257,173
2023	97,043
2024	95,977
2025	<u>(344,962)</u>
Total	<u>\$ 105,231</u>

Actuarial assumptions: The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2020
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 10.30%, Varies by Services
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial Trend Starting at 6.30% at January 1, 2023 and Gradually Decreasing to an Ultimate Trend Rate of 4.05% Over a Period of 13 Years.
Healthcare Cost Trend Rates (Post-65)	Initial Trend Starting at 6.30% at January 1, 2023, then Gradually Decreasing to an Ultimate Trend Rate of 4.05% Over a period of 13 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

NOTE 10 – OPEB PLAN (Continued)

Senate Bill 249 passed during the 2020 legislative session 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 were payable starting July 1, 2020.

Senate Bill 169 passed during the 2021 legislative session and increased the disability benefits for certain qualifying members who become “totally and permanently disabled” in the line of duty or as a result of a duty-related disability. The total OPEB liability as of June 30, 2021, is determined using these updated benefit provisions.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Growth		
US Equity	21.75 %	5.70 %
Non-US Equity	21.75	6.35
Private Equity	10.00	9.70
Specialty Credit/High Yield	15.00	2.80
Liquidity		
Core Bonds	10.00	-
Cash	1.50	(0.60)
Diversifying Strategies		
Real Estate	10.00	5.40
Real Return	10.00	4.55
Total	<u>100.00 %</u>	

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 1.92%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2021. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan’s insurance fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance Plan investments was applied to all period of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy 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.

NOTE 10 – OPEB PLAN (Continued)

The projection of cash flows used to determine the single discount rate must include an assumption regarding future employer contributions made each year. Future contributions are projected assuming that each participating employer in each insurance plan contributes the actuarially determined employer contribution each future year calculated in accordance with the current funding policy, as most recently revised by House Bill 8, passed during the 2021 legislative session. The assumed future employer contributions reflect the provisions of House Bill 362 (passed during the 2018 legislative session) which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30 2028, for the CERS plans.

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 (4.20% for non-hazardous) or 1-percentage-point higher (6.20% for non-hazardous) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Non-Hazardous \$	9,240,686	\$ 6,730,325	\$ 4,670,158

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Non-Hazardous \$	4,845,034	\$ 6,730,325	\$ 9,005,901

Changes of assumptions: There were no changes in actuarial assumptions for the June 30, 2021 valuation date.

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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	<u>218,338</u>	<u>-</u>
Total	<u>\$ 3,597,789</u>	<u>\$ 1,472,539</u>

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:

<u>Years Ending December 31,</u>	
2021	\$ 495,356
2022	576,020
2023	421,400
2024	420,964
2025	<u>(6,828)</u>
Total	<u>\$ 1,906,912</u>

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-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

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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	<u>100.00 %</u>	

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 and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance Plan investments was applied to all period of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy 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:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
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:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
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.

Other Information about the OPEB Plan

Payable to the OPEB Plan: At December 31, 2021 and 2020, the District reported a payable of \$51,208 and \$41,400 for the outstanding amount of contributions to the OPEB plan required for the years ended December 31, 2021 and 2020, respectively.

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

NOTE 11 – OPERATING LEASES

Commitments

The District is obligated under certain non-cancelable leases for equipment and land. The leases expire at various dates through June 2033. Lease expense for the years ended December 31, 2021 and 2020 were \$16,791 and \$16,041, respectively.

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

<u>Years Ending December 31,</u>	
2022	\$ 16,791
2023	16,791
2024	6,577
2025	750
2026	750
Thereafter	<u>4,875</u>
	<u>\$ 46,534</u>

Receivable

The District has various transmission system license agreements with communication companies for use of the District’s towers. Each lease agreement has an initial term of five years, with various five-year renewal options at the end of the lease that are reasonably certain to be exercised. The terms of the renewals expire at various dates through February 2046. Lease revenue from these leases for the years ended December 31, 2021 and 2020 were \$291,508 and \$264,008, respectively.

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

<u>Years Ending December 31,</u>	
2022	\$ 296,443
2023	281,430
2024	259,188
2025	261,688
2026	264,438
Thereafter	<u>5,100,857</u>
	<u>\$ 6,464,044</u>

NOTE 12 – ECONOMIC DEPENDENCY

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

NOTE 13 – RISKS AND UNCERTAINTIES – COVID-19 OUTBREAK

In 2020, 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 have 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 – PRIOR PERIOD ADJUSTMENT

The District is restating its beginning net position to correct unbilled customer’s accounts receivables that were understated in a prior year. This change has resulted in a restatement of net position as follows:

Net Position January 1, 2020	\$ 210,590,259
Correction of Unbilled Customers	
Accounts Receivable	<u>1,640,000</u>
Net Position January 1, 2020, As Restated	<u>\$ 212,230,259</u>
Net Position January 1, 2021	\$ 223,957,521
Correction of Unbilled Customers	
Accounts Receivable	<u>1,640,000</u>
Net Position January 1, 2021, As Restated	<u>\$ 225,597,521</u>

REQUIRED SUPPLEMENTARY INFORMATION

**NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2021**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's Proportion of the Net Pension Liability - Non-Hazardous	0.351637%	0.339709%	0.330854%	0.312275%	0.320590%	0.335200%	0.344120%	0.333600%
Total District's Proportionate Share of the Net Pension Liability	\$ <u>22,419,617</u>	<u>26,055,399</u>	\$ <u>23,269,110</u>	<u>19,018,499</u>	\$ <u>18,765,118</u>	\$ <u>16,504,154</u>	\$ <u>14,819,690</u>	\$ <u>11,002,199</u>
District's Covered Payroll	\$ <u>8,930,918</u>	<u>8,757,359</u>	\$ <u>8,040,890</u>	<u>7,779,594</u>	\$ <u>7,880,340</u>	\$ <u>7,925,067</u>	\$ <u>7,972,340</u>	\$ <u>7,931,952</u>
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	251.03%	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	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

* Only eight 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, 2021**

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

Non-Hazardous	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 1,875,015	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	<u>(1,875,015)</u>	<u>(1,723,667)</u>	<u>(1,557,127)</u>	<u>(1,230,042)</u>	<u>(1,099,103)</u>	<u>(1,045,628)</u>	<u>(1,429,517)</u>	<u>(1,483,609)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 9,357,873	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	20.04%	19.30%	17.78%	15.30%	14.21%	13.19%	17.93%	18.70%

* Only eight 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, 2021**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's Proportion of the Net OPEB Liability - Non-Hazardous	0.351554%	0.339610%	0.330768%	0.312275%	0.320590%	0.335200%
Total District's Proportionate Share of the Net OPEB Liability	\$ <u>6,730,325</u>	<u>8,200,549</u>	\$ <u>5,563,369</u>	\$ <u>5,544,345</u>	\$ <u>6,444,956</u>	\$ <u>5,055,231</u>
District's Covered Payroll	\$ <u>8,930,918</u>	<u>8,757,359</u>	\$ <u>8,040,890</u>	\$ <u>7,779,594</u>	\$ <u>7,880,340</u>	\$ <u>7,925,067</u>
District's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll	75.36%	93.64%	69.19%	71.27%	81.79%	63.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability - Non-Hazardous	62.91%	51.67%	60.44%	57.62%	52.39%	55.24%

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

**NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
DECEMBER 31, 2021**

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

<u>Non-Hazardous</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually Required Contribution	\$ 489,371	425,112	\$ 438,448	\$ 399,058	\$ 364,575	\$ 371,330
Contributions in Relation to the Contractually Required Contribution	<u>(489,371)</u>	<u>(425,112)</u>	<u>(438,448)</u>	<u>(399,058)</u>	<u>(364,575)</u>	<u>(371,330)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 9,357,873	8,930,918	\$ 8,757,359	\$ 8,040,890	\$ 7,732,260	\$ 7,925,067
Contributions as a Percentage of Covered Payroll	5.23%	4.76%	5.01%	4.96%	4.71%	4.69%

* Only six 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, 2021**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues			
Water Sales	\$ 56,158,218	\$ 58,983,695	\$ 2,825,477
Forfeited Discounts	527,000	442,082	(84,918)
Rents From Property	380,300	383,269	2,969
Other Water Revenues	232,240	266,276	34,036
Total Operating Revenues	57,297,758	60,075,322	2,777,564
Operating Expenses			
Operation and Maintenance Expense	32,153,526	29,965,655	2,187,871
Depreciation Expense	12,060,000	12,436,919	(376,919)
Total Operating Expenses	44,213,526	42,402,574	1,810,952
Net Operating Income	13,084,232	17,672,748	4,588,516
Non-Operating Income (Expense)			
Investment Income	384,000	481,326	97,326
Miscellaneous Non-Operating Income	114,500	347,304	232,804
Loss on Abandonment of Mains	-	(289,089)	(289,089)
Interest on Long-Term Debt and Customer Deposits	(6,551,893)	(5,826,155)	725,738
Amortization of Debt Premiums and Defeasance Costs	-	989,953	989,953
Bond Issuance Costs	-	(181,821)	(181,821)
Pension Expense	-	(1,029,997)	(1,029,997)
Other Post Employment Benefit Expense	-	(267,744)	(267,744)
Arbitrage Rebate	-	53,883	53,883
Gain on Sale of Capital Assets	-	25,977	25,977
Total Non-Operating Expense	(6,053,393)	(5,696,363)	357,030
Change in Net Position Before Capital Contributions	7,030,839	11,976,385	4,945,546
Capital Contributions	-	2,911,181	2,911,181
Change in Net Position	\$ 7,030,839	\$ 14,887,566	\$ 7,856,727

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

	Years Ended December 31,	
	2021	2020
Operating Revenues		
Metered Sales		
Sales to Residential Customers	\$ 36,916,772	\$ 37,580,425
Sales to Commercial Customers	7,749,227	7,564,583
Sales to Industrial Customers	4,034,073	4,697,395
Sales to Public Authorities	2,243,348	2,152,780
Sales to Multiple Family Dwellings	5,907,716	5,830,240
Sales Through Bulk Loading Stations	<u>66,507</u>	<u>72,063</u>
Total Metered Sales	56,917,643	57,897,486
Fire Protection Revenue	43,306	44,657
Sales For Resale	<u>2,022,746</u>	<u>1,825,544</u>
Total Sales of Water	58,983,695	59,767,687
Other Revenue	<u>1,091,627</u>	<u>983,969</u>
Total Operating Revenues	<u>\$ 60,075,322</u>	<u>\$ 60,751,656</u>

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

	Years Ended December 31,	
	<u>2021</u>	<u>2020</u>
Operating and Maintenance Expenses		
Salaries and Wages	\$ 9,688,418	\$ 9,222,495
Employee Pensions and Benefits	5,762,134	5,326,550
Taxes Other Than Income Taxes	811,423	651,852
Purchased Power	2,774,426	2,585,613
Chemicals	2,819,594	2,573,311
Materials and Supplies	2,051,607	2,413,632
Contractual Services	3,961,276	3,998,476
Transportation Expenses	628,479	506,318
Insurance	675,350	719,772
Bad Debt Expense	382,985	355,158
Miscellaneous Expense	259,712	209,775
Regulatory Commission Assessment	<u>150,251</u>	<u>143,597</u>
 Total Operating and Maintenance Expenses	 \$ <u>29,965,655</u>	 \$ <u>28,706,549</u>

**NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF INSURANCE COVERAGES
December 31, 2021**

<u>Company</u>	<u>Policy Number</u>	<u>Description of Coverage</u>	<u>Amount of Coverage</u>	<u>Effective Period</u>	
				<u>From</u>	<u>To</u>
Travelers Insurance	ZLP-14T80653	General Liability	\$ 1,000,000	1/1/2021	1/1/2022
Travelers Insurance	ZUP14T80665	Umbrella	\$ 19,000,000	1/1/2021	1/1/2022
Travelers Insurance	ZLP14T8065319	Public Officials	\$ 1,000,000	1/1/2021	1/1/2022
Travelers Insurance	H-810-6R989070	Business Auto	\$ 1,000,000	1/1/2021	1/1/2022
Travelers Insurance	H-630-6R989070	Property-Including Equipment	\$ 311,807,442	1/1/2021	1/1/2022
Travelers Insurance	H-630-6R989070	Employee Dishonesty	\$ 500,000	1/1/2021	1/1/2022
Travelers Insurance	H21NGP205822-00	Cyber Liability	\$ 2,000,000	1/1/2021	1/1/2022
Kentucky Employers Mutual Insurance	WC 338786	Worker's Compensation	\$ 1,000,000	7/1/2020	7/1/2021
Kentucky Employers Mutual Insurance	WC 338786	Worker's Compensation	\$ 1,000,000	7/1/2021	7/1/2022
Cincinnati Insurance	8877070	Fidelity Bond	Per Application	1/1/2021	12/31/2021
Great American Insurance	PEL1093742-02	Pollution Liability	\$ 15,000,000	1/1/2019	1/1/2022

**NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF RATES, RULES AND REGULATIONS
DECEMBER 31, 2021**

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	\$	12.07
Sub District C shall be assessed a monthly surcharge in the amount of	\$	10.71
Sub District D shall be assessed a monthly surcharge in the amount of	\$	28.96
Sub District E shall be assessed a monthly surcharge in the amount of	\$	29.83
Sub District F shall be assessed a monthly surcharge in the amount of	\$	14.88
Sub District G shall be assessed a monthly surcharge in the amount of	\$	19.85
Sub District H shall be assessed a monthly surcharge in the amount of	\$	30.00
Sub District I shall be assessed a monthly surcharge in the amount of	\$	30.00
Sub District K shall be assessed a monthly surcharge in the amount of	\$	6.39
Sub District M shall be assessed a monthly surcharge in the amount of	\$	30.00
Sub District R shall be assessed a monthly surcharge in the amount of	\$	18.75
Sub District RF shall be assessed a monthly surcharge in the amount of	\$	21.61
Sub District RL shall be assessed a monthly surcharge in the amount of	\$	15.60

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

<u>Meter Size</u>	<u>Monthly</u>	<u>Quarterly</u>
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

**NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE OF RATES, RULES AND REGULATIONS
DECEMBER 31, 2021
(CONTINUED)**

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

Service Area Non-Recurring Charges

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, 2021**

<u>COMMISSIONERS</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Joseph J. Koester	Chair	July 31, 2024
Fred A. Macke, Jr.	Vice-Chair	August 26, 2024
Douglas C Wagner, CDT	Treasurer	August 26, 2025
Jody R. Lange, CPA, CGMA	Secretary	August 28, 2023
Clyde Cunningham		August 28, 2023
Nicholas E. Winnike		August 28, 2025

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

REQUIRED REGULATORY INFORMATION

**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, 2021 and the related notes to the financial statements, which collectively comprise the Northern Kentucky Water District's basic financial statements, and have issued our report thereon dated June 30, 2022.

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 or significant deficiencies 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*.



Purpose of this Report

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

VonLehman & Company Inc.

Fort Wright, Kentucky
June 30, 2022

**NORTHERN KENTUCKY WATER DISTRICT
REVENUE BONDS, SERIES 2023A**

APPENDIX D

SUMMARY OF THE GENERAL BOND RESOLUTION

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 2023A BONDS – Security for the Series 2023A Bonds” and should be read in conjunction therewith. See “INTRODUCTION – Additional Information” 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 Registrar and Paying Agent. 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 Registrar and Paying Agent.

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 of and premium, if any, 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 Costs 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 Costs 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 Costs 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 Costs of Issuance Account and the Construction and Acquisition constitute all the accounts within the Bond Proceeds Fund.

Moneys in the Costs of Issuance Account and the Construction and Acquisition Account shall be applied by the appropriate depository, upon the 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, 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 before 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 all 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 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 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 of and 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, or such shorter period as is set forth in the Series Resolution for a particular series of Bonds, 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 Series 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 distribution 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, and (iii) the net annual income and revenues of the District for a period of twelve consecutive months of the fifteen months immediately before 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 Kentucky Public Service Commission 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 Registrar and Paying Agent 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 Registrar and Paying Agent in respect of the Bonds to be refunded to give due notice provided for in the Resolution to the holders of the 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 of and premium, if any, 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 the 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 Redemption 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 holders 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 before 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 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 the 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, including any amendments thereto, in the office of the Secretary of the District. Copies of same shall be furnished to any holder of the Bonds 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 and 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. See “CONTINUING DISCLOSURE” in the forepart of this Official Statement regarding challenges faced by the District satisfying this historical requirement and the extended reporting deadline required by the District’s continuing disclosure obligations.

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 Section 74.367 of the Kentucky Revised Statutes 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”:

- (i) default by the District in the payment of any principal installment or premium, if any, on any Bond when due;
- (ii) default by the District in the payment of any installment of interest on the Bonds when due;
- (iii) 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 5% 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 25% 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 holders by such of the following remedies as such holders, 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 holders, 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 holders 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 25% 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 holders.

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 or 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
REVENUE BONDS, SERIES 2023A**

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 Series 2023A Bonds. The Series 2023A 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 Series 2023A 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 Series 2023A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2023A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2023A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2023A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2023A Bonds, except in the event that use of the book-entry system for the Series 2023A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2023A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2023A 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 Series 2023A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2023A Bonds are credited, which may or may not be the Beneficial Owners of such Series 2023A Bonds. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2023A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2023A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2023A Bond documents. For example, Beneficial Owners of Series 2023A Bonds may wish to ascertain that the nominee holding the Series 2023A 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 Series 2023A 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 Series 2023A 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 Series 2023A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2023A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent for the Series 2023A Bonds, on the 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, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2023A Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, if a successor depository is not obtained, bond certificates are required to be printed and delivered.

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

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

**NORTHERN KENTUCKY WATER DISTRICT
REVENUE BONDS, SERIES 2023A**

APPENDIX F

FORM OF BOND COUNSEL OPINION

The form of the legal approving opinion of Dinsmore & Shohl LLP, Bond Counsel, is set forth below. The actual opinion will be delivered on the date of delivery of the Series 2023A 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: \$18,420,000* Northern Kentucky Water District Revenue Bonds, Series 2023A, dated January 26, 2023

Ladies and Gentlemen:

We have acted as bond counsel in connection with the authorization, sale, and issuance by the 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 \$18,420,000* principal amount of its Revenue Bonds, Series 2023A (the "Series 2023A Bonds").

The Series 2023A 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 Board of Commissioners of the District on November 19, 1985, as amended by the District on November 17, 1987 (collectively, the "Resolution"), and a certain Series 2023A Bond Resolution adopted by the Board of Commissioners of the District on February 18, 2021 (the "Series 2023A Bond Resolution"). Pursuant to the Resolution and the Series 2023A Bond Resolution, the District has authorized the issuance of the Series 2023A Bonds for the purpose, together with other available funds of the District, of (i) refunding and retiring the District's outstanding Revenue Bond Anticipation Notes, Series 2021A dated March 18, 2021 (the "Prior Notes"), which were issued to finance, on an interim basis, (a) the costs of various additions and improvements to the District's public water system, (b) the costs of issuance of the Prior Notes; and (c) capitalized interest on the Prior Notes, (ii) funding a debt service reserve fund; and (iii) paying the costs of issuance of the Series 2023A 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 2023A Bonds, including a specimen Series 2023A Bond, and other relevant matters. We have also made such investigation as we have deemed necessary for the purposes of such opinions, and have relied upon certificates of officials of the District as to certain factual matters. Based upon the foregoing, we advise you that, in our opinion, under existing law:

1. The Series 2023A Bonds have been duly authorized, executed, and issued by the District in accordance with the Constitution and statutes of the Commonwealth of Kentucky, including the Act, and the Resolution and the Series 2023A 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 2023A Bonds; (ii) any Investment Obligations, as defined in the Resolution, purchased with the proceeds of the Series 2023A Bonds; and (iii) subject to the priority lien granted to the holders of the District's outstanding Revenue Bonds, including the Series 2023A Bonds, and any obligations issued on a parity therewith in accordance with the terms of the Resolution, the revenues from the operation of the facilities of the District, to the payment of the principal of and premium, if any, and interest on the Series 2023A Bonds as and when the same shall become due and payable.

* Preliminary, subject to change.

2. Neither the full faith and credit nor the taxing power of the District, the Commonwealth of Kentucky, or any political subdivision thereof is pledged to the payment of the principal of or premium, if any, or interest on the Series 2023A Bonds.

3. The interest on the Series 2023A Bonds is not subject to income taxation by the Commonwealth of Kentucky, and the Series 2023A 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 2023A 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 2023A Bonds will not be treated as a specific item of tax preference, under Section 57(a)(5) of the Code, in computing the federal alternative minimum tax. However, it should be noted that for applicable corporations, as defined in Section 59(k) of the Code (generally, corporations with more than \$1,000,000,000 in average annual adjusted financial statement income over a period of three tax years), the interest on the Series 2023A Bonds will be taken into account (a) in determining average annual adjusted financial statement income for the purpose of determining whether a corporation is an applicable corporation and (b) in determining adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on corporations under Section 55 of the Code for tax years beginning after December 31, 2022. 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 2023A Bonds.

5. The Series 2023A Bonds are not "qualified tax-exempt obligations" with respect to investments by certain financial institutions under Section 265 of the Code.

In giving this opinion, we have relied upon covenants and certifications of facts, estimates, and expectations made by officials of the District and others contained in the transcript, which we have not independently verified. It is to be understood that the enforceability of the Resolution, the Series 2023A Bonds, and all 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 2023A 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
REVENUE BONDS, SERIES 2023A**

APPENDIX G

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$18,420,000*

NORTHERN KENTUCKY WATER DISTRICT REVENUE BONDS, SERIES 2023A

SALE: January 5, 2023 @ 1:00 p.m., Eastern Time

The Board of Commissioners of Northern Kentucky Water District (the "District") will until 1:00 p.m., Eastern Time, on January 5, 2023, at the offices of the District, 2835 Crescent Springs Road, Erlanger, Kentucky 41018, receive sealed, competitive bids for the Series 2023A Bonds herein described. To be considered, a proposal for the purchase of the Series 2023A 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 \$18,420,000* of its Revenue Bonds, Series 2023A, the proceeds of which will be used, along with other available funds of the District, (i) to refund the District's outstanding Revenue Bond Anticipation Notes, Series 2021A dated March 18, 2021 (the "Prior Notes"), which were issued to finance (a) the costs of various additions and improvements to the District's public water system (the "Public Water System"); (b) the costs of issuance of the Prior Notes; and (c) capitalized interest on the Prior Notes; (ii) to fund a debt service reserve; and (iii) to pay the costs of issuance for the Series 2023A Bonds.

The District is the lawful successor to the Campbell County, Kentucky Water District and the Kenton County Water District No. 1. All Outstanding Bonds of the District are issued and secured pursuant to a 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 by the Board of Commissioners of the District on November 17, 1987 (collectively, the "Resolution").

The Series 2023A 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 Public Water 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 2023A Bonds," herein for a more complete description as to the sources of payment and security for the Series 2023A Bonds.

The Series 2023A Bonds, when, as, and if issued, will not constitute general obligations of or be an indebtedness of the District, the Commonwealth of Kentucky, or any of its political subdivisions, within the meaning of the Constitution of the Commonwealth of Kentucky, and neither the full faith and credit nor the taxing power of the District, the Commonwealth of Kentucky, or any of its political subdivisions will be pledged to the payment of the Series 2023A Bonds.

FORM OF BONDS, MATURITY, PRIOR REDEMPTION PROVISIONS

Reference is made to the Preliminary Official Statement for information regarding the form of the Series 2023A Bonds and the interest rates, dated date, delivery date, maturity, and redemption provisions relating to the Series 2023A 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, 147 East Third Street, Lexington, Kentucky 40508 (the "Financial Advisor"). Complete Bid Forms may be sent via facsimile to the District at (859) 442-0665. Neither the District nor the Financial Advisor

* Preliminary, subject to change.

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.

The minimum bid shall be not less than \$18,051,600 (98% of par) and not more than \$20,262,000 (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 Series 2023A Bonds if desired. Interest rates for the Series 2023A Bond shall not exceed the maximum rate of 5.00%.

(B) The determination of the best purchase bid for said Series 2023A Bonds shall be made on the basis of all bids submitted for exactly \$18,420,000* principal amount of Series 2023A 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 2023A Bonds sold to such bidder upward by an amount not to exceed \$1,840,000, 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 2023A Bonds 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 Series 2023A Bonds submitted by the bidder and the price at which the Series 2023A Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Series 2023A Bonds.

(C) If three or more bids for the Series 2023A 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 Series 2023A Bonds which prices are the prices for each Maturity of the Series 2023A Bonds used by the successful purchaser in formulating its bid to purchase the Series 2023A Bonds.

(D) If less than three bids for the Series 2023A 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 Series 2023A Bonds (i) the first price at which at least 10% of each Maturity of the Series 2023A Bonds was sold to the Public, (ii) the initial offering price to the public as of the Sale Date of any Maturity of the Series 2023A Bonds, and (iii) that they neither offered nor sold any of the Series 2023A 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 2023A Bonds are rejected, the Series 2023A 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 2023A 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 2023A Bonds (compounded semiannually from the date of the Series 2023A Bonds), produces an amount equal to the purchase price of the Series 2023A 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 2023A Bonds. If two or more bidders offer to purchase the Series 2023A 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 2023A Bonds.

(F) In addition to other forms of bidding, electronic proposals will be received via PARITY®, in the manner described below, until 1:00 p.m., Eastern Time, on January 5, 2023. Bids may be submitted electronically via PARITY® pursuant to this Notice until 1:00 p.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 2023A Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial

* Preliminary, subject to change.

maturities as one or more Term Bonds; provided, however, (i) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (ii) 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 2023A Bonds in accordance with the terms of any accepted proposal for the purchase of said Series 2023A 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 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 to the Paying Agent an amount equal to 2% of the principal amount of the Series 2023A Bonds awarded, 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 2023A Bonds when ready. The good faith amount (without interest) will be applied to the purchase price upon delivery of the Series 2023A Bonds. The successful bidder shall not be required to take up and pay for the Series 2023A 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 2023A 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 2023A 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 2023A 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 2023A 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 2023A Bonds, except in the event that use of the book-entry only system for the Series 2023A Bonds is discontinued.

(L) Payment of all amounts due from the successful bidder shall be at the principal office of the 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 2023A Bonds. Their fee for services rendered with respect to the sale of the Series 2023A 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 2023A Bonds are offered for sale subject to the principal of and interest thereon not being subject to federal or Kentucky income taxation or ad valorem taxation by the Commonwealth of Kentucky 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 expenses incident to the issuance of such bond insurance policy, other than the costs for securing a rating of the Series 2023A Bonds from Moody's Investors Service, Inc.

EXHIBIT A-1

FORM OF ISSUE PRICE CERTIFICATE

[In case of receipt of at least 3 qualified bids for the Series 2023A Bonds]

ISSUE PRICE CERTIFICATE

Dated January 26, 2023

Re: \$[_____] Northern Kentucky Water District Revenue Bonds, Series 2023A

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 before 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% 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 January 5, 2023.

(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 2023A Bonds]

ISSUE PRICE CERTIFICATE

Dated January 26, 2023

Re: \$[_____] Northern Kentucky Water District Revenue Bonds, Series 2023A

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% 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 January 5, 2023.

(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
REVENUE BONDS, SERIES 2023A**

APPENDIX H

OFFICIAL BID FORM

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OFFICIAL BID FORM

\$18,420,000*
NORTHERN KENTUCKY WATER DISTRICT
REVENUE BONDS, SERIES 2023A

Subject to the terms and conditions set forth in the Official Terms and conditions of Bond Sale for \$18,420,000* Northern Kentucky Water District Revenue Bonds, Series 2023A, 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 \$18,420,000* principal amount of Bonds, the total sum of not less than \$18,051,600 (90% of par) and not more than \$20,262,000 (110% of par) at the following annual rates, payable semiannually:

SCHEDULE OF PRINCIPAL AMOUNTS

Maturity	Principal Amount*	Serial Bond Rate	Term Bond Rate	Maturity	Principal Amount*	Serial Bond Rate	Term Bond Rate
February 1, 2024	\$445,000	_____ %	_____ %	February 1, 2037	\$725,000	_____ %	_____ %
February 1, 2025	\$460,000	_____ %	_____ %	February 1, 2038	\$760,000	_____ %	_____ %
February 1, 2026	\$475,000	_____ %	_____ %	February 1, 2039	\$790,000	_____ %	_____ %
February 1, 2027	\$495,000	_____ %	_____ %	February 1, 2040	\$825,000	_____ %	_____ %
February 1, 2028	\$515,000	_____ %	_____ %	February 1, 2041	\$860,000	_____ %	_____ %
February 1, 2029	\$530,000	_____ %	_____ %	February 1, 2042	\$895,000	_____ %	_____ %
February 1, 2030	\$555,000	_____ %	_____ %	February 1, 2043	\$935,000	_____ %	_____ %
February 1, 2031	\$575,000	_____ %	_____ %	February 1, 2044	\$980,000	_____ %	_____ %
February 1, 2032	\$595,000	_____ %	_____ %	February 1, 2045	\$1,020,000	_____ %	_____ %
February 1, 2033	\$620,000	_____ %	_____ %	February 1, 2046	\$1,070,000	_____ %	_____ %
February 1, 2034	\$645,000	_____ %	_____ %	February 1, 2047	\$1,115,000	_____ %	_____ %
February 1, 2035	\$670,000	_____ %	_____ %	February 1, 2048	\$1,165,000	_____ %	_____ %
February 1, 2036	\$700,000	_____ %	_____ %				

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 2.0% 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 **1:00 p.m.** (Eastern Time), on January 5, 2023. Bids may be submitted electronically via PARITY® pursuant to this Notice until **1:00 p.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

* Preliminary, subject to change.

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

Telephone Number

By: _____
Signature

- (a) Total interest cost from delivery (January 26, 2023) 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	Principal Amount*	Maturity	Principal Amount*
February 1, 2024	\$ _____	February 1, 2037	\$ _____
February 1, 2025	\$ _____	February 1, 2038	\$ _____
February 1, 2026	\$ _____	February 1, 2039	\$ _____
February 1, 2027	\$ _____	February 1, 2040	\$ _____
February 1, 2028	\$ _____	February 1, 2041	\$ _____
February 1, 2029	\$ _____	February 1, 2042	\$ _____
February 1, 2030	\$ _____	February 1, 2043	\$ _____
February 1, 2031	\$ _____	February 1, 2044	\$ _____
February 1, 2032	\$ _____	February 1, 2045	\$ _____
February 1, 2033	\$ _____	February 1, 2046	\$ _____
February 1, 2034	\$ _____	February 1, 2047	\$ _____
February 1, 2035	\$ _____	February 1, 2048	\$ _____
February 1, 2036	\$ _____		

Authorized Official
Northern Kentucky Water District

Dated: January 5, 2023