

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE  
COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY )  
WATER DISTRICT FOR APPROVAL OF ) CASE NO. 2012-00113  
RE-FINANCING OF OUTSTANDING BONDS )

**SUPPLEMENTAL INFORMATION TO APPLICATION**

Northern Kentucky Water District (NKWD), by counsel, submits the following supplemental information in support of its application:

1. A full description of all terms of the proposed issuance

The terms of the proposed issuance are included in attachment 1. The actual terms of the refinancing cannot be determined until the bonds are sold. The assumptions made are based on current market conditions and the best estimate of NKWD's financial advisor.

2. The interest rates of the proposed bonds (The application states only a true interest cost and does not indicate if variable interest rates will be involved.)

See attachment 1. The interest rates assumed for the refinancing of each issuance are reflected on page 4.

3. Whether the proposed bonded debt will be secured and, if secured, how it is secured.

The debt will be secured by the District's revenues.

4. The par value of each bond series to be refunded.

See attachment 1, page 1 and the bond transcript for each bond issuance, which are attachments 2, 3, 4 and 5.

5. The amount for which the outstanding obligations sold.

The sale amount for each bond issuance is reflected in attachments 2, 3, 4, and 5.

6. The expenses and application of the proceeds of the proposed issuance.

See attachment 1, page 5.

7. The date of outstanding obligations that will be refunded.

The date cannot be known until approval from the Commission is obtained. The bonds will be sold as soon as practicable after approval - approximately 30 to 60 days.

8. The total principal amount of each refunded obligation.

See attachment 1.

9. The interest rate of each refunded obligation.

See attachment 1, page 4.

10. The length of time that each of the refunded obligations were held.

See attachment 1. The obligations have been held since the issuance date.

11. The payees.

The actual holders of the bonds are unknown to NKWD. The purchasing agents for each bond series is identified in the respective bond transcripts, attachments 2, 3, 4 and 5.

12. The amount of bonds authorized.

The authorized amount of bonds for each issuance is reflected in the respective bond transcripts, attachments 2, 3, 4 and 5.

13. The amount of bonds issued.

See attachments 2, 3, 4 and 5.

14. The utility who issued the bonds.

NKWD issued the bonds.

15. Class of bonds issued.

The bonds are parity revenue bonds.

16. Date of issuance of each bond issuance.

The issuance date for each series bond is stated in the respective bond transcripts, attachments 2, 3, 4 and 5.

17. The date of maturity of each bond issuance.

The maturity date for each bond is stated in the respective bond transcripts, attachments 2, 3, 4 and 5.

18. How each bond issuance is secured.

The bonds are secured with general revenues of NKWD.

19. The date of issuance for each series of outstanding notes.

See attachment 6 for the issuance date of each note.

20. The amount of each series of outstanding notes.

See attachment 6 for the amount of each note.

21. The rate of interest for each series of outstanding notes.

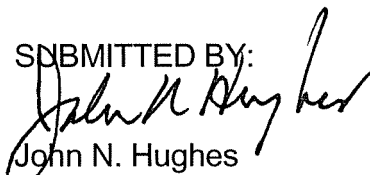
The interest rate is shown on attachment 6.

22. Identity in whose favor the notes were issued.

The note holders are identified in attachment 6.

23. The 2011 Annual Report is incorporated by reference for any additional information related to the outstanding indebtedness related to this refinancing.

SUBMITTED BY:



John N. Hughes  
124 W. Todd St.  
Frankfort, KY 40601

Attorney for Northern  
Kentucky Water District

ATTACHMENT 1

R | S | A  
Ross, Sinclair & Associates, LLC

April 1, 2012

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FINRA  
Member Firm



Northern Kentucky Water District  
Attn: Jack Bragg – VP Finance and Support Services  
2835 Crescent Springs Road  
Erlanger, KY 41018

RE: Rate Case # 2012-00113 proposing to refund the District's Series 1997, 1998, 2001A and 2002A bonds

Dear Jack:

Please accept the following information in support of the above referenced Rate Case. As you are aware, the Northern Kentucky Water District (the "District") approved a resolution authorizing the issuance of approximately \$65,000,000 in General Revenue Bonds to refinance 4 of its outstanding bond issues in order to achieve interest cost savings. The issues in question are as follows:

- \$11,225,000 Northern Kentucky Water Service District Water District Refunding Revenue Bonds, Series 1997, Dated September 1, 1997 (the "1997 Bonds")
- \$11,355,000 Northern Kentucky Water Service District Water District Revenue Bonds, Series 1998, Dated December 1, 1998 (the "1998 Bonds")
- \$16,325,000 Northern Kentucky Water District Revenue Bonds, Series 2001A, Dated October 1, 2001 (the "2001A Bonds")
- \$45,485,000 Northern Kentucky Water District Refunding and Revenue Bonds, Series 2002A, Dated February 1, 2002 (the "2002A Bonds")

The attached Plan of Financing details the proposed issuance of the District's Series 2012 Refunding and Revenue Bonds (the "2012 Bonds") in the approximate par amount of \$64,125,000. The purpose of the bonds will be to retire all outstanding maturities for the Series 1997 Bonds, the Series 1998 Bonds, the Series 2001A Bonds and the Series 2002A Bonds (together the "Prior Bonds"). The Series 2012 Bonds will be on a parity with the District's other Senior debt and the term and debt structure of the Series 2012 bonds will mirror the debt structure of the refunded bonds. We are proposing a "uniform savings" structure whereby the annual debt service savings is allocated uniformly over the life of the issue.

Our plan will be to sell the Series 2012 bonds as a fixed rate bond issue via a competitive bond sale approximately 30-60 days after the issuance of a Public Service Commission ("PSC") order approving the debt issue. As the issue is rate sensitive, it is in

the best of interests of the District to bring the bonds to market as quickly as possible. The par amount of bonds is currently projected to be \$64,125,000 with the actual par amount to be determined once the bids for the bonds are received. As per industry standard, we have allowed a maximum 1% Underwriter's Discount and are estimating \$108,000 in other projected bond costs of issuance. The exact expenses will be determined once the bonds are sold.

Please look this information over and let me know if you have any questions, or need any additional clarification.

Sincerely,

A handwritten signature in black ink, appearing to read "Dwight Salsbury". The signature is written in a cursive style with a large initial "D".

Dwight Salsbury

Enclosure

**Northern Kentucky Water District**  
**Refunding Revenue Bonds, Series 2012 (EST)**  
**Projected After Rate Case 2012-00113**  
**Refunds Series 1997, 1998, 2001A and 2002A Bonds**  
**(Draft Plan of Finance)**

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**Ross, Sinclaire & Associates, LLC**

**Debt Capsule Summary Report**

Bond Series	Original		Amount Outstanding	Interest		Final Maturity	Call Information
	Par Amount	Amount		Rate Range	Rate Range		
1997-REF	\$11,225,000	\$770,000	4.750%	02/01/22	Anytime @ 100%		
1998	\$11,355,000	\$7,795,000	4.750 - 4.875%	02/01/28	Anytime @ 101%		
2000 USDA	\$2,287,000	\$2,021,000	5.000%	05/01/39	N/A		
2001A	\$16,325,000	\$14,360,000	4.300 - 5.000%	02/01/26	Anytime @ 100%		
2002A-REF	\$45,485,000	\$40,425,000	4.500 - 5.000%	02/01/27	Anytime @ 100%		
2002B-REF	\$10,575,000	\$4,200,000	4.000 - 4.250%	02/01/17	Feb 2013 @ 100%		
2003A-REF	\$1,615,000	\$1,280,000	3.700 - 4.600%	02/01/32	Feb 2013 @ 100%		
2003B	\$30,270,000	\$22,150,000	3.125 - 4.125%	02/01/28	Aug 2013 @ 100%		
2003C-REF	\$23,790,000	\$12,250,000	3.250 - 4.250%	02/01/20	Feb 2014 @ 100%		
2004	\$10,455,000	\$8,095,000	3.250 - 4.500%	02/01/29	Aug 2014 @ 100%		
2006	\$29,000,000	\$24,815,000	4.000 - 4.375%	02/01/31	Aug 2016 @ 100%		
2006KIA 06-03	\$4,000,000	\$3,469,800	3.000%	06/01/28	N/A		
2008KIA F08-07	\$4,000,000	\$3,067,770	1.000%	12/01/31	N/A		
2009KIA C08-01	\$6,000,000	\$5,349,559	3.000%	12/01/20	N/A		
2009	\$29,290,000	\$26,280,000	3.750 - 6.150%	02/01/33	Feb 2019 @ 100%		
2010KIA 09-02	\$8,000,000	\$3,478,785	2.000%	12/01/31	N/A		
2011	\$30,830,000	\$30,005,000	3.000 - 5.000%	02/01/35	Feb 2021 @ 100%		
2011 BANS	\$25,615,000	\$25,615,000	2.000%	09/01/13	Sep 2012 @ 100%		
Totals:	\$300,117,000	\$235,426,914	---	---	---		

Note: USDA and KIA debt and BANS are subordinate.

2008 KIA F08-07 and 2010KIA 09-02 loans are estimated. Final schedules will be determined upon completion of the projects.



**Northern Kentucky Water District**  
**Refunding Revenue Bonds, Series 2012 (EST)**  
**(Summary of Current Outstanding Debt Service for Series 1997, 1998, 2001A and 2002A)**

**(A) Current Bond Payments**

Calendar Year	---Series 1997 Bonds---		---Series 1998 Bonds---		---Series 2001A Bonds---		---Series 2002A Bonds---		Total Combined Payment
	Principal Portion	Interest Portion	Principal Portion	Interest Portion	Principal Portion	Interest Portion	Principal Portion	Interest Portion	
Closing									
2012	\$0	\$18,288	\$0	\$189,831	\$0	\$345,193	\$0	\$994,108	\$1,547,418
2013	\$60,000	\$35,150	\$340,000	\$371,501	\$735,000	\$674,583	\$950,000	\$1,966,840	\$5,133,074
2014	\$65,000	\$32,181	\$360,000	\$354,611	\$770,000	\$641,840	\$990,000	\$1,923,190	\$5,136,823
2015	\$70,000	\$28,975	\$375,000	\$336,741	\$810,000	\$606,675	\$1,035,000	\$1,876,851	\$5,139,242
2016	\$70,000	\$25,650	\$395,000	\$317,972	\$845,000	\$569,438	\$1,100,000	\$1,826,663	\$5,149,722
2017	\$75,000	\$22,206	\$415,000	\$298,228	\$890,000	\$529,288	\$1,625,000	\$1,761,944	\$5,616,666
2018	\$80,000	\$18,525	\$435,000	\$277,509	\$930,000	\$486,063	\$2,520,000	\$1,663,500	\$6,410,597
2019	\$80,000	\$14,725	\$455,000	\$255,816	\$980,000	\$440,700	\$2,640,000	\$1,540,950	\$6,407,191
2020	\$85,000	\$10,806	\$480,000	\$233,025	\$1,030,000	\$392,963	\$3,080,000	\$1,401,250	\$6,713,044
2021	\$90,000	\$6,650	\$505,000	\$209,016	\$1,080,000	\$341,500	\$3,240,000	\$1,243,250	\$6,715,416
2022	\$95,000	\$2,256	\$530,000	\$183,788	\$1,135,000	\$286,125	\$3,405,000	\$1,077,125	\$6,714,294
2023			\$555,000	\$157,341	\$1,190,000	\$228,000	\$3,580,000	\$902,500	\$6,612,841
2024			\$585,000	\$129,553	\$1,255,000	\$166,875	\$3,765,000	\$718,875	\$6,620,303
2025			\$610,000	\$100,425	\$1,320,000	\$102,500	\$3,960,000	\$525,750	\$6,618,675
2026			\$645,000	\$69,834	\$1,390,000	\$34,750	\$4,160,000	\$322,750	\$6,622,334
2027			\$675,000	\$37,659			\$4,375,000	\$109,375	\$5,197,034
2028			\$435,000	\$10,603					\$445,603
<b>Totals:</b>	<b>\$770,000</b>	<b>\$215,413</b>	<b>\$7,795,000</b>	<b>\$3,533,453</b>	<b>\$14,360,000</b>	<b>\$5,846,490</b>	<b>\$40,425,000</b>	<b>\$19,854,920</b>	<b>\$92,800,275</b>

**Northern Kentucky Water District  
Refunding Revenue Bonds, Series 2012 (EST)  
(DRAFT Savings Summary)**

Calendar Year	(A) Refunded Bond Payments					(B) Estimated New Bond Payments			(C) Savings
	Series 1997	Series 1998	Series 2001A	Series 2002A	Series 2002A	Principal Portion	Interest Portion	Payment Totals	Annual Savings
2012	\$18,288	\$189,831	\$345,193	\$994,108	\$1,547,418	\$0	\$560,792	\$560,792	\$986,626
2013	\$95,150	\$711,501	\$1,409,583	\$2,916,840	\$5,133,074	\$2,645,000	\$1,649,313	\$4,294,313	\$838,761
2014	\$97,181	\$714,611	\$1,411,840	\$2,913,190	\$5,136,823	\$2,705,000	\$1,582,438	\$4,287,438	\$849,385
2015	\$98,975	\$711,741	\$1,416,675	\$2,911,851	\$5,139,242	\$2,785,000	\$1,513,813	\$4,298,813	\$840,429
2016	\$95,650	\$712,972	\$1,414,438	\$2,926,663	\$5,149,722	\$2,870,000	\$1,443,125	\$4,313,125	\$836,597
2017	\$97,206	\$713,228	\$1,419,288	\$3,386,944	\$5,616,666	\$3,410,000	\$1,364,625	\$4,774,625	\$842,041
2018	\$98,525	\$712,509	\$1,416,063	\$4,183,500	\$6,410,597	\$4,300,000	\$1,268,250	\$5,568,250	\$842,347
2019	\$94,725	\$710,816	\$1,420,700	\$4,180,950	\$6,407,191	\$4,405,000	\$1,159,438	\$5,564,438	\$842,753
2020	\$95,806	\$713,025	\$1,422,963	\$4,481,250	\$6,713,044	\$4,830,000	\$1,044,000	\$5,874,000	\$839,044
2021	\$96,650	\$714,016	\$1,421,500	\$4,483,250	\$6,715,416	\$4,955,000	\$921,688	\$5,876,688	\$838,728
2022	\$97,256	\$713,788	\$1,421,125	\$4,482,125	\$6,714,294	\$5,075,000	\$796,313	\$5,871,313	\$842,981
2023		\$712,341	\$1,418,000	\$4,482,500	\$6,612,841	\$5,115,000	\$668,938	\$5,783,938	\$828,903
2024		\$714,553	\$1,421,875	\$4,483,875	\$6,620,303	\$5,250,000	\$539,375	\$5,789,375	\$830,928
2025		\$710,425	\$1,422,500	\$4,485,750	\$6,618,675	\$5,395,000	\$392,825	\$5,787,825	\$830,850
2026		\$714,834	\$1,424,750	\$4,482,750	\$6,622,334	\$5,560,000	\$228,500	\$5,788,500	\$833,834
2027		\$712,659		\$4,484,375	\$5,197,034	\$4,475,000	\$77,975	\$4,552,975	\$644,059
2028		\$445,603			\$445,603	\$350,000	\$5,425	\$355,425	\$90,178
<b>Totals:</b>	\$985,413	\$11,328,453	\$20,206,490	\$60,279,920	\$92,800,275	\$64,125,000	\$15,216,829	\$79,341,829	\$13,458,446

**Northern Kentucky Water District**  
**Refunding Revenue Bonds, Series 2012 (EST)**  
**(Assume: Aa3 Rated, Level Savings)**

**SAVINGS ANALYSIS**

	<u>Combined Series</u>	<u>Series 1997</u>	<u>Series 1998</u>	<u>Series 2001A</u>	<u>Series 2002A</u>
<b>Interest Rate Analysis</b>					
Current Average Coupon:	4.94%	4.75%	4.96%	5.01%	5.05%
Series 2012 TIC (Projected)	<u>2.71%</u>	<u>2.16%</u>	<u>2.73%</u>	<u>2.59%</u>	<u>2.75%</u>
Interest Rate Reduction	2.23%	2.59%	2.23%	2.42%	2.30%
<b>Savings Summary</b>					
Gross Savings	\$13,458,446	\$108,620	\$1,554,448	\$2,786,578	\$9,008,799
NPV Savings	\$11,194,147	\$99,046	\$1,266,939	\$2,345,717	\$7,474,302
NPV % Savings	17.67%	12.86%	16.25%	16.34%	18.49%
Savings to Cost Coverage	16.94X	12.07X	16.82X	16.50X	18.81X
<b>Sensitivity Analysis + 25bp, Issue 4/1/12</b>					
Gross Savings	\$11,659,332	\$98,644	\$1,341,028	\$2,446,938	\$7,772,721
NPV Savings	\$9,691,523	\$89,950	\$1,092,993	\$2,059,811	\$6,448,769
NPV % Savings	14.77%	11.68%	14.02%	14.34%	15.95%
<b>Sensitivity Analysis - 25bp, Issue 4/1/12</b>					
Gross Savings	\$15,042,587	\$122,631	\$1,753,689	\$3,123,130	\$10,043,137
NPV Savings	\$12,502,631	\$111,822	\$1,429,329	\$2,629,023	\$8,332,457
NPV % Savings	19.09%	14.52%	18.34%	18.31%	20.61%

**Northern Kentucky Water Service District**  
 Refunding Revenue Bonds, Series 2012 (EST)  
 Refunds Series 1997, 1998, 2001A and 2002A Bonds  
 Rate Case 2012-00113

**Sources & Uses**

Dated 04/01/2012 | Delivered 04/01/2012

<b>Sources Of Funds</b>	
Par Amount of Bonds	\$64,125,000.00
Reoffering Premium	526,719.75
<b>Total Sources</b>	<b>\$64,651,719.75</b>
<b>Uses Of Funds</b>	
Total Underwriter's Discount (1.000%)	641,250.00
Costs of Issuance	108,000.00
Deposit to Current Refunding Fund	63,900,207.41
Rounding Amount	2,262.34
<b>Total Uses</b>	<b>\$64,651,719.75</b>

**Northern Kentucky Water Service District**  
 Refunding Revenue Bonds, Series 2012 (EST)  
 Refunds Series 1997, 1998, 2001A and 2002A Bonds  
 Rate Case 2012-00113

**Pricing Summary**

Part 1 of 2

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
02/01/2013	Serial Coupon	2.500%	0.700%	2,645,000.00	101.492%	2,684,463.40
02/01/2014	Serial Coupon	2.500%	0.950%	2,705,000.00	102.809%	2,780,983.45
02/01/2015	Serial Coupon	2.500%	1.150%	2,785,000.00	103.751%	2,889,465.35
02/01/2016	Serial Coupon	2.500%	1.300%	2,870,000.00	104.472%	2,998,346.40
02/01/2017	Serial Coupon	2.500%	1.450%	3,410,000.00	104.883%	3,576,510.30
02/01/2018	Serial Coupon	2.500%	1.700%	4,300,000.00	104.423%	4,490,189.00
02/01/2019	Serial Coupon	2.500%	1.950%	4,405,000.00	103.501%	4,559,219.05
02/01/2020	Serial Coupon	2.500%	2.200%	4,830,000.00	102.146%	4,933,651.80
02/01/2021	Serial Coupon	2.500%	2.400%	4,955,000.00	100.790%	4,994,144.50
02/01/2022	Serial Coupon	2.500%	2.550%	5,075,000.00	99.565%	5,052,923.75
02/01/2023	Serial Coupon	2.500%	2.750%	5,115,000.00	97.669%	4,995,769.35
02/01/2024	Serial Coupon	2.500%	2.800%	5,250,000.00	96.993%	5,092,132.50
02/01/2025	Serial Coupon	3.000%	3.000%	5,395,000.00	100.000%	5,395,000.00
02/01/2026	Serial Coupon	3.000%	3.100%	5,560,000.00	98.879%	5,497,672.40
02/01/2027	Serial Coupon	3.000%	3.200%	4,475,000.00	97.650%	4,369,837.50
02/01/2028	Serial Coupon	3.100%	3.300%	350,000.00	97.546%	341,411.00
<b>Total</b>				<b>\$64,125,000.00</b>		<b>\$64,651,719.75</b>

**Northern Kentucky Water Service District**  
**Refunding Revenue Bonds, Series 2012 (EST)**  
**Refunds Series 1997, 1998, 2001A and 2002A Bonds**  
**Rate Case 2012-00113**

**Pricing Summary**

Part 2 of 2

**Bid Information**

Par Amount of Bonds	\$64,125,000.00
Reoffering Premium or (Discount)	526,719.75
Gross Production	\$64,651,719.75
Total Underwriter's Discount (1.000%)	\$(641,250.00)
Bid (99.821%)	64,010,469.75
Total Purchase Price	\$64,010,469.75
Bond Year Dollars	\$564,837.50
Average Life	8.808 Years
Average Coupon	2.6940189%
Net Interest Cost (NIC)	2.7142956%
True Interest Cost (TIC)	2.7098192%

**Northern Kentucky Water Service District**  
 Refunding Revenue Bonds, Series 2012 (EST)  
 Refunds Series 1997, 1998, 2001A and 2002A Bonds  
 Rate Case 2012-00113

**Net Debt Service Schedule**

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I	Net New D/S
08/01/2012	-	-	560,791.67	560,791.67	560,791.67
02/01/2013	2,645,000.00	2.500%	841,187.50	3,486,187.50	3,486,187.50
08/01/2013	-	-	808,125.00	808,125.00	808,125.00
02/01/2014	2,705,000.00	2.500%	808,125.00	3,513,125.00	3,513,125.00
08/01/2014	-	-	774,312.50	774,312.50	774,312.50
02/01/2015	2,785,000.00	2.500%	774,312.50	3,559,312.50	3,559,312.50
08/01/2015	-	-	739,500.00	739,500.00	739,500.00
02/01/2016	2,870,000.00	2.500%	739,500.00	3,609,500.00	3,609,500.00
08/01/2016	-	-	703,625.00	703,625.00	703,625.00
02/01/2017	3,410,000.00	2.500%	703,625.00	4,113,625.00	4,113,625.00
08/01/2017	-	-	661,000.00	661,000.00	661,000.00
02/01/2018	4,300,000.00	2.500%	661,000.00	4,961,000.00	4,961,000.00
08/01/2018	-	-	607,250.00	607,250.00	607,250.00
02/01/2019	4,405,000.00	2.500%	607,250.00	5,012,250.00	5,012,250.00
08/01/2019	-	-	552,187.50	552,187.50	552,187.50
02/01/2020	4,850,000.00	2.500%	552,187.50	5,382,187.50	5,382,187.50
08/01/2020	-	-	491,812.50	491,812.50	491,812.50
02/01/2021	4,955,000.00	2.500%	491,812.50	5,446,812.50	5,446,812.50
08/01/2021	-	-	429,875.00	429,875.00	429,875.00
02/01/2022	5,075,000.00	2.500%	429,875.00	5,504,875.00	5,504,875.00
08/01/2022	-	-	366,437.50	366,437.50	366,437.50
02/01/2023	5,115,000.00	2.500%	366,437.50	5,481,437.50	5,481,437.50
08/01/2023	-	-	302,500.00	302,500.00	302,500.00
02/01/2024	5,250,000.00	2.500%	302,500.00	5,552,500.00	5,552,500.00
08/01/2024	-	-	236,875.00	236,875.00	236,875.00
02/01/2025	5,395,000.00	3.000%	236,875.00	5,631,875.00	5,631,875.00
08/01/2025	-	-	155,950.00	155,950.00	155,950.00
02/01/2026	5,560,000.00	3.000%	155,950.00	5,715,950.00	5,715,950.00

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**Ross, Sinclaire & Associates**  
 Public Finance

**Northern Kentucky Water Service District**  
 Refunding Revenue Bonds, Series 2012 (EST)  
 Refunds Series 1997, 1998, 2001A and 2002A Bonds  
 Rate Case 2012-00113

**Net Debt Service Schedule**

Part 2 of 2

Date	Principal	Coupon	Interest	Total P+I	Net New D/S
08/01/2026	-	-	72,550.00	72,550.00	72,550.00
02/01/2027	4,475,000.00	3.000%	72,550.00	4,547,550.00	4,547,550.00
08/01/2027	-	-	5,425.00	5,425.00	5,425.00
02/01/2028	350,000.00	3.100%	5,425.00	355,425.00	355,425.00
08/01/2028	-	3.100%	-	-	-
<b>Total</b>	<b>\$64,125,000.00</b>	<b>-</b>	<b>\$15,216,829.17</b>	<b>\$79,341,829.17</b>	<b>\$79,341,829.17</b>



**Northern Kentucky Water Service District**  
 Refunding Revenue Bonds, Series 2012 (EST)  
 Refunds Series 1997, 1998, 2001A and 2002A Bonds  
 Rate Case 2012-00113

**Net Debt Service Schedule**

Date	Principal	Coupon	Interest	Total P+I	Net New D/S
12/31/2012	-	-	560,791.67	560,791.67	560,791.67
12/31/2013	2,645,000.00	2.500%	1,649,312.50	4,294,312.50	4,294,312.50
12/31/2014	2,705,000.00	2.500%	1,582,437.50	4,287,437.50	4,287,437.50
12/31/2015	2,785,000.00	2.500%	1,513,812.50	4,298,812.50	4,298,812.50
12/31/2016	2,870,000.00	2.500%	1,443,125.00	4,313,125.00	4,313,125.00
12/31/2017	3,410,000.00	2.500%	1,364,625.00	4,774,625.00	4,774,625.00
12/31/2018	4,300,000.00	2.500%	1,268,250.00	5,568,250.00	5,568,250.00
12/31/2019	4,405,000.00	2.500%	1,159,437.50	5,564,437.50	5,564,437.50
12/31/2020	4,830,000.00	2.500%	1,044,000.00	5,874,000.00	5,874,000.00
12/31/2021	4,955,000.00	2.500%	921,687.50	5,876,687.50	5,876,687.50
12/31/2022	5,075,000.00	2.500%	796,312.50	5,871,312.50	5,871,312.50
12/31/2023	5,115,000.00	2.500%	668,937.50	5,783,937.50	5,783,937.50
12/31/2024	5,250,000.00	2.500%	539,375.00	5,789,375.00	5,789,375.00
12/31/2025	5,395,000.00	3.000%	392,825.00	5,787,825.00	5,787,825.00
12/31/2026	5,560,000.00	3.000%	228,500.00	5,788,500.00	5,788,500.00
12/31/2027	4,475,000.00	3.000%	77,975.00	4,552,975.00	4,552,975.00
12/31/2028	350,000.00	3.100%	5,425.00	355,425.00	355,425.00
<b>Total</b>	<b>\$64,125,000.00</b>	<b>-</b>	<b>\$15,216,829.17</b>	<b>\$79,341,829.17</b>	<b>\$79,341,829.17</b>

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**Ross, Sinclaire & Associates**  
 Public Finance

**Northern Kentucky Water Service District**

Refunding Revenue Bonds, Series 2012 (EST)

Refunds Series 1997, 1998, 2001A and 2002A Bonds

Rate Case 2012-00113

**Debt Service To Maturity And To Call -- Combined Debt Service**

Part 1 of 2

Date	Refunded Bonds	Interest to Call	D/S To Call	Principal	Interest	Refunded D/S
08/01/2012	63,350,000.00	550,492.40	63,900,492.40	-	1,547,418.13	1,547,418.13
02/01/2013	-	-	-	2,085,000.00	1,547,418.13	3,632,418.13
08/01/2013	-	-	-	-	1,500,655.63	1,500,655.63
02/01/2014	-	-	-	2,185,000.00	1,500,655.63	3,685,655.63
08/01/2014	-	-	-	-	1,451,166.88	1,451,166.88
02/01/2015	-	-	-	2,290,000.00	1,451,166.88	3,741,166.88
08/01/2015	-	-	-	-	1,398,075.00	1,398,075.00
02/01/2016	-	-	-	2,410,000.00	1,398,075.00	3,808,075.00
08/01/2016	-	-	-	-	1,341,646.88	1,341,646.88
02/01/2017	-	-	-	3,005,000.00	1,341,646.88	4,346,646.88
08/01/2017	-	-	-	-	1,270,018.75	1,270,018.75
02/01/2018	-	-	-	3,965,000.00	1,270,018.75	5,235,018.75
08/01/2018	-	-	-	-	1,175,578.13	1,175,578.13
02/01/2019	-	-	-	4,155,000.00	1,175,578.13	5,330,578.13
08/01/2019	-	-	-	-	1,076,612.50	1,076,612.50
02/01/2020	-	-	-	4,675,000.00	1,076,612.50	5,751,612.50
08/01/2020	-	-	-	-	961,431.25	961,431.25
02/01/2021	-	-	-	4,915,000.00	961,431.25	5,876,431.25
08/01/2021	-	-	-	-	838,984.38	838,984.38
02/01/2022	-	-	-	5,165,000.00	838,984.38	6,003,984.38
08/01/2022	-	-	-	-	710,309.38	710,309.38
02/01/2023	-	-	-	5,325,000.00	710,309.38	6,035,309.38
08/01/2023	-	-	-	-	577,531.25	577,531.25
02/01/2024	-	-	-	5,605,000.00	577,531.25	6,182,531.25
08/01/2024	-	-	-	-	437,771.88	437,771.88
02/01/2025	-	-	-	5,890,000.00	437,771.88	6,327,771.88
08/01/2025	-	-	-	-	290,903.13	290,903.13

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**Ross, Sinclaire & Associates**  
Public Finance

**Northern Kentucky Water Service District**

Refunding Revenue Bonds, Series 2012 (EST)

Refunds Series 1997, 1998, 2001A and 2002A Bonds

Rate Case 2012-00113

**Debt Service To Maturity And To Call -- Combined Debt Service**

Part 2 of 2

Date	Refunded Bonds	Interest to Call	D/S To Call	Principal	Interest	Refunded D/S
02/01/2026	-	-	-	6,195,000.00	290,903.13	6,485,903.13
08/01/2026	-	-	-	-	136,431.25	136,431.25
02/01/2027	-	-	-	5,050,000.00	136,431.25	5,186,431.25
08/01/2027	-	-	-	-	10,603.13	10,603.13
02/01/2028	-	-	-	435,000.00	10,603.13	445,603.13
<b>Total</b>	<b>\$63,350,000.00</b>	<b>\$550,492.40</b>	<b>\$63,900,492.40</b>	<b>\$63,350,000.00</b>	<b>\$29,450,275.10</b>	<b>\$92,800,275.10</b>

**Yield Statistics**

Base date for Avg. Life & Avg. Coupon Calculation	4/01/2012
Average Life	9.241 Years
Average Coupon	5.0304801%
Weighted Average Maturity (Par Basis)	9.241 Years

**Refunding Bond Information**

Refunding Dated Date	4/01/2012
Refunding Delivery Date	4/01/2012

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**Ross, Sinclair & Associates**  
Public Finance

**Northern Kentucky Water Service District**  
 Water District Refunding Revenue Bonds  
 Series 1997

**Debt Service To Maturity And To Call**

Part 1 of 2

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
08/01/2012	770,000.00	9,143.75	779,143.75	-	-	18,287.50	18,287.50
02/01/2013	-	-	-	60,000.00	4.750%	18,287.50	78,287.50
08/01/2013	-	-	-	-	-	16,862.50	16,862.50
02/01/2014	-	-	-	65,000.00	4.750%	16,862.50	81,862.50
08/01/2014	-	-	-	-	-	15,318.75	15,318.75
02/01/2015	-	-	-	70,000.00	4.750%	15,318.75	85,318.75
08/01/2015	-	-	-	-	-	13,656.25	13,656.25
02/01/2016	-	-	-	70,000.00	4.750%	13,656.25	83,656.25
08/01/2016	-	-	-	-	-	11,993.75	11,993.75
02/01/2017	-	-	-	75,000.00	4.750%	11,993.75	86,993.75
08/01/2017	-	-	-	-	-	10,212.50	10,212.50
02/01/2018	-	-	-	80,000.00	4.750%	10,212.50	90,212.50
08/01/2018	-	-	-	-	-	8,312.50	8,312.50
02/01/2019	-	-	-	80,000.00	4.750%	8,312.50	88,312.50
08/01/2019	-	-	-	-	-	6,412.50	6,412.50
02/01/2020	-	-	-	85,000.00	4.750%	6,412.50	91,412.50
08/01/2020	-	-	-	-	-	4,393.75	4,393.75
02/01/2021	-	-	-	90,000.00	4.750%	4,393.75	94,393.75
08/01/2021	-	-	-	-	-	2,256.25	2,256.25
02/01/2022	-	-	-	95,000.00	4.750%	2,256.25	97,256.25
<b>Total</b>	<b>\$770,000.00</b>	<b>\$9,143.75</b>	<b>\$779,143.75</b>	<b>\$770,000.00</b>	-	<b>\$215,412.50</b>	<b>\$985,412.50</b>

1997-REF | SINGLE PURPOSE | 4/ 1/2012 | 3:42 PM

**Ross, Sinclair & Associates**  
 Public Finance

**Northern Kentucky Water Service District**  
Water District Refunding Revenue Bonds  
Series 1997

**Debt Service To Maturity And To Call**

Part 2 of 2

**Yield Statistics**

Base date for Avg. Life & Avg. Coupon Calculation	4/01/2012
Average Life	5.723 Years
Average Coupon	4.7500000%
Weighted Average Maturity (Par Basis)	5.723 Years

**Refunding Bond Information**

Refunding Dated Date	4/01/2012
Refunding Delivery Date	4/01/2012

1997-REF | SINGLE PURPOSE | 4/1/2012 | 3:42 PM

**Ross, Sinclaire & Associates**  
Public Finance

Northern Kentucky Water Service District  
 Water District Revenue Bonds  
 Series 1998

Debt Service To Maturity And To Call

Part 1 of 2

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
08/01/2012	7,795,000.00	94,915.31	7.889,915.31	-	-	189,830.63	189,830.63
02/01/2013	-	-	-	340,000.00	4.800%	189,830.63	529,830.63
08/01/2013	-	-	-	-	-	181,670.63	181,670.63
02/01/2014	-	-	-	360,000.00	4.850%	181,670.63	541,670.63
08/01/2014	-	-	-	-	-	172,940.63	172,940.63
02/01/2015	-	-	-	375,000.00	4.875%	172,940.63	547,940.63
08/01/2015	-	-	-	-	-	163,800.00	163,800.00
02/01/2016	-	-	-	395,000.00	4.875%	163,800.00	558,800.00
08/01/2016	-	-	-	-	-	154,171.88	154,171.88
02/01/2017	-	-	-	415,000.00	4.875%	154,171.88	569,171.88
08/01/2017	-	-	-	-	-	144,056.25	144,056.25
02/01/2018	-	-	-	435,000.00	4.875%	144,056.25	579,056.25
08/01/2018	-	-	-	-	-	133,453.13	133,453.13
02/01/2019	-	-	-	455,000.00	4.875%	133,453.13	588,453.13
08/01/2019	-	-	-	-	-	122,362.50	122,362.50
02/01/2020	-	-	-	480,000.00	4.875%	122,362.50	602,362.50
08/01/2020	-	-	-	-	-	110,662.50	110,662.50
02/01/2021	-	-	-	505,000.00	4.875%	110,662.50	615,662.50
08/01/2021	-	-	-	-	-	98,353.13	98,353.13
02/01/2022	-	-	-	530,000.00	4.875%	98,353.13	628,353.13
08/01/2022	-	-	-	-	-	85,434.38	85,434.38
02/01/2023	-	-	-	555,000.00	4.875%	85,434.38	640,434.38
08/01/2023	-	-	-	-	-	71,906.25	71,906.25
02/01/2024	-	-	-	585,000.00	4.875%	71,906.25	656,906.25
08/01/2024	-	-	-	-	-	57,646.88	57,646.88
02/01/2025	-	-	-	610,000.00	4.875%	57,646.88	667,646.88
08/01/2025	-	-	-	-	-	42,778.13	42,778.13

1998 | SINGLE PURPOSE | 4/1/2012 | 3:42 PM

Ross, Sinclaire & Associates  
 Public Finance

Northern Kentucky Water Service District  
 Water District Revenue Bonds  
 Series 1998

**Debt Service To Maturity And To Call**

Part 2 of 2

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
02/01/2026	-	-	-	645,000.00	4.875%	42,778.13	687,778.13
08/01/2026	-	-	-	-	-	27,056.25	27,056.25
02/01/2027	-	-	-	675,000.00	4.875%	27,056.25	702,056.25
08/01/2027	-	-	-	-	-	10,603.13	10,603.13
02/01/2028	-	-	-	435,000.00	4.875%	10,603.13	445,603.13
<b>Total</b>	<b>\$7,795,000.00</b>	<b>\$94,915.31</b>	<b>\$7,889,915.31</b>	<b>\$7,795,000.00</b>	<b>-</b>	<b>\$3,533,452.60</b>	<b>\$11,328,452.60</b>

**Yield Statistics**

Base date for Avg. Life & Avg. Coupon Calculation	4/01/2012
Average Life	9.133 Years
Average Coupon	4.8744699%
Weighted Average Maturity (Par Basis)	9.133 Years

**Refunding Bond Information**

Refunding Dated Date	4/01/2012
Refunding Delivery Date	4/01/2012

1998 | SINGLE PURPOSE | 4/1/2012 | 3:42 PM

Ross, Sinclair & Associates  
 Public Finance

**Northern Kentucky Water Service District**  
 Project Case # 2000-481; Redeem Series 2000 BANs  
 Series 2001A

**Debt Service To Maturity And To Call**

Part 1 of 2

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
08/01/2012	14,360,000.00	115,064.17	14,475,064.17	-	-	345,192.50	345,192.50
02/01/2013	-	-	-	735,000.00	4.300%	345,192.50	1,080,192.50
08/01/2013	-	-	-	-	-	329,390.00	329,390.00
02/01/2014	-	-	-	770,000.00	4.400%	329,390.00	1,099,390.00
08/01/2014	-	-	-	-	-	312,450.00	312,450.00
02/01/2015	-	-	-	810,000.00	4.500%	312,450.00	1,122,450.00
08/01/2015	-	-	-	-	-	294,225.00	294,225.00
02/01/2016	-	-	-	845,000.00	4.500%	294,225.00	1,139,225.00
08/01/2016	-	-	-	-	-	275,212.50	275,212.50
02/01/2017	-	-	-	890,000.00	4.750%	275,212.50	1,165,212.50
08/01/2017	-	-	-	-	-	254,075.00	254,075.00
02/01/2018	-	-	-	930,000.00	4.750%	254,075.00	1,184,075.00
08/01/2018	-	-	-	-	-	231,987.50	231,987.50
02/01/2019	-	-	-	980,000.00	4.750%	231,987.50	1,211,987.50
08/01/2019	-	-	-	-	-	208,712.50	208,712.50
02/01/2020	-	-	-	1,030,000.00	4.750%	208,712.50	1,238,712.50
08/01/2020	-	-	-	-	-	184,250.00	184,250.00
02/01/2021	-	-	-	1,080,000.00	5.000%	184,250.00	1,264,250.00
08/01/2021	-	-	-	-	-	157,250.00	157,250.00
02/01/2022	-	-	-	1,135,000.00	5.000%	157,250.00	1,292,250.00
08/01/2022	-	-	-	-	-	128,875.00	128,875.00
02/01/2023	-	-	-	1,190,000.00	5.000%	128,875.00	1,318,875.00
08/01/2023	-	-	-	-	-	99,125.00	99,125.00
02/01/2024	-	-	-	1,255,000.00	5.000%	99,125.00	1,354,125.00
08/01/2024	-	-	-	-	-	67,750.00	67,750.00

2001A | SINGLE PURPOSE | 4/ 1/2012 | 3:42 PM

**Ross, Sinclaire & Associates**  
 Public Finance



**Northern Kentucky Water Service District**

Project Case # 2000-481; Redeem Series 2000 BANs

Series 2001A

**Debt Service To Maturity And To Call**

Part 2 of 2

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
02/01/2025	-	-	-	1,320,000.00	5.000%	67,750.00	1,387,750.00
08/01/2025	-	-	-	-	-	34,750.00	34,750.00
02/01/2026	-	-	-	1,390,000.00	5.000%	34,750.00	1,424,750.00
<b>Total</b>	<b>\$14,360,000.00</b>	<b>\$115,064.17</b>	<b>\$14,475,064.17</b>	<b>\$14,360,000.00</b>	<b>-</b>	<b>\$5,846,490.00</b>	<b>\$20,206,490.00</b>

**Yield Statistics**

Base date for Avg. Life & Avg. Coupon Calculation	4/01/2012
Average Life	8.124 Years
Average Coupon	4.9128613%
Weighted Average Maturity (Par Basis)	8.124 Years

**Refunding Bond Information**

Refunding Dated Date	4/01/2012
Refunding Delivery Date	4/01/2012

2001A | SINGLE PURPOSE | 4/ 1/2012 | 3:42 PM

**Ross, Sinclaire & Associates**  
Public Finance

**Northern Kentucky Water District**

Refunding and Revenue Bonds

2002 Series A

**Debt Service To Maturity And To Call**

Part 1 of 2

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
08/01/2012	40,425,000.00	331,369.17	40,756,369.17	-	-	994,107.50	994,107.50
02/01/2013	-	-	-	950,000.00	4.500%	994,107.50	1,944,107.50
08/01/2013	-	-	-	-	-	972,732.50	972,732.50
02/01/2014	-	-	-	990,000.00	4.500%	972,732.50	1,962,732.50
08/01/2014	-	-	-	-	-	950,457.50	950,457.50
02/01/2015	-	-	-	1,035,000.00	4.650%	950,457.50	1,985,457.50
08/01/2015	-	-	-	-	-	926,393.75	926,393.75
02/01/2016	-	-	-	1,100,000.00	4.750%	926,393.75	2,026,393.75
08/01/2016	-	-	-	-	-	900,268.75	900,268.75
02/01/2017	-	-	-	1,625,000.00	4.750%	900,268.75	2,525,268.75
08/01/2017	-	-	-	-	-	861,675.00	861,675.00
02/01/2018	-	-	-	2,520,000.00	4.750%	861,675.00	3,381,675.00
08/01/2018	-	-	-	-	-	801,825.00	801,825.00
02/01/2019	-	-	-	2,640,000.00	4.750%	801,825.00	3,441,825.00
08/01/2019	-	-	-	-	-	739,125.00	739,125.00
02/01/2020	-	-	-	3,080,000.00	5.000%	739,125.00	3,819,125.00
08/01/2020	-	-	-	-	-	662,125.00	662,125.00
02/01/2021	-	-	-	3,240,000.00	5.000%	662,125.00	3,902,125.00
08/01/2021	-	-	-	-	-	581,125.00	581,125.00
02/01/2022	-	-	-	3,405,000.00	5.000%	581,125.00	3,986,125.00
08/01/2022	-	-	-	-	-	496,000.00	496,000.00
02/01/2023	-	-	-	3,580,000.00	5.000%	496,000.00	4,076,000.00
08/01/2023	-	-	-	-	-	406,500.00	406,500.00
02/01/2024	-	-	-	3,765,000.00	5.000%	406,500.00	4,171,500.00
08/01/2024	-	-	-	-	-	312,375.00	312,375.00
02/01/2025	-	-	-	3,960,000.00	5.000%	312,375.00	4,272,375.00
08/01/2025	-	-	-	-	-	213,375.00	213,375.00

2002A-REF | SINGLE PURPOSE | 4/1/2012 | 3:42 PM

**Ross, Sinclaire & Associates**  
Public Finance

**Northern Kentucky Water District**  
 Refunding and Revenue Bonds  
 2002 Series A

**Debt Service To Maturity And To Call**

Part 2 of 2

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
02/01/2026	-	-	-	4,160,000.00	5.0000%	213,375.00	4,373,375.00
08/01/2026	-	-	-	-	-	109,375.00	109,375.00
02/01/2027	-	-	-	4,375,000.00	5.0000%	109,375.00	4,484,375.00
<b>Total</b>	<b>\$40,425,000.00</b>	<b>\$331,369.17</b>	<b>\$40,756,369.17</b>	<b>\$40,425,000.00</b>	<b>-</b>	<b>\$19,854,920.00</b>	<b>\$60,279,920.00</b>

**Yield Statistics**

Base date for Avg. Life & Avg. Coupon Calculation	4/01/2012
Average Life	9.726 Years
Average Coupon	4.9655819%
Weighted Average Maturity (Par Basis)	9.726 Years

**Refunding Bond Information**

Refunding Dated Date	4/01/2012
Refunding Delivery Date	4/01/2012

2002A-REF | SINGLE PURPOSE | 4/1/2012 | 3:42 PM

**Ross, Sinclaire & Associates**  
 Public Finance

ATTACHMENT 2

ORDER AND CERTIFICATION OF NORTHERN KENTUCKY WATER SERVICE  
DISTRICT AS TO CONDITIONS PRECEDENT TO AUTHORIZATION  
AND DELIVERY OF SERIES 1997 BONDS AND RELATED MATTERS

The undersigned, PATRICIA J. SOMMERKAMP, Chairperson of the Board of Commissioners and DENNIS R. KEENEY, Treasurer, of Northern Kentucky Water Service District, Kenton and Campbell Counties, Kentucky, DO HEREBY CERTIFY AS FOLLOWS:

1. Except for the words "hereby," "herein," "hereto," "hereinafter" and any similar words, all terms which are defined in Section 102 of the General Bond Resolution of Northern Kentucky Water Service District, Kenton and Campbell Counties, Kentucky (the "District"), adopted on November 19, 1985 by the Board of Commissioners of the Kenton County Water District No. 1 ("Kenton"), as legal predecessor to the District, as amended by the First Supplemental General Bond Resolution adopted by Kenton on November 17, 1987 (collectively, the "General Bond Resolution") shall have the same meanings, respectively, when used in this Order and Certificate as such terms are given in the General Bond Resolution.

2. Pursuant to the General Bond Resolution and the Series 1997 Bond Resolution adopted by the District on September 18, 1997, the District has sold, at public competitive sale \$11,225,000 principal amount of Water District Refunding Revenue Bonds, Series 1997, dated September 1, 1997 (the "Series 1997 Bonds") to William R. Hough & Co. (the "Purchaser") for a purchase price of \$11,056,625.00 together with accrued interest from September 1, 1997, to the date of delivery and payment of the Series 1997 Bonds. The Series 1997 Bonds are more fully described in Schedule X attached hereto.

3. There have now been adopted by and/or received by the District, each as a condition precedent to the issuance of the Series 1997 Bonds, as provided in Section 206 of the General Bond Resolution, the following:

- (i) A certified copy of the General Bond Resolution and a certified copy of the Series 1997 Bond Resolution.
- (ii) The written order of the District as to the delivery of the Series 1997 Bonds, signed by an authorized Officer describing the Series 1997 Bonds to be delivered, designating the purchaser to whom such Series 1997 Bonds are to be delivered and stating the purchase price of the Series 1997 Bonds. This document constitutes such order.
- (iii) The Counsel's Opinion as described in Section 206(3) of the General Bond Resolution.
- (iv) A written order in respect of the deposit of part of the bond proceeds into the Debt Service Reserve, if any deposit is required, so that the amount held in such Fund will be equal to the Aggregate Debt Service Reserve Requirement.
- (v) A Certificate of an Authorized Officer of the District stating that the District is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Bond Resolution. This document constitutes such a Certificate, and it is hereby certified for and on behalf of the District, that the District is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Bond Resolution.
- (vi) All certificates, documents and other matters required by the terms of the General Bond Resolution and the Series 1997 Bond Resolution.

4. Prior to the time of delivery of the Series 1997 Bonds, Kenton had authorized and issued certain series of bonds, being identified as the District's Water District Refunding and Revenue Bonds, Series 1992A, dated September 1, 1992, of which \$31,845,000 are presently outstanding, Water District Refunding and Revenue Bonds, Series 1992B, dated December 1, 1992 of which \$11,015,000 are presently outstanding Water District Revenue Bonds, Series 1993, dated April 1, 1993 of which \$1,945,000 are presently outstanding; Water District Revenue Bonds, Series

1995A dated March 1, 1995; Water District Revenue Bonds, Series 1995B, dated August 1, 1995; and Water District Revenue Bonds, Series 1995C, dated August 29, 1995 (collectively, the "Outstanding Bonds"). Upon the issuance and delivery of the Series 1997 Bonds, the Outstanding Bonds will constitute the only outstanding issues of bonds, which are obligations issued under the General Bond Resolution and are payable from the District's income and revenues, and represent the only bonds, notes, or other evidences of indebtedness of the District outstanding and payable from the proceeds of the District's income and revenues other than the Series 1997 Bonds.

5. The District has received all documents, opinions, certificates and other instruments required under the General Bond Resolution and the Series 1997 Bond Resolution as conditions precedent to the issuance and delivery of the Series 1997 Bonds.

6. It is hereby ordered that, following execution by the District, the Series 1997 Bonds be delivered to William R. Hough & Co. (the "Purchaser"). Upon the date of delivery of the Series 1997 Bonds, there shall be paid to the District the purchase price of \$11,056,625.00 for such Series 1997 Bonds, less the good faith deposit of \$224,500.00 previously received, together with accrued interest from September 1, 1997, to date of delivery and payment of the Series 1997 A Bonds. The District acknowledges that the accrued interest due and payable for the period from September 1, 1997, to the date of this Order and Certification (October 22, 1997) at the applicable interest rates borne by the Series 1997 Bonds is \$75,069.17, for a total amount due and payable on the date hereof from the Purchaser of \$10,907,194.17.

7. It is hereby ordered that the principal proceeds derived from the sale of the Series

1997 A Bonds shall be applied by the District as follows:

- |     |  |                |
|-----|--|----------------|
| (a) | to the Interest Account<br>of the Debt Service Fund  | \$ 75,069.17   |
| (b) | to the Series 1997 Cost of Issuance<br>Account (to be applied to the costs<br>set forth in Exhibit A)    | \$ 122,892.93  |
| (c) | to the Escrow Fund (to defease the<br>Prior Bonds)   | \$9,743,502.93 |
| (d) | to the Series 1997 Note Redemption<br>Fund (to be applied to the retirement<br>of the Series 1997 Notes) | \$1,190,229.14 |

SUBTOTAL \$11,131,694.17

The good faith check in the amount of \$224,500.00 has previously been deposited in the Series 1997 Note Redemption Fund maintained at The Fifth Third Bank. Therefor, the amount of \$965,729.14 should be transferred to such account. Any proceeds remaining in the Series 1997 Cost of Issuance Account after all costs of issuance have been paid shall be immediately transferred to the Interest Account of the Debt Service Fund.

8. In addition to the amount of \$1,190,229.14 Series 1997 Bond Proceeds deposited to the Series 1997 Note Redemption Fund the District will deposit the amount of \$449,970.86 of available funds of the District to such Fund to be applied to retirement of the Series 1997 Notes.



9. It is hereby certified that the signatories to this Order and Certification are both Authorized Officers as defined in Section 102 of the General Bond Resolution.

Dated as of the 22nd day of October, 1997.

Northern Kentucky Water Service District  
Kenton and Campbell Counties, Kentucky

By Patricia J. Sommerkamp  
PATRICIA J. SOMMERKAMP  
Chairperson of the Board of Commissioners

By Dennis R. Keene  
DENNIS R. KEENEY  
Treasurer

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**FINAL OFFICIAL STATEMENT  
DATED SEPTEMBER 30, 1997**

**NEW ISSUE**

**RATING**

**All Maturities - Moody's: "A2"  
1998-2010 and 2012-2022 Maturities - Moody's: "AAA"**

*In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludible from gross income of the holders thereof for purposes of federal income taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, all subject to the qualifications described herein under the heading "Tax Exemption." The Bonds and interest thereon are exempt from income taxation and ad valorem taxation by the Commonwealth of Kentucky and political subdivisions thereof (see "Exemption" herein).*

**\$11,225,000  
NORTHERN KENTUCKY WATER SERVICE DISTRICT  
WATER DISTRICT REFUNDING REVENUE BONDS  
SERIES 1997**

**Dated: September 1, 1997**

**Due: February 1, as shown below**

Interest on the Bonds is payable each February 1 and August 1, beginning February 1, 1998. The Bonds are being issued as fully registered and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof. The Bonds are subject to redemption prior to maturity as described herein.

Upon issuance and delivery, the Bonds will be secured on a parity with certain other Outstanding Bonds of the District (see "Outstanding Bonds" herein) and with any additional Parity Bonds (as hereinafter defined) and by a pledge of and lien on the net revenues of the System (as hereinafter defined) and by a mortgage lien on the Mortgaged Properties as hereinafter described.

<u>Maturing February 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Reoffering Yield</u>	<u>Maturing February 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Reoffering Yield</u>
1998	\$210,000	4.70%	3.80%	2007	\$ 850,000	4.70%	4.70%
1999	580,000	4.70%	4.00%	2008	890,000	4.75%	4.80%
2000	610,000	4.70%	4.05%	2009	930,000	4.75%	4.90%
2001	640,000	4.70%	4.20%	2010	975,000	4.75%	5.00%
2002	670,000	4.70%	4.30%	2011	1,025,000*	4.75%	5.20%
2003	700,000	4.70%	4.35%	2012	60,000	4.75%	5.25%
2004	735,000	4.70%	4.45%	2013	60,000	4.75%	5.30%
2005	770,000	4.70%	4.55%	2014	65,000	4.75%	5.35%
2006	810,000	4.70%	4.60%				

**\$645,000 - 4.75% Term Bond due February 1, 2022 - Priced at 91.257 per \$100 .**

The scheduled payment of principal of and interest on the Bonds maturing on February 1 of the years 1998 through 2010 and 2012 through 2022 inclusive (the "Insured Bonds") when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by FINANCIAL SECURITY ASSURANCE INC.



\* The \$1,025,000 of Bonds maturing February 1, 2011 are not insured by FSA.

The Northern Kentucky Water Service District (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"). The Kenton County Water District No. 1 adopted a certain General Bond Resolution on November 19, 1985 (the "Resolution") and has issued and has outstanding certain bonds that will continue to be outstanding following the sale and delivery of the Bonds. The Bonds are being issued pursuant to the General Bond Resolution in order to refund all the \$1,600,000 Northern Kentucky Water Service District Water Revenue Bond Anticipation Notes, dated April 1, 1997 and to discharge and defease all of the currently outstanding i) Campbell County Kentucky Water District Revenue Refunding Bonds, 1989 Series dated May 1, 1989; ii) Campbell County Kentucky Water District Revenue Bonds, Series 1991 dated December 1, 1991; and, iii) Campbell County Kentucky Water District Revenue Bonds, Series 1992 dated August 1, 1992 (collectively, the "Prior Bonds").

The Bonds are special and limited obligations of the District, a nonprofit, non-stock special District organized under the provisions of the Kentucky Revised Statutes (KRS) Chapter 74, issued at the request of the District, and do not constitute a debt, liability or general obligation of the District within the meaning of the Constitution and laws of the Commonwealth of Kentucky, or a pledge of the faith and credit or the taxing power of the District.

The Bonds are offered when, as, and if issued subject to the approving legal opinion of Peck, Shaffer & Williams, L.L.P., Covington, Kentucky Bond Counsel. The District deems this Official Statement to be final for purposes of the Securities and Exchange Commission Rule 15c2-2(b)(1).

## DEBT SERVICE SCHEDULE

The following schedule sets forth the annual debt service of the current Outstanding Bonds, the principal and interest payments for the Bonds, and the total debt service following the sale and delivery of the Bonds:

Calendar year ending December 31	----- Current Bond Debt -----			--- Refunding & Revenue Bonds ---			Add back KCWD#1	Total P & I
	KCWD#1	CCKWD	Total	Principal	Interest	Total		
1997	\$ 5,838,594	\$ 860,932	\$ 6,699,526				\$ 5,838,594	\$ 5,838,594
1998	5,853,978	1,151,964	7,005,941	\$ 210,000	\$ 480,807	\$ 690,807	5,853,978	6,544,784
1999	5,850,938	893,959	6,744,896	580,000	506,400	1,086,400	5,850,938	6,937,338
2000	5,851,549	895,914	6,747,463	610,000	478,435	1,088,435	5,851,549	6,939,984
2001	5,850,396	785,526	6,635,923	640,000	449,060	1,089,060	5,850,396	6,939,456
2002	5,851,048	783,791	6,634,839	670,000	418,275	1,088,275	5,851,048	6,939,323
2003	5,850,816	780,796	6,631,613	700,000	386,080	1,086,080	5,850,816	6,936,896
2004	5,844,774	781,541	6,626,316	735,000	352,358	1,087,358	5,844,774	6,932,132
2005	5,846,394	785,711	6,632,106	770,000	316,990	1,086,990	5,846,394	6,933,384
2006	5,841,296	782,991	6,624,287	810,000	279,860	1,089,860	5,841,296	6,931,156
2007	5,852,584	782,301	6,634,885	850,000	240,850	1,090,850	5,852,584	6,943,434
2008	5,846,483	784,631	6,631,114	890,000	199,738	1,089,738	5,846,483	6,936,220
2009	5,848,723	784,651	6,633,374	930,000	156,513	1,086,513	5,848,723	6,935,235
2010	5,844,999	787,361	6,632,361	975,000	111,269	1,086,269	5,844,999	6,931,268
2011	5,847,434	792,431	6,639,866	1,025,000	63,769	1,088,769	5,847,434	6,936,203
2012	5,846,046	604,531	6,450,578	60,000	38,000	98,000	5,846,046	5,944,046
2013	5,846,056	613,600	6,459,656	60,000	35,150	95,150	5,846,056	5,941,206
2014	5,850,341	610,219	6,460,559	65,000	32,181	97,181	5,850,341	5,947,522
2015	5,851,839		5,851,839	70,000	28,975	98,975	5,851,839	5,950,814
2016	5,846,713		5,846,713	70,000	25,650	95,650	5,846,713	5,942,363
2017	5,846,578		5,846,578	75,000	22,206	97,206	5,846,578	5,943,784
2018	1,931,988		1,931,988	80,000	18,525	98,525	1,931,988	2,030,513
2019	1,935,951		1,935,951	80,000	14,725	94,725	1,935,951	2,030,676
2020	1,372,058		1,372,058	85,000	10,806	95,806	1,372,058	1,467,864
2021	101,385		101,385	90,000	6,650	96,650	101,385	198,035
2022	100,800		100,800	95,000	2,256	97,256	100,800	198,056
2023	101,078		101,078				101,078	101,078
2024	101,190		101,190				101,190	101,190
2025	101,138		101,138				101,138	101,138
2026	100,920		100,920				100,920	100,920
2027	100,538		100,538				100,538	100,538
2028	100,963		100,963				100,963	100,963
2029	100,195		100,195				100,195	100,195
2030	101,208		101,208				101,208	101,208
2031	100,000		100,000				100,000	100,000
2032	100,573		100,573				100,573	100,573
2033	99,898		99,898				99,898	99,898
2034	99,975		99,975				99,975	99,975
2035	101,723		101,723				101,723	101,723
<b>Totals:</b>	<b>129,559,154</b>	<b>14,262,852</b>	<b>143,822,006</b>	<b>11,225,000</b>	<b>4,675,527</b>	<b>15,900,527</b>	<b>129,559,154</b>	<b>145,459,680</b>

Note: Numbers are rounded to nearest one dollar (\$1.00).

RECEIPT FOR BONDS

Re: \$11,225,000 Northern Kentucky Water Service District, Kenton and Campbell Counties, Kentucky Water District Revenue Bonds, Series 1997, dated September 1, 1997

I, the undersigned, an authorized representative of William R. Hough & Co., do hereby acknowledge and certify that on October 22, 1997, I received from the Northern Kentucky Water Service District, Kenton and Campbell Counties, Kentucky, \$11,225,000 principal amount of Northern Kentucky Water Service District, Water District Refunding Revenue Bonds, Series 1997, dated September 1, 1997, and consisting of fully registered bonds in the aggregate principal amount of \$11,225,000, of the denominations of integral multiples of \$5,000, numbered from R-1 upward, maturing as to principal and bearing interest to maturity payable semi-annually on August 1 and February 1 of each year, beginning February 1, 1998, in accordance with the following schedule:

<u>Maturing</u> <u>February 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturing</u> <u>February 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
1998	\$ 210,000	4.70%	2007	\$ 850,000	4.70%
1999	580,000	4.70	2008	890,000	4.75
2000	610,000	4.70	2009	930,000	4.75
2001	640,000	4.70	2010	975,000	4.75
2002	670,000	4.70	2011	1,025,000	4.75
2003	700,000	4.70	2012	60,000	4.75
2004	735,000	4.70	2013	60,000	4.75
2005	770,000	4.70	2014	65,000	4.75
2006	810,000	4.70	2022	645,000	4.75

Term Bonds due February 1, 2022 shall be subject to mandatory sinking fund redemption at a Redemption Price equal to 100% of the principal amount thereof on February 1, in the years and in the amounts, as follows:

<u>Year</u>	<u>Amount</u>
2015	\$70,000
2016	70,000
2017	75,000
2018	80,000
2019	80,000
2020	85,000
2021	90,000

with the remaining \$95,000 principal amount of such Bonds payable at maturity.

The receipt of said Bonds having been for and on behalf of the purchasers of said Bonds, as duly authorized.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 22nd day of October, 1997.

William R. Hough & Co.

By: Dawn Goodman

Title: A. V. P.

BOND REGISTRAR/PAYING AGENT'S GENERAL CLOSING CERTIFICATE

I, the undersigned, do hereby certify, with respect to the delivery of \$11,225,000 Northern Kentucky Water Service District, Water District Refunding Revenue Bonds, Series 1997, that I am a duly authorized officer of The Fifth Third Bank, Cincinnati, Ohio (the "Bank"). As such officer and on behalf of the Bank, I hereby certify that the Bank has previously accepted and does hereby accept appointment as Bond Registrar/Paying Agent for the Bonds of Northern Kentucky Water Service District (the "District"); and, further, having been duly authorized so to act, one of the following officers:

<u>NAME</u>	<u>TITLE</u>	<u>SIGNATURE</u>
<u>FRED T. OVERBECK</u>	<u>TRUST OFFICER</u>	<u>Fred T Overbeck</u>

signed the "Certificate of Authentication" appearing on each of the Bonds maturing in the amounts and bearing interest at the rates per annum and being denominated as set forth in Schedule X appended to this Certificate. The Bonds have been sold to William R. Hough & Co. for \$11,056,625.00, in addition to which the District will receive accrued interest of \$75,069.17 for an aggregate purchase price of \$11,131,694.17 less the previously received good faith deposit of \$224,500, for a total sum received at the time of issuance of the Bonds of \$10,907,194.17.

(1) I hereby further certify that mechanical certified copies of the General Bond Resolution adopted by the Board of Commissioners of the Kenton County Water District No. 1 ("Kenton"), as legal predecessor to the District on November 19, 1985, the First Supplemental General Bond Resolution adopted by Kenton on November 17, 1987 and the Series 1997 Resolution adopted by the District on September 18, 1997 (collectively, the "Resolution"), authorizing the issuance and delivery of the Bonds, have been duly filed with the Bank.

(2) I do hereby further certify that there is presently being maintained by and in the custody of the Bank, in accordance with the Resolution, special funds created by the Resolution known as (i) the Interest Account and the Principal Account of the Debt Service Fund, (ii) the Series 1997 Cost of Issuance Account (iii) the Series 1997 Note Redemption Fund and (iv) the Escrow Fund.

(3) In accordance with instructions received from the District, the proceeds received from the sale of the Bonds will be applied as follows:

(a)	to the Interest Account of the Debt Service Fund	\$ 75,069.17
(b)	to the Series 1997 Cost of Issuance Account (to be applied to the costs set forth in Exhibit A)	\$ 122,892.93
(c)	to the Escrow Fund (to defease the Prior Bonds)	\$9,743,502.93
(d)	to the Series 1997 Note Redemption Fund (to be applied to the retirement of the Series 1997 Notes)	\$1,190,229.14
	<b>SUBTOTAL</b>	<b><u>\$11,131,694.17</u></b>

(4) I do hereby certify and acknowledge receipt of \_\_\_ fully executed Bonds which Bonds are blank as to date, principal amount, rate of interest and registered holder, and unauthenticated, and are to be held and delivered as necessary to effect authorized transfers of Bonds.

WITNESS my signature this 22nd day of October, 1997.

THE FIFTH THIRD BANK, Cincinnati, Ohio

By Fred T. Oberkirk  
Authorized Officer

CERTIFICATION

I hereby certify that I am an officer of The Fifth Third Bank, Cincinnati, Ohio (the "Bank"); that I am personally acquainted with the person whose signature appears above; and that I know that he or she is an authorized officer of the Bank with due and proper authority to execute, on behalf of the Bank, the foregoing Certificate; and I do hereby identify said above signature as being in all respects true and genuine.

THE FIFTH THIRD BANK, Cincinnati, Ohio

By:

Title:

*[Handwritten Signature]*  
Assistant Vice President



SCHEDULE X

NORTHERN KENTUCKY WATER SERVICE DISTRICT  
WATER DISTRICT REFUNDING REVENUE BONDS, SERIES 1997

AGGREGATE PRINCIPAL AMOUNT: \$11,225,000

AUTHORIZATION: Under and pursuant to Chapter 74 of the Kentucky Revised Statutes, and under and pursuant to the General Bond Resolution of the District adopted and approved by the Board of Commissioners of the Kenton County Water Service District No. 1 ("Kenton"), legal predecessor to the District on November 19, 1985, as amended by the First Supplemental General Bond Resolution adopted and approved on November 17, 1987 by the Board of Commissioners of Kenton (collectively, the "General Bond Resolution") and the series resolution of the District adopted by the Board of Commissioners of the District on September 18, 1997, authorizing the issuance of \$11,225,000 Northern Kentucky Water Service District Water District Refunding Revenue Bonds, Series 1997 of the District (collectively, the "Series 1997 Resolution").

DATE: September 1, 1997

MATURITIES AND INTEREST RATES: Maturing on February 1, of the following years in the respective principal amounts, and bearing the respective rates of interest set forth opposite such years in the following table:

<u>Maturing</u> <u>February 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturing</u> <u>February 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
1998	\$ 210,000	4.70%	2007	\$ 850,000	4.70%
1999	580,000	4.70	2008	890,000	4.75
2000	610,000	4.70	2009	930,000	4.75
2001	640,000	4.70	2010	975,000	4.75
2002	670,000	4.70	2011	1,025,000	4.75
2003	700,000	4.70	2012	60,000	4.75
2004	735,000	4.70	2013	60,000	4.75
2005	770,000	4.70	2014	65,000	4.75
2006	810,000	4.70	2022	645,000	4.75

PLACES AND MEDIUM OF PAYMENT OF INTEREST, PRINCIPAL AND REDEMPTION

PRICE: Principal and premium, if any, payable at the offices of The Fifth Third Bank, Cincinnati, Ohio, or its successor, as Paying Agent under the General Bond Resolution, and the Series 1997 Bond Resolution, in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts. Interest payable by check or draft mailed to the registered owners as of the 15th day of the month preceding each interest payment date.

REDEMPTION PRIOR TO MATURITY: Series 1997 Bonds maturing on and after February 1, 2008, are subject to redemption, in whole or in part on any date, on and after February 1, 2007 at the following Redemption Prices expressed as percentages of the principal amount of the Series 1997 Bonds to be redeemed, as follows:

<u>Period</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Price</u>
February 1, 2007 through January 31, 2008	102%
February 1, 2008 through January 31, 2009	101%
February 1, 2009 and thereafter if prior to maturity	100%

Term Bonds due February 1, 2022 shall be subject to mandatory sinking fund redemption at a Redemption Price equal to 100% of the principal amount thereof on February 1, in the years and in the amounts, as follows:

<u>Year</u>	<u>Amount</u>
2015	\$70,000
2016	70,000
2017	75,000
2018	80,000
2019	80,000
2020	85,000
2021	90,000

with the remaining \$95,000 principal amount of such Bonds payable at maturity.

FORM, DENOMINATIONS AND NUMBERING OF THE SERIES 1997 BONDS: Series 1997 Bonds are issuable as fully registered bonds, in the denominations of any integral multiple of \$5,000. All Series 1997 Bonds are issued substantially in the form of registered bonds set forth in the General Bond Resolution and are numbered from R-1 upward.

EXHIBIT A

<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
.oss, Sinclaire & Associates, Inc.	Financial Advisor's Fee	\$67,417.93
'eck, Shaffer & Williams,L.L.P.	Bond Counsel's Fee	\$33,675.00
Moody's Investors Service	Rating Agency's Fee	\$12,000.00
Peck, Shaffer & Williams,L.L.P.	Verification Agent Fee	\$5,000.00
The Fifth Third Bank	. Escrow and Paying Agent Fee	\$4,800.00

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ATTACHMENT 3

ORDER AND CERTIFICATION OF NORTHERN KENTUCKY WATER SERVICE  
DISTRICT AS TO CONDITIONS PRECEDENT TO AUTHORIZATION  
AND DELIVERY OF SERIES 1999 BONDS AND RELATED MATTERS

The undersigned, PATRICIA J. SOMMERKAMP, Chairperson of the Board of Commissioners and DENNIS R. KEENEY, Treasurer, of Northern Kentucky Water Service District, Kenton and Campbell Counties, Kentucky, DO HEREBY CERTIFY AS FOLLOWS:

1. Except for the words "hereby," "herein," "hereto," "hereinafter" and any similar words, all terms which are defined in Section 2 of the General Bond Resolution of Northern Kentucky Water Service District, Kenton and Campbell Counties, Kentucky (the "District"), adopted November 19, 1985 by the Board of Commissioners of the Kenton County Water District No. 1 ("Kenton"), as legal predecessor to the District, as amended by the First Supplemental General Bond Resolution adopted by Kenton November 17, 1987 (collectively, the "General Bond Resolution") shall have the same meanings, respectively, when used in this Order and Certificate as such terms are given in the General Bond Resolution.

2. Pursuant to the General Bond Resolution and the Series 1998 Bond Resolution adopted by the District on September 15, 1998, the District sold at public competitive sale \$11,355,000 principal amount of Water District Revenue Bonds, Series 1998, dated December 1, 1998 (the "Series 1998 Bonds") to Prudential Securities Incorporated (the "Purchaser") for a purchase price of \$11,127,900.00 together with accrued interest from December 1, 1998, to the date of delivery and payment of the Series 1998 Bonds. The Series 1998 Bonds are more fully described in Schedule X attached hereto.

3. There have now been adopted by and/or received by the District, each as a condition precedent to the issuance of the Series 1998

nds, as provided in Section 206 of the General Bond Resolution, the following:

A certified copy of the General Bond Resolution and a certified copy of the Series 1998 Bond Resolution.

The written order of the District as to the delivery of the Series 1998 Bonds, signed by an authorized Officer describing the Series 1998 Bonds to be delivered, designating the purchaser to whom such Series 1998 Bonds are to be delivered and stating the purchase price of the Series 1998 Bonds. This document constitutes such order.

The Counsel's Opinion as described in Section 206(3) of the General Bond Resolution.

A written order in respect of the deposit of part of the bond proceeds into the Debt Service Reserve if any deposit is required, so that the amount held in such Fund will be equal to the Aggregate Debt Service Reserve Requirement.

A Certificate of an Authorized Officer of the District stating that the District is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Bond Resolution. This document constitutes such a Certificate, and it is hereby certified for and on behalf of the District, that the District is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Bond Resolution.

All certificates, documents and other matters required by the terms of the General Bond Resolution and the Series 1998 Bond Resolution.

4. Prior to the time of delivery of the Series 1998 Bonds, the District had authorized and issued certain series of bonds, being identified as follows: the District's Water District Refunding and Revenue Bonds, Series 1992A, dated September 1, 1992, of which \$30,880,000.00 are currently outstanding; Water District Refunding and Revenue Bonds, Series 1992B, dated December 1, 1992 of which \$11,015,000 are presently outstanding; Water District Revenue Bonds, Series 1993, dated April 1, 1993 of which \$1,945,000 are presently outstanding; Water District Revenue Bonds, Series 1995A dated March 1, 1995; Water District Revenue Bonds, Series 1995B, dated August 1, 1995; Water District Revenue Bonds, Series 1995C, dated August 29, 1995; Water District Refunding and Revenue Bonds, Series 1997, dated November 1, 1997 (collectively, the "Outstanding Bonds"). Upon the issuance and delivery of the Series 1998 Bonds, the Outstanding Bonds will constitute the only outstanding issues of bonds, which are obligations issued under the General Bond Resolution and are payable from the District's income and revenues, and represent the only bonds, notes, or other evidences of indebtedness of the District outstanding and payable from the proceeds of the District's income and revenues other than the Series 1998 Bonds.

5. The District has received all documents, opinions, certificates and other instruments required under the General Bond Resolution and the Series 1998 Bond Resolution as conditions precedent to the issuance and delivery of the Series 1998 Bonds.

6. It is hereby ordered that, following execution by the District, the Series 1998 Bonds be delivered to Prudential Securities Incorporated (the "Purchaser"). Upon the date of delivery of the Series 1998 Bonds, there shall be paid to the District the purchase price of \$1,127,900.00 for such Series 1998 Bonds, less the good faith deposit of

27,100.00 previously received, together with accrued interest from  
December 1, 1998, to date of delivery and payment of the Series 1998  
Bonds. The District acknowledges that the accrued interest due and payable  
for the period from December 1, 1998, to the date of this Order and  
Certification (December 10, 1998) at the applicable interest rates borne by  
the Series 1998 Bonds is \$13,719.03, for a total amount due and payable on  
the date hereof from the Purchaser of \$11,141,619.03.

7. It is hereby ordered that the principal proceeds derived  
from the sale of the Series 1998 Bonds shall be applied by the District as  
follows:

(a) to the Interest Account of the Debt Service Fund	\$ 13,719.03
(b) to the Debt Service Reserve Fund	\$ 732,136.25
(c) to the Series 1998 Cost of Issuance Account (to be applied to the costs set forth in Exhibit A)	\$ 90,333.00
(d) to the Series 1998 Construction Fund	\$10,305,430.75
 SUBTOTAL	 <u>\$11,141,619.03</u>


The good faith check in the amount of \$227,100.00 has previously been  
deposited in the Series 1998 Construction Fund maintained at Star Bank,  
MA. Therefore, the amount of \$10,068,330.75 should be transferred to such  
account. Any proceeds remaining in the Series 1998 Cost of Issuance  
Account after all costs of issuance have been paid shall be immediately  
transferred to the Interest Account of the Debt Service Fund.

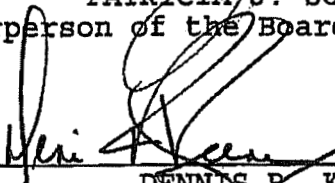
8. It is hereby certified that the signatories to this Order  
and Certification are both Authorized Officers as defined in Section 102 of  
the General Bond Resolution.



Dated as of the 10th day of December, 1998.

Northern Kentucky Water Service District  
Kenton and Campbell Counties, Kentucky

By:   
PATRICIA J. SOMMERKAMP  
Chairperson of the Board of Commissioners

By:   
DENNIS R. KEENEY  
Treasurer

SCHEDULE X

NORTHERN KENTUCKY WATER SERVICE DISTRICT  
WATER DISTRICT REVENUE BONDS, SERIES 1998

AGGREGATE PRINCIPAL AMOUNT:     \$11,355,000

AUTHORIZATION: Under and pursuant to Chapter 74 of the Kentucky Revised Statutes, and under and pursuant to the General Bond Resolution of the District adopted and approved by the Board of Commissioners of the Kenton County Water Service District No. 1 ("Kenton"), legal predecessor to the District on November 19, 1985, as amended by the First Supplemental General Bond Resolution adopted and approved on November 17, 1987 by the Board of Commissioners of Kenton (collectively, the "General Bond Resolution") and the series resolution of the District adopted by the Board of Commissioners of the District on September 15, 1998, authorizing the issuance of Northern Kentucky Water Service District Water District Revenue Bonds, Series 1998 of the District (collectively, the "Series 1998 Resolution").

DATE:           December 1, 1998

MATURITIES AND INTEREST RATES: Maturing on February 1, of the following years in the respective principal amounts, and bearing the respective rates of interest set forth opposite such years in the following table:

<u>Maturing</u> <u>February 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturing</u> <u>February 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
1999	\$ 250,000	4.750%	2010	\$ 295,000	4.750%
2000	200,000	4.750%	2011	310,000	4.750%
2001	200,000	4.750%	2012	325,000	4.750%
2002	210,000	4.750%	2013	340,000	4.800%
2003	220,000	4.750%	2014	360,000	4.850%
2004	230,000	4.750%	2015	375,000	4.850%
2005	240,000	4.750%	2016	395,000	4.875%
2006	255,000	4.750%	2017	415,000	4.875%
2007	265,000	4.750%	2020	1,370,000	4.875%
2008	280,000	4.750%	2028	4,540,000	4.875%
2009	280,000	4.750%			

PLACES AND MEDIUM OF PAYMENT OF INTEREST PRINCIPAL AND REDEMPTION PRICE: Principal and premium, if any, payable at the offices of Star Bank, N.A., Cincinnati, Ohio, or its successor, as Paying Agent under the Series 1998 Bond Resolution, in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public

and private debts. Interest payable by check or draft mailed to the registered owners as of the 15th day of the month preceding each interest payment date.

REDEMPTION PRIOR TO MATURITY: Series 1998 Bonds maturing on and after February 1, 2009 are subject to redemption, in whole or in part on any date, on and after February 1, 2008 at the following Redemption Prices expressed as percentages of the principal amount of the Series 1998 Bonds to be redeemed, as follows:

<u>Period</u> (Both Dates Inclusive)	<u>Redemption Price</u>
February 1, 2008 through January 31, 2010	102%
February 1, 2010 through January 31, 2012	101%
February 1, 2012 and thereafter if prior to maturity	100%

Term Bonds due February 1, 2020 and February 1, 2028 shall be subject to mandatory sinking fund redemption at a Redemption Price equal to 100% of the principal amount thereof on February 1, in the years and in the amounts, as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2018	\$435,000	2024	\$585,000
2019	455,000	2025	610,000
2021	505,000	2026	645,000
2022	530,000	2027	675,000
2023	555,000		

with the remaining \$480,000 and \$435,000 principal amounts of such Bonds payable respectively at maturity.

FORM, DENOMINATIONS AND NUMBERING OF THE SERIES 1998 BONDS: Series 1998 Bonds are issuable as fully registered bonds, in the denominations of any integral multiple of \$5,000. All Series 1998 Bonds are issued substantially in the form of registered bonds set forth in the General Bond Resolution and are numbered from R-1 upward.

EXHIBIT A

<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
Sinclair & Associates, Inc.	Financial Advisor's Fee	\$63,458.00
Stettinius & Hollister LLP	Bond Counsel's Fee	\$19,625.00
Investors Service	Rating Agency's Fee	\$7,250.00
Bank, N.A.	Paying Agent Fee	\$4,800.00

**FINAL OFFICIAL STATEMENT  
DATED OCTOBER 29, 1998**

**NEW ISSUE**

**RATING  
Moody's: "A2"**

*In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludible from gross income of the holders thereof for purposes of federal income taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, all subject to the qualifications described herein under the heading "Tax Exemption." The Bonds and interest thereon are exempt from income taxation and ad valorem taxation by the Commonwealth of Kentucky and political subdivisions thereof (see "Tax Exemption" herein). The District has not designated the Bonds as "qualified tax-exempt obligations" under Section 265 of the Code.*

**\$11,355,000  
NORTHERN KENTUCKY WATER SERVICE DISTRICT  
WATER DISTRICT REVENUE BONDS  
SERIES 1998**

**Dated: December 1, 1998**

**Due: February 1, as shown below**

Interest on the Bonds is payable each February 1 and August 1, beginning February 1, 1999. The Bonds are being issued as fully registered bonds and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof. The Bonds are subject to redemption prior to maturity as described herein.

Upon issuance and delivery, the Bonds will be secured on a parity with certain other Outstanding Bonds of the District (see "Outstanding Bonds" herein) and with any additional Parity Bonds (as hereinafter defined) and by a pledge of and lien on the net revenues of the System (as hereinafter defined) and by a mortgage lien on the Mortgaged Properties as hereinafter described.

<u>Maturing February 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Reoffering Yield</u>	<u>Maturing February 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Reoffering Yield</u>
1999	\$250,000	4.750%	3.250%	2008	\$280,000	4.750%	4.300%
2000	200,000	4.750%	3.500%	2009	280,000	4.750%	4.400%
2001	200,000	4.750%	3.600%	2010	295,000	4.750%	4.500%
2002	210,000	4.750%	3.700%	2011	310,000	4.750%	4.600%
2003	220,000	4.750%	3.800%	2012	325,000	4.750%	4.700%
2004	230,000	4.750%	3.900%	2013	340,000	4.800%	4.800%
2005	240,000	4.750%	4.000%	2014	360,000	4.850%	4.850%
2006	255,000	4.750%	4.100%	2015	375,000	4.875%	4.900%
2007	265,000	4.750%	4.200%	2016	395,000	4.875%	4.950%
				2017	415,000	4.875%	5.000%

**\$1,370,000 - 4.875% Term Bonds due February 1, 2020 priced to yield 5.05%**

**\$4,540,000 - 4.875% Term Bonds due February 1, 2028 priced to yield 5.08%**

As indicated above certain maturities of the Bonds will be issued at an "original issue discount" within the meaning of Section 1288 of the Internal Revenue Code of 1986, as amended. Purchasers of the Bonds at the original issue discount should consult their tax advisors as to the tax consequences of their respective purchases, holdings, or dispositions of the Bonds.

The Northern Kentucky Water Service District (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"). The Kenton County Water District No. 1 adopted a certain General Bond Resolution on November 19, 1985 (the "Resolution") and has issued and has outstanding certain bonds that will continue to be outstanding following the sale and delivery of the Bonds. The Bonds are being issued pursuant to the General Bond Resolution in order to fund certain projects as being planned or that are currently under construction, to make a required deposit to the Debt Service Reserve Fund, and to pay for the costs of issuance of the Bonds.

The Bonds are special and limited obligations of the District, a nonprofit, non-stock special District organized under the provisions of Kentucky Revised Statutes (KRS) Chapter 74, issued at the request of the District, and do not constitute a debt, liability or general obligation of the District within the meaning of the Constitution and laws of the Commonwealth of Kentucky, or a pledge of the faith and credit or the taxing power of the District.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by MBIA Insurance Corporation.



The District deems this Official Statement to be final for purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1).

## DEBT SERVICE SCHEDULE

The following schedule sets forth the annual debt service of the current Outstanding Bonds, the principal and interest payments for the Bonds, and the total debt service following the sale and delivery of the Bonds:

<u>FY Ending December 31</u>	<u>Current Bond Payments</u>	<u>1998 Series Bonds</u>			<u>Bond Payments</u>
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1999	\$ 6,937,338	\$ 250,000	\$ 359,903	\$ 609,903	\$ 7,547,241
2000	6,939,984	200,000	532,136	732,136	7,672,120
2001	6,939,456	200,000	522,636	722,636	7,662,093
2002	6,939,322	210,000	512,899	722,899	7,662,221
2003	6,936,896	220,000	502,686	722,686	7,659,583
2004	6,932,132	230,000	491,999	721,999	7,654,131
2005	6,933,384	240,000	480,836	720,836	7,654,221
2006	6,931,156	255,000	469,080	724,080	7,655,236
2007	6,943,434	265,000	456,730	721,730	7,665,164
2008	6,936,220	280,000	443,786	723,786	7,660,006
2009	6,935,235	280,000	430,486	710,486	7,645,721
2010	6,931,268	295,000	416,830	711,830	7,643,098
2011	6,936,203	310,000	402,461	712,461	7,648,664
2012	5,944,046	325,000	387,380	712,380	6,656,426
2013	5,941,206	340,000	371,501	711,501	6,652,708
2014	5,947,522	360,000	354,611	714,611	6,662,133
2015	5,950,814	375,000	336,741	711,741	6,662,554
2016	5,942,363	395,000	317,972	712,972	6,655,335
2017	5,943,784	415,000	298,228	713,228	6,657,012
2018	2,030,513	435,000	277,509	712,509	2,743,023
2019	2,030,676	455,000	255,816	710,816	2,741,492
2020	1,467,864	480,000	233,025	713,025	2,180,889
2021	198,035	505,000	209,016	714,016	912,051
2022	198,056	530,000	183,788	713,788	911,844
2023	101,078	555,000	157,341	712,341	813,418
2024	101,190	585,000	129,553	714,553	815,743
2025	101,138	610,000	100,425	710,425	811,563
2026	100,920	645,000	69,834	714,834	815,754
2027	100,538	675,000	37,659	712,659	813,197
2028	100,962	435,000	10,603	445,603	546,566
2029	100,195				100,195
2030	101,208				101,208
2031	100,000				100,000
2032	100,572				100,572
2033	99,898				99,898
2034	99,975				99,975
2035	101,722				101,722
<b>Totals:</b>	<b>\$133,076,302</b>	<b>\$11,355,000</b>	<b>\$9,753,472</b>	<b>\$21,108,472</b>	<b>\$154,184,774</b>

Note: Numbers are rounded to nearest one dollar (\$1.00).

## USE OF PROCEEDS

The table below shows the use of proceeds of the Bonds, other than any portions thereof representing accrued interest:

<b>Sources</b>	
Par Amount of Bonds	\$11,355,000.00
Original Issue Discount	<u>(91,969.45)</u>
Total Source of Funds	\$11,263,030.55
<b>Uses</b>	
Deposit to Construction Fund	\$10,300,000.00
Underwriter's Discount	135,130.55
Deposit to Debt Service Reserve Fund	732,136.25
Deposit to Cost of Issuance Fund	<u>95,763.75</u>
Total Use of Proceeds	\$11,263,030.55

## THE BONDS

### Dated Date and Payment Dates

The Bonds will be dated December 1, 1998, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year commencing February 1, 1999 (each an "Interest Payment Date"), and will mature February 1, in the years and in the principal amounts set forth on the cover page of this Official Statement.

### Registration, Payment and Transfer

The Bonds are to be issued only as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof.

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

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

### Optional Redemption

The Bonds maturing on or after February 1, 2009, will be subject to redemption prior to maturity at the option of the District, on any date on or after February 1, 2008, in whole or in part, prior to maturity, in

## PLAN OF FINANCING

### Public Service Commission Approval

On October 15, 1998, the District applied for authority from the PSC to issue approximately \$11,355,000 of its Bonds in order to fund certain projects now being constructed or being planned by the District and to pay for the costs of issuance of the Bonds and to deviate from the requirements of 807 KAR 5:001, Section 6 so that the District would not have to file detailed financial statements. The District did not petition the PSC for any increases or changes to the existing rates charged by the System. The PSC is expected to grant the District's request to deviate from financial reporting. Further, the PSC is expected to authorize the issuance of the Bonds prior to the delivery thereof.

### Construction Projects

The District plans to pay from the net Bond proceeds the costs of constructing approximately \$10.36 million of additions and improvements to the System. Based on the accountants study, a rate tariff increase will not be required in order to meet the current rate covenant of the District (see "Proforma Minimum Net Income and Revenue Calculation" herein under Appendix B).

The projects currently under construction or planned to be constructed are summarized as follows:

<u>PSC Reference #</u>	<u>Description</u>	<u>Estimated Cost</u>
A	Harris Pike Mainline Improvement	\$ 426,000
C	Highland Avenue, Kenton Mainline	626,000
D	Highland to Orchard Mainline	553,000
E	Memorial Parkway/Clover Ridge	450,000
F	Morris Road Mainline	567,000
G	Upper Eight Mile Road, Mainline	225,000
H	Dixie Highway to Devou Park	668,000
I	Highland Pike	720,000
L	Richardson Road PS-Upgrade	225,000
R	Upper Eight Mile Road (Phase 2)	500,000
BB	Memorial Parkway to PRV Station	550,000
CC	John's Mill Road to Ky. 9	37,500
DD	Ky. 9 Banlick to Staffen Road	<u>37,500</u>
	Subtotal Mainline Improvements	\$ 5,585,000
K	Taylor Mill Plant Upgrade	\$ 4,000,000
SS	Clearwell Baffle Upgrade	450,000
UU	Sodium Hypochloride, TMTP	<u>325,000</u>
	Subtotal Production Improvements	\$ 4,775,000
	Total Construction Projects	<u>\$10,360,000</u>

### PLANS TO ISSUE ADDITIONAL PARITY DEBT

The District is currently completing studies and meetings to discuss and plan for a solution to meet the long term needs of the System to pump, treat and supply potable water in order to meet the future service area water needs. The District expects to make a determination in this regard within the next 6-12 months and expects that it will have to issue a substantial amount of additional parity debt over the next ten years to pay for these improvements to the System. However, no definitive plan for financing the expansions and improvements have been developed nor the impact these projects may have on the System's current rates and tariffs being charged its retail and wholesale customers.



In calculating net annual income and revenues, the accountants may adjust the amounts of water rates and charges for the historical period being tested by taking into account any revision in water rates currently being imposed by the District or any revision in water rates actually approved by the PSC. Net annual income and revenues may also be adjusted by a consulting engineer to take into account additional revenues to be realized by the acquisition of an existing waterworks, to be derived from extensions of the System or to be received under contractual relationships that extend to the final maturity date of such bonds.

## **SECURITY AND SOURCES OF PAYMENTS**

### **Sources of Payment**

Under the terms of the Resolution, the Bonds are payable from and secured by a pledge of revenues and income derived from the ownership, operation, and use or services of the District's facilities, after the payment of all reasonable or necessary current operating and maintenance expenses of the District, as determined in accordance with generally accepted accounting principles.

### **Rate Covenant**

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

### **Debt Service Reserve**

The Debt Service Reserve is pledged to and shall be used for the payment of principal of, interest on, and premium, if any, equal in amount to the maximum annual debt service in any future year on the then outstanding bonds.

Proceeds from the Bonds will be deposited, if necessary, in the Debt Service Reserve in an amount equal to the increase in the aggregate debt service reserve requirement resulting from the issuance of the Bonds.

The Resolution permits substitution of a surety bond, letter of credit or similar arrangement in lieu of deposit of funds in a Debt Service Reserve subject to certain terms and conditions set forth in the Resolution, including a requirement that if the bonds are rated by a rating agency, that such rating agency certify that such arrangement will not lower the existing rating on the bonds or, if the bonds are then being insured, that the bond insurer providing such insurance approve such arrangement.

### **Mortgage Lien**

The Bonds are further secured by a statutory mortgage lien on all properties of the District, granted to and in favor of the registered owners of the Bonds and said properties shall remain subject to the lien until the payment in full of all principal and interest on the Bonds.

## **THE PUBLIC WATERWORKS SYSTEM**

### **General**

The Northern Kentucky Water Service District (the "District") is the lawful successor to the Campbell County Kentucky Water District (originally established in 1953) and the Kenton County Water District No. 1 (originally established in 1926). On May 24, 1996, the Prior Districts petitioned the PSC for approval to merge

CERTIFICATE OF THE TREASURER AS TO  
INDEBTEDNESS AND FINANCIAL CONDITION

I, DENNIS R. KEENEY, Treasurer of Northern Kentucky Water Service District, Kenton and Campbell Counties, Kentucky (the "District"), a public agency and a governmental unit of the Commonwealth of Kentucky, created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes, DO HEREBY CERTIFY, as follows:

1. That I am the duly appointed, qualified and acting Treasurer of the District authorized to do and perform all things and execute all papers and documents for and on behalf of the District necessary or convenient to the issuance and sale of the District's \$11,355,000 Kentucky Water District Revenue Bonds, Series 1998, dated December 1, 1998, described in the document hereto made a part hereof and attached hereto, and identified as Schedule X (the "Series 1998 Bonds").

2. That upon the date of issuance and delivery of the Series 1998 Bonds there will be outstanding, in addition to the Series 1998 Bonds only the following District Bonds:

<u>Designation</u>	<u>Principal Amount</u>
Water District Refunding and Revenue Bonds, Series 1992A dated September 1, 1992	\$31,845,000
Water District Refunding and Revenue Bonds Series 1992B dated December 1, 1992	\$11,015,000
Water District Revenue Bonds, Series 1993 dated April 1, 1993	\$1,945,000
Water District Revenue Bonds, Series 1995A dated March 1, 1995	\$7,015,000

Water District Revenue Bonds Series 1995B dated August 1, 1995	\$16,335,000
Water District Revenue Bonds, Series 1995C dated August 29, 1995	\$11,225,000
Water District Refunding Revenue Bonds, Series 1997 dated September 1, 1997	<u>\$11,225,000</u>
TOTAL	<u>\$81,021,000</u>

3. That no other bonds, notes or other long-term obligations of the District, other than that specifically listed in paragraph 2 above, have been authorized and issued or are outstanding as of the date of this Certificate.

4. That the present indebtedness of the District including the obligations referred to in paragraph 2 of this Certificate, is within every limit pursuant to Chapter 74 of the Kentucky Revised Statutes and the Constitution of Kentucky prescribed in respect of the District.

5. That as of the date of this Certificate, the financial condition of the District has not changed in any material adverse respect from the financial condition of said District as same may have been represented in the Preliminary Official Statement of the District dated August 17, 1998, and the Official Statement of the District dated October 29, 1998, with respect to the Series 1998 Bonds.

## ATTACHMENT 4

BOND REGISTRAR AND  
PAYING AGENCY AGREEMENT

Between

NORTHERN KENTUCKY WATER DISTRICT

And

FIFTH THIRD BANK,

Cincinnati, Ohio

DATED AS OF:

OCTOBER 1, 2001

BOND REGISTRAR AND PAYING AGENCY AGREEMENT

THIS PAYING AGENCY AGREEMENT (the "Agreement") dated as of the 1st day of October, 2001. between the NORTHERN KENTUCKY WATER DISTRICT, a regional water district created and existing pursuant to the provisions of Chapter 74 of the Kentucky Revised Statutes (the "Issuer"), and FIFTH THIRD BANK, an Ohio banking corporation (the "Bank"), Cincinnati, Ohio, is made under the following circumstances:

WHEREAS, the Issuer has heretofore and will issue fully-registered bonds, such bonds being identified and described in Exhibit A attached hereto and made a part hereof, (collectively referred to herein as the "Bonds") to defease and redeem outstanding notes and bonds; and

WHEREAS, the Issuer desires the Bank to perform services as paying agent, registrar. and transfer agent with respect to the Bonds, and the Bank is willing to perform such services upon the terms contained in this Agreement;

NOW, THEREFORE, the parties to this Agreement covenant and agree as follows:

## ARTICLE I

### DEFINITIONS

In addition to the words and terms elsewhere defined in this Agreement, the following words and terms shall have the following meanings unless the context or use clearly indicates another or different meaning or intent:

"Bond Account" means the account maintained by the Bank pursuant to Section 2.01 hereof.

"Bondholder" means any registered owner of a Bond.

"Bond Legislation" means the resolution authorizing the Bonds.

"Bond Payment Date" means the date on which any interest on or principal of any Bond is due and payable by the Issuer, whether by maturity, amortization, redemption or otherwise.

"Bond Service Charges" means principal of or interest on any Bond.

"Fiscal Officer" means the Treasurer of the Issuer.

"Record Date" means the fifteenth day of the calendar month preceding each Bond Payment Date; for example, the Record Dates for February 1 and October 1 Bond Payment Dates are January 15 and September 15, respectively.

## ARTICLE II

### DUTIES AS PAYING AGENT

SECTION 2.01. The Bank shall maintain a separate deposit account in the name of the Issuer (the "Bond Account"). The Issuer shall cause to be deposited into the Bond Account, on or before each Bond Payment Date moneys sufficient to pay Bond Service Charges that are due and payable on such Bond Payment Date. The deposit made by the Issuer pursuant to the preceding sentence shall be in federal funds or immediate funds or other funds that are good and available to the Bank not later than the Bond Payment Date.

SECTION 2.02. On each Bond Payment Date, the Bank shall issue and mail its check payable from the Bond Account for the amount of any interest due on any Bond to each Bondholder at the address shown on the registration records maintained by the Bank for such Bond on the relevant Record Date. On each Bond Payment Date, the Bank shall provide for the payment of any principal due and payable on any Bond from moneys on deposit in the Bond Account in accordance with the terms of such Bond.

SECTION 2.03. Unless otherwise agreed by the Issuer and the Bank, the Bank shall not be required to invest any moneys in the Bond Account.

SECTION 2.04. The Bank shall maintain adequate records with respect to the Bond Account and not less than once a year on or about March 15, shall provide the Fiscal Officer with a statement with respect to deposits into and withdrawals from the Bond Account. Any officer of the Issuer shall have access to such records during the Bank's business hours. All Bonds surrendered to the Bank for payment shall be cancelled by the Bank.

### ARTICLE III

#### DUTIES AS BOND REGISTRAR AND TRANSFER AGENT

SECTION 3.01. The Bank is hereby appointed as bond registrar and as such shall authenticate the Bonds and keep books and records for the registration and transfer of Bonds as provided by this Agreement and any Bond Legislation. Such books and records shall be open to inspection by any officer of the Issuer during the Bank's business hours.

Any Bond shall be transferred only upon the books kept for the registration and transfer of Bonds upon surrender thereof to the Bank together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Bank. Upon any such transfer the Bank shall authenticate and deliver in exchange for such Bond a new Bond or Bonds registered in the name of the transferee. of any denomination or denominations authorized by the Bond Legislation in an aggregate principal amount equal to the principal amount of such Bond and of the same series and maturity and bearing interest at the same rate.

In all cases in which Bonds shall be exchanged or transferred hereunder, the Bank shall authenticate and deliver at the earliest practicable time Bonds in accordance with the provisions of this Agreement and the Bond Legislation. All Bonds surrendered in any such exchange or transfer shall forthwith be cancelled by the Bank. The Bank shall not be required to make any such exchange or transfer of Bonds during the fifteen (15) days immediately preceding a Bond Payment Date or, in the case of any proposed redemption of Bonds. after such Bonds, or any portion of any Bond, have been selected for redemption.

In case any Bond shall be mutilated, lost, stolen or destroyed, then the production of such mutilated Bond or upon the receipt of evidence satisfactory to the Bank of the loss, theft or destruction. and upon receipt also of indemnity in the face amount of the Bond and otherwise satisfactory to the Bank, the Bank, in its discretion, may execute. and thereupon deliver a new Bond in exchange for, and upon cancellation of, the mutilated Bond, or in lieu of the Bond so lost, stolen or destroyed.

SECTION 3.02. No Bond shall be valid or become obligatory for any purpose unless and until an authentication certificate shall have been duly endorsed upon such Bond. Such authentication by the Bank upon any Bond shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered hereunder and that the Bank has agreed to accept its duties under this Agreement with respect to such Bond. Such certificate of the Bank may be executed by any person duly authorized by the Bank, but it shall not be necessary that the same person sign the authentication certificate on all of the Bonds of any issue.

SECTION 3.03. At the time of the authentication of any Bond, the Bank shall complete any blanks appearing on such Bond, including denomination. maturity date, interest rate and CUSIP numbers (if applicable).



ARTICLE IV  
CONCERNING THE BANK

SECTION 4.01. The Bank and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in the capacity of a Bondholder in any action which any Bondholder may be entitled to take with like effect as if the Bank were not a party to this Agreement.

SECTION 4.02. The recitals, statements and representations contained in any of the Bonds shall be taken and construed as made by and on the part of the Issuer and not by the Bank, and the Bank assumes and shall be under no responsibility for the correctness of the same.

SECTION 4.03. The Bank shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board, commission or person or to have been prepared and furnished pursuant to any of the provisions of this Agreement, or upon the written opinion of any attorney, architect, accountant or other expert believed by the Bank to be qualified in relation to the subject matter, and the Bank shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument. No provision of this Agreement shall be construed to relieve the Bank from liability for its own misconduct or its own negligent action or negligent failure to act, provided that the Bank shall not be liable for any error of judgment made in good faith and without negligence. Notwithstanding anything to the contrary, under no circumstances shall the Bank be responsible for incidental or consequential damages.

SECTION 4.04. Except as provided in Section 3.01 hereof the Bank shall be entitled to payment or reimbursement, or both, from the Issuer for reasonable fees for its services rendered hereunder, in accordance with the fee schedule attached hereto as Exhibit B and all advances, counsel fees, and other expenses reasonably and necessarily made or incurred by it in connection with such services. The Bank shall bill the Issuer for such services and expenses and such bill shall be payable by the Issuer upon receipt.

SECTION 4.05. The Bank may deem and treat the registered owner of any Bond as the absolute owner thereof for all purposes, and the Bank shall not be affected by any notice to the contrary.

ARTICLE V  
TERMINATION OF AGREEMENT

SECTION 5.01. The Bank may resign, and thereby become discharged from the duties created by this Agreement, as to all Bonds or any series or issue of Bonds, by notice in writing given to the Issuer not less than sixty (60) days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a replacement bank hereunder, if such replacement bank shall be appointed before the time set forth by such notice and shall then accept the duties thereof.

SECTION 5.02. The Issuer may terminate this Agreement. and thereby discharge the Bank from its duties under this Agreement, as to all Bonds or any series of Bonds, by notice in writing given to the Bank not less than sixty (60) days before such termination is to take effect.

SECTION 5.03. Upon any resignation or termination of this Agreement under this Article, the Bank shall notify the affected Bondholders of such resignation or termination and the name and address of the successor bank hereunder, by certified mail sent not less than thirty (30) days before such resignation or termination is to take effect.

## ARTICLE VI

### MISCELLANEOUS

SECTION 6.01. This Agreement shall be governed by the laws of the Commonwealth of Kentucky.


SECTION 6.02. Any notice required hereby shall be sent to the following notice address:

If to the Issuer: Northern Kentucky Water District  
100 Aqua Drive  
Cold Spring, Kentucky 41076  
Attn: Ron Lovan, P.E., President and CEO

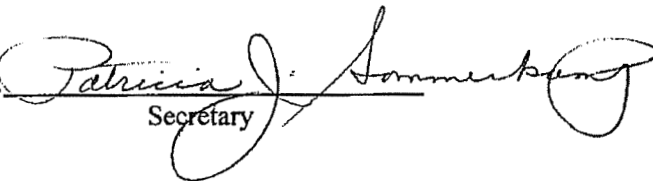
If to the Bank: Fifth Third Bank  
38 Fountain Square Plaza  
Fifth Floor  
Cincinnati, Ohio 45202  
Attn: Fred Overbeck, V.P.

IN WITNESS WHEREOF, the Issuer and the Bank have caused this Agreement to be executed by their duly authorized officers, all as of the date first above written.

NORTHERN KENTUCKY WATER DISTRICT

By:   
Chairperson

Attest:

By:   
Secretary

FIFTH THIRD BANK, Cincinnati, Ohio

By: 

Title: TRUST OFFICER

**EXHIBIT A**

NORTHERN KENTUCKY WATER DISTRICT  
WATER DISTRICT REVENUE BONDS, SERIES 2001A

AGGREGATE PRINCIPAL AMOUNT: \$16,325,000

AUTHORIZATION: Under and pursuant to Chapter 74 of the Kentucky Revised Statutes, and under and pursuant to the General Bond Resolution of the District adopted and approved by the Board of Commissioners of the Kenton County Water Service District No. I ("Kenton"), legal predecessor to the District on November 19, 1985, as amended by the First Supplemental General Bond Resolution adopted and approved on November 17, 1987 by the Board of Commissioners of Kenton (collectively, the "General Bond Resolution") and the series resolution of the District adopted by the Board of Commissioners of the District on September 13, 2001, authorizing the issuance of \$16,325,000 Northern Kentucky Water District Revenue Bonds, Series 2001A of the District (collectively, the "Series 2001A Resolution")

DATE: October 1, 2001

MATURITIES AND INTEREST RATES: Maturing on February 1, of the following years in the respective principal amounts, and bearing the respective rates of interest set forth opposite such years in the following table:

<u>Maturing February 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturing February 1</u>	<u>Amount</u>	<u>Interest Rate</u>
2002	285,000	3.500%	2013	735,000	4.300%
2003	235,000	3.500%	2014	770,000	4.400%
2004	240,000	3.500%	2015	810,000	4.500%
2005	230,000	3.500%	2016	845,000	4.500%
2006	215,000	3.500%	2017	890,000	4.750%
2007	200,000	3.875%	2018	930,000	4.750%
2008	170,000	4.000%	2019	980,000	4.750%
2009	155,000	4.200%	2020	1,030,000	4.750%
2010	75,000	4.300%	2021	1,080,000	5.000%
2011	80,000	4.300%	2022	1,135,000	5.000%
2012	80,000	4.300%	2023	1,190,000	5.000%
			2026	3,965,000	5.000%

PLACES AND MEDIUM OF PAYMENT OF INTEREST, PRINCIPAL AND REDEMPTION PRICE:  
Principal and premium, if any, payable at the offices Fifth Third Bank, of Cincinnati, Ohio, or its

successor, as Paying Agent under the Series 2001A Bond Resolution in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts. Interest payable by check or draft mailed to the registered owners as of the 15th day of the month preceding each interest payment date.

REDEMPTION PRIOR TO MATURITY: Series 2001A Bonds maturing on and after February 1, 2013, are subject to redemption, in whole or in part on any date, on and after February 1, 2012 at the following Redemption Prices expressed as percentages of the principal amount of the Series 2001A Bonds to be redeemed, as follows:

<u>Period</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Price</u>
February 1, 2012 and thereafter if prior to maturity	100%

Term Bonds due February 1, 2026 shall be subject to mandatory sinking fund redemption at a Redemption Price equal to 100% of the principal amount thereof on February 1 in the years and in the amounts, as follows:

<u>Year</u>	<u>Amount</u>
2024	\$1,255,000
2025	\$1,320,000

with the remaining \$1,390,000 principal amount of such Bonds payable at maturity

FORM, DENOMINATIONS AND NUMBERING OF THE SERIES 2001A BONDS: Series 2001A Bonds are issuable as fully registered bonds, in the denominations of any integral multiple of \$5,000. All Series 2001A Bonds are issued substantially in the form of registered bonds set forth in the General Bond Resolution and are numbered from R- 1 upward.

**EXHIBIT B**

One-time up-front fee of \$5,000.00

CERTIFICATE OF THE TREASURER AS TO  
INDEBTEDNESS AND FINANCIAL CONDITION

I, MICHAEL J. HEMMER, Treasurer of Northern Kentucky Water District, Kenton and Campbell Counties, Kentucky (the "District"), a public agency and a governmental unit of the Commonwealth of Kentucky, created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes, DO HEREBY CERTIFY, as follows:

1. That I am the duly appointed, qualified and acting Treasurer of the District authorized to do and perform all things and execute all papers and documents for and on behalf of the District necessary or convenient to the issuance and sale of the District's \$16,325,000 Northern Kentucky Water District Revenue Bonds, Series 2001A, dated October 1, 2001, described in the document hereto made a part hereof and attached hereto, and identified as Schedule X (the "Series 2001A Bonds").

2. That upon the date of issuance and delivery of the Series 2001A Bonds there will be outstanding, in addition to the Series 2001A Bonds only the following District Bonds:

<u>Designation</u>	<u>Principal Amount</u>
Water District Refunding and Revenue Bonds, Series 1992A	\$27,720,000
Water District Refunding and Revenue Bonds Series 1992B	\$10,220,000
Water District Revenue Bonds, Series 1993	\$1,695,000

Water District Revenue Bonds, Series 1995A	\$6,295,000
Water District Revenue Bonds Series 1995B	\$14,790,000
Water District Revenue Bonds, Series 1995C	\$1,563,000
Water District Refunding Revenue Bonds, Series 1997	\$9,185,000
Water District Revenue Bonds, Series 1998	\$10,705,000
Water District Revenue Bonds, Series 2000	\$1,803,000
<b>TOTAL</b>	<b><u>\$71,468,000</u></b>

3. That no other bonds, notes or other long-term obligations of the District, other than that specifically listed in paragraph 2 above, have been authorized and issued or are outstanding as of the date of this Certificate.

4. That the present indebtedness of the District including the obligations referred to in paragraph 2 of this Certificate, is within every limit pursuant to Chapter 74 of the Kentucky Revised Statutes and the Constitution of Kentucky prescribed in respect of the District.

5. That as of the date of this Certificate, the financial condition of the District has not changed in any material adverse respect from the financial condition of said District as same may have been represented in the Preliminary Official Statement of the District dated September 13, 2001, and



the Official Statement of the District dated October 2, 2001,  
with respect to the Series 2001A Bonds.

IN WITNESS WHEREOF, I have hereunto set my hand this  
25th day of October, 2001.

*Michael Hemmer*

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MICHAEL J. HEMMER  
District Treasurer  
Northern Kentucky Water District  
Kenton and Campbell Counties, Kentucky

NORTHERN KENTUCKY WATER DISTRICT  
 WATER DISTRICT REVENUE BONDS, SERIES 2001A

AGGREGATE PRINCIPAL AMOUNT:     \$16,325,000

AUTHORIZATION: Under and pursuant to Chapter 74 of the Kentucky Revised Statutes, and under and pursuant to the General Bond Resolution of the District adopted and approved by the Board of Commissioners of the Kenton County Water Service District No. 1 ("Kenton"), legal predecessor to the District on November 19, 1985, as amended by the First Supplemental General Bond Resolution adopted and approved on November 17, 1987 by the Board of Commissioners of Kenton (collectively, the "General Bond Resolution") and the series resolution of the District adopted by the Board of Commissioners of the District on September 13, 2001, authorizing the issuance of Northern Kentucky Water District Water District Revenue Bonds, Series 2001A of the District (collectively, the "Series 2001A Resolution").

DATE:             October 1, 2001

MATURITIES AND INTEREST RATES: Maturing on February 1, of the following years in the respective principal amounts, and bearing the respective rates of interest set forth opposite such years in the following table:

<u>Maturing</u> <u>February 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturing</u> <u>February 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
2002	285,000	3.500%	2013	735,000	4.300%
2003	235,000	3.500%	2014	770,000	4.400%
2004	240,000	3.500%	2015	810,000	4.500%
2005	230,000	3.500%	2016	845,000	4.500%
2006	215,000	3.500%	2017	890,000	4.750%
2007	200,000	3.875%	2018	930,000	4.750%
2008	170,000	4.000%	2019	980,000	4.750%
2009	155,000	4.200%	2020	1,030,000	4.750%
2010	75,000	4.300%	2021	1,080,000	5.000%
2011	80,000	4.300%	2022	1,135,000	5.000%
2012	80,000	4.300%	2023	1,190,000	5.000%
			2026	3,965,000	5.000%

PLACES AND MEDIUM OF PAYMENT OF INTEREST PRINCIPAL AND REDEMPTION

PRICE: Principal and premium, if any, payable at the offices of Fifth Third Bank, Cincinnati, Ohio, or its successor, as Paying Agent under the Series 2001A Bond Resolution, in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts. Interest payable by check or draft mailed to the registered owners as of the 15th day of the month preceding each interest payment date.

REDEMPTION PRIOR TO MATURITY: Series 2001A Bonds maturing on and after February 1, 2013 are subject to redemption, in whole or in part on any date, on and after February 1, 2012 at the following Redemption Prices expressed as percentages of the principal amount of the Series 2001A Bonds to be redeemed, as follows:

<u>Period</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Price</u>
February 1, 2012 and thereafter if prior to maturity	100%

Term Bonds due February 1, 2026 shall be subject to mandatory sinking fund redemption at a Redemption Price equal to 100% of the principal amount thereof on February 1, in the years and in the amounts, as follows:

<u>Year</u>	<u>Amount</u>
2024	\$1,255,000
2025	\$1,320,000

with the remaining \$1,390,000 principal amounts of such Bonds payable respectively at maturity.

FORM, DENOMINATIONS AND NUMBERING OF THE SERIES 2001A BONDS:

Series 2001A Bonds are issuable as fully registered bonds, in the denominations of any integral multiple of \$5,000. All Series 2001A Bonds are issued substantially in the form of registered bonds set forth in the General Bond Resolution and are numbered from R-1 upward.

ORDER AND CERTIFICATION OF NORTHERN KENTUCKY WATER SERVICE  
DISTRICT AS TO CONDITIONS PRECEDENT TO AUTHORIZATION  
AND DELIVERY OF SERIES 2001A BONDS AND RELATED MATTERS

The undersigned, JOSEPH J. KOESTER, Chairperson of the Board of Commissioners and MICHAEL J. HEMMER, Treasurer, of Northern Kentucky Water District, Kenton and Campbell Counties. Kentucky, DO HEREBY CERTIFY AS FOLLOWS:

1. Except for the words "hereby," "herein," "hereto," "hereinafter" and any similar words, all terms which are defined in Section 102 of the General Bond Resolution of Northern Kentucky Water District, Kenton and Campbell Counties, Kentucky (the "District"), adopted on November 19, 1985 by the Board of Commissioners of the Kenton County Water District No. 1 ("Kenton"), as legal predecessor to the District, as amended by the First Supplemental General Bond Resolution adopted by Kenton on November 17, 1987 (collectively, the "General Bond Resolution") shall have the same meanings, respectively, when used in this Order and Certificate as such terms are given in the General Bond Resolution.

2. Pursuant to the General Bond Resolution and the Series 2001A Bond Resolution adopted by the District on September 13, 2001, the District has sold at public competitive sale \$16,325,000 principal amount of Water District Revenue Bonds, Series 2001A, dated October 1, 2001 (the "Series 2001A Bonds") to ABN AMRO Financial Services, Inc. (the "Purchaser") for a purchase price of \$15,886,702.40 together with accrued interest from October 1, 2001, to the date of delivery and payment of the Series 2001A Bonds. The Series 2001A Bonds are more fully described in Schedule X attached hereto.

3. There have now been adopted by and/or received by the District, each as a condition precedent to the issuance of the Series 2001A Bonds, as provided in Section 206 of the General Bond Resolution, the following:

- (i) A certified copy of the General Bond Resolution and a certified copy of the Series 2001A Bond Resolution.
- (ii) The written order of the District as to the delivery of the Series 2001A Bonds, signed by an authorized Officer describing the Series 2001A Bonds to be delivered, designating the purchaser to whom such Series 2001A Bonds are to be delivered and stating the purchase price of the Series 2001A Bonds. This document constitutes such order.
- ii) The Counsel's Opinion as described in Section 206(3) of the General Bond Resolution.
- (iv) A written order in respect of the deposit of part of the bond proceeds into the Debt Service Reserve if any deposit is required, so that the amount held in such Fund will be equal to the Aggregate Debt Service Reserve Requirement.
- (v) A Certificate of an Authorized Officer of the District stating that the District is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Bond Resolution. This document constitutes such a Certificate, and it is hereby certified for and on behalf of the District, that the District is not in default in the performance

of any of the covenants, conditions, agreements or provisions contained in the General Bond Resolution.

(vi) All certificates, documents and other matters required by the terms of the General Bond Resolution and the Series 2001A Bond Resolution.

4. Prior to the time of delivery of the Series 2001A Bonds, Kenton had authorized and issued certain series of bonds. being identified as the District's Water District Refunding and Revenue Bonds, Series 1992A, dated September 1, 1992, of which \$30,880,000.00 are currently outstanding, Water District Refunding and Revenue Bonds, Series 1992B, dated December 1, 1992 of which \$11,015,000 are presently outstanding Water District Revenue Bonds, Series 1993, dated April 1, 1993 of which \$1,945,000 are presently outstanding; Water District Revenue Bonds, Series 1995A dated March 1, 1995; Water District Revenue Bonds, Series 1995B, dated August 1, 1995; Water District Revenue Bonds, Series 1995C, dated August 29, 1995; Water District Refunding and Revenue Bonds, Series 1997, dated November 1, 1997 (collectively, the "Outstanding Bonds"). Upon the issuance and delivery of the Series 2001A Bonds, the Outstanding Bonds will constitute the only outstanding issues of bonds, which are obligations issued under the General Bond Resolution and are payable from the District's income and revenues, and represent the only bonds, notes, or other evidences of indebtedness of the District outstanding and payable from the proceeds of the District's income and revenues other than the Series 2001A Bonds.

5. The District has received all documents, opinions, certificates and other instruments required under the General Bond

solution and the Series 2001A Bond Resolution as conditions precedent to the issuance and delivery of the Series 2001A Bonds.

6. It is hereby ordered that, following execution by the District, the Series 2001A Bonds be delivered to Prudential Securities Incorporated (the "Purchaser"). Upon the date of delivery of the Series 2001A Bonds, there shall be paid to the District the purchase price of \$11,127,900.00 for such Series 2001A Bonds, less the good faith deposit of \$227,100.00 previously received, together with accrued interest from December 1, 1998, to date of delivery and payment of the Series 2001A Bonds. The District acknowledges that the accrued interest due and payable for the period from December 1, 1998, to the date of this Order and Certification (December 10, 1998) at the applicable interest rates borne by the Series 1998 Bonds is \$13,719.03, for a total amount due and payable on the date hereof from the Purchaser of \$11,141,619.03.

7. It is hereby ordered that the principal proceeds derived from the sale of the Series 1998 Bonds shall be applied by the District as follows:

(a) to the Interest Account of the Debt Service Fund	\$ 13,719.03
(b) to the Debt Service Reserve Fund	\$ 732,136.25
(c) to the Series 1998 Cost of Issuance Account (to be applied to the costs set forth in Exhibit A)	\$ 90,333.00
(d) to the Series 1998 Construction Fund	\$10,305,430.75
 SUBTOTAL	 <u>\$11,141,619.03</u>


a good faith check in the amount of \$227,100.00 has previously been deposited in the Series 1998 Construction Fund maintained at Star Bank, N.A. Therefore, the amount of \$10,068,330.75 should be transferred to such account. Any proceeds remaining in the Series 1998 Cost of Issuance Account after all costs of issuance have been paid shall be immediately transferred to the Interest Account of the Debt Service Fund.

8. It is hereby certified that the signatories to this Order and Certification are both Authorized Officers as defined in Section 102 of the General Bond Resolution.



Dated as of the 25th day of October, 2001.

Northern Kentucky Water District  
Kenton and Campbell Counties, Kentucky

By:   
JOSEPH J. KOESTER  
Chairman of the Board of Commissioners

By:   
MICHAEL J. HEMMER  
Treasurer

SCHEDULE X  
 NORTHERN KENTUCKY WATER DISTRICT  
 WATER DISTRICT REVENUE BONDS, SERIES 2001A

AGGREGATE PRINCIPAL AMOUNT: \$16,325,000

AUTHORIZATION: Under and pursuant to Chapter 74 of the Kentucky Revised Statutes, and under and pursuant to the General Bond Resolution of the District adopted and approved by the Board of Commissioners of the Kenton County Water Service District No. 1 ("Kenton"), legal predecessor to the District on November 19, 1985, as amended by the First Supplemental General Bond Resolution adopted and approved on November 17, 1987 by the Board of Commissioners of Kenton (collectively, the "General Bond Resolution") and the series resolution of the District adopted by the Board of Commissioners of the District on September 13, 2001, authorizing the issuance of Northern Kentucky Water District Water District Revenue Bonds, Series 2001A of the District (collectively, the "Series 2001A Resolution").

DATE: December 1, 1998

MATURITIES AND INTEREST RATES: Maturing on February 1, of the following years in the respective principal amounts, and bearing the respective rates of interest set forth opposite such years in the following table:

<u>Maturing February 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturing February 1</u>	<u>Amount</u>	<u>Interest Rate</u>
2002	285,000	3.500%	2013	735,000	4.300%
2003	235,000	3.500%	2014	770,000	4.400%
2004	240,000	3.500%	2015	810,000	4.500%
2005	230,000	3.500%	2016	845,000	4.500%
2006	215,000	3.500%	2017	890,000	4.750%
2007	200,000	3.875%	2018	930,000	4.750%
2008	170,000	4.000%	2019	980,000	4.750%
2009	155,000	4.200%	2020	1,030,000	4.750%
2010	75,000	4.300%	2021	1,080,000	5.000%
2011	80,000	4.300%	2022	1,135,000	5.000%
2012	80,000	4.300%	2023	1,190,000	5.000%
			2026	3,965,000	5.000%

PLACES AND MEDIUM OF PAYMENT OF INTEREST PRINCIPAL AND REDEMPTION PRICE:

Principal and premium, if any, payable at the offices of Fifth Third Bank, Cincinnati, Ohio, or its successor, as Paying Agent under the Series 2001A Bond Resolution, in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts. Interest payable by check or draft mailed to the registered owners as of the 15th day of the month preceding each interest payment date.

REDEMPTION PRIOR TO MATURITY: Series 2001A Bonds maturing on and after February 1, 2013 are subject to redemption, in whole or in part on any date, on and after February 1, 2012 at the following Redemption Prices expressed as percentages of the principal amount of the Series 2001A Bonds to be redeemed, as follows:

<u>Period</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Price</u>
February 1, 2012 and thereafter if prior to maturity	100%

Term Bonds due February 1, 2026 shall be subject to mandatory sinking and redemption at a Redemption Price equal to 100% of the principal amount thereof on February 1, in the years and in the amounts, as follows:

<u>Year</u>	<u>Amount</u>
2024	\$1,255,000
2025	\$1,320,000

with the remaining \$1,390,000 principal amounts of such Bonds payable respectively at maturity.

FORM, DENOMINATIONS AND NUMBERING OF THE SERIES 2001A BONDS: Series 2001A Bonds are issuable as fully registered bonds, in the denominations of any integral multiple of \$5,000. All Series 2001A Bonds are issued substantially in the form of registered bonds set forth in the General Bond Resolution and are numbered from R-1 upward.

~

EXHIBIT A

<u>Payee</u>	<u>Purpose</u>	<u>Amount</u>
Ross, Sinclair & Associates, Inc.	Financial Advisor's Fee	\$63,458.00
Taft, Stettinius & Hollister LLP	Bond Counsel's Fee	\$19,625.00
Moody's Investors Service	Rating Agency's Fee	\$7,250.00
Star Bank, N.A.	Paying Agent Fee	\$4,800.00

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**OFFICIAL STATEMENT  
Relating to the Issuance of**

**\$16,325,000**

**NORTHERN KENTUCKY WATER DISTRICT  
REVENUE BONDS, SERIES 2001A**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the Northern Kentucky Water District Revenue Bonds, Series 2001A (the "Series 2001A Bonds" or the "Bonds").

The Northern Kentucky Water District (the "District") is the lawful successor to the Campbell County, Kentucky Water District and the Kenton County Water District No. 1 (collectively the "Prior Districts"). On May 24, 1996, the Prior Districts petitioned the Commonwealth of Kentucky Public Service Commission (the "PSC") for approval to merge and operate as the Northern Kentucky Water District. On August 28, 1996 the PSC by Order [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 Bonds are being issued as parity bonds under and secured by the 1985 General Bond Resolution, adopted by the Kenton County Water District No. 1 on November 19, 1985 as amended by a First Supplemental General Bond Resolution adopted November 17, 1987 (collectively, the "Resolution"), authorizing the issuance of and securing the Water District Revenue Bonds. The Bonds, together with the current Outstanding Bonds (see "Outstanding Bonds" herein) and, any other Parity Bonds (as hereinafter defined) that may be issued in the future, are collectively referred to as the "Outstanding Bonds". All Outstanding Bonds are issued under Chapter 74 of the Kentucky Revised Statutes. Issuance of the Bonds has been determined by the PSC as reasonably necessary and appropriate for such purposes [Case #2000-481].

The Bonds do not constitute an indebtedness of the District within the meaning of the Constitution of the Commonwealth of Kentucky, but are payable as to principal and interest and premium, if any, solely from and are secured by, a pledge of revenues and income resulting from the collection of water rates, and rentals and charges for the services rendered by the waterworks facilities (the "System") owned by the District. A statutory mortgage lien on all properties of the District has been granted to and in favor of the registered owner or owners of the Bonds and such properties shall remain subject to statutory mortgage lien until the payment in full of the principal and interest on the Bonds.

The Bonds are not general obligations of the District, or the counties, cities, water districts or other water associations it serves. For a more detailed description of the sources of payment of the Bonds and the rate covenant and statutory mortgage lien that secure the Bonds, see "Security and Sources of Payment."

All financial and other information presented in this Official Statement has been provided by the District from its records, except for information expressly attributed to other sources. The presentation of financial and other information regarding the District is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be considered more or less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents. Prior to issuance and delivery of the Bonds, copies of the Resolution, as amended, may be obtained

at the offices of Hemmer, Spoor, Pangburn, Defrank & Kasson PLLC, 250 Grandview, Suite 200, Ft. Mitchell, Kentucky 41017.

### AUTHORIZATION AND PURPOSE

The District Board of Commissioners at their meeting of September 13, 2001, adopted a resolution authorizing a Preliminary Official Statement, the Bid Form, the official Notice of Sale and other actions with respect to the offering for sale of the Bonds. The District Board of Commissioners adopted a resolution authorizing the issuance of the Bonds also at that meeting (the "Series 2001A Bond Resolution"). Approval has been granted to issue the Bonds by an Order of the PSC dated August 30, 2001 in the matter of Case No. 2000-481.

### OUTSTANDING BONDS

The District currently has outstanding nine (9) series of bonds issued by the Kenton County Water District No. 1 and two (2) series of bonds issued by the District with debt payments extending past December 31, 2001. The current series of outstanding bonds (the "Outstanding Bonds") are reported by the table below:

Issuer	Series	Original Principal	Principal Redeemed	Principal Outstanding	Final Maturity	Interest Range
KCWD	1992A	\$ 36,090,000	\$ 8,370,000	\$ 27,720,000	2017	6.3 - 6.375%
KCWD	1992B	11,405,000	1,185,000	10,220,000	2017	3.5 - 6.0%
KCWD	1993	2,150,000	455,000	1,695,000	2017	4.675 - 5.5%
KCWD	1995A	7,315,000	1,020,000	6,295,000	2019	5.7 - 5.7%
KCWD	1995B	16,885,000	2,095,000	14,790,000	2020	5.5 - 5.7%
KCWD	1995C	1,621,000	58,000	1,563,000	2035	5.5 - 5.5%
KCWD	1997	11,225,000	2,040,000	9,185,000	2022	4.7 - 4.75%
NKWD	1998	11,355,000	650,000	10,705,000	2028	4.7 - 4.875%
NKWD	2000	2,287,000	484,000	1,803,000	2039	5.0 - 5.0%
NKWD	2001A	16,325,000		16,325,000	2026	3.5 - 5.0%
<b>Totals:</b>		<b>\$116,658,000</b>	<b>\$16,357,000</b>	<b>\$100,301,000</b>		

### PLAN OF FINANCING

#### Public Service Commission Approval

On October 27, 2000, the District applied for authority from the PSC to issue approximately \$16,325,000 of its Bonds in order to fund certain projects now being constructed or being planned by the District and to pay for the costs of issuance of the Bonds. The Bonds are being issued pursuant to the Resolution in order to provide funding for certain projects as being planned or currently under construction, to make a deposit to the Debt Service Reserve Fund as required by the Resolution, to redeem in full the principal and accreted interest thereon of the Northern Kentucky Water District Bond Anticipation Notes, Series 2000 (the "Series 2000 Notes") and to pay for the costs of issuance of the Bonds. The District did not petition the PSC for any increases or changes to the existing rates charged by the System. The PSC by Order dated August 30, 2001 authorized the issuance of the Bonds.

#### Construction Projects

The District plans to pay from the net Bond proceeds the costs of constructing approximately \$7.15 million of additions and improvements to the System. The remainder of the bond proceeds will be used to redeem all the Series 2000 Notes, deposit to the Debt Service Reserve Fund, if required to comply with the Resolution and to pay the costs of issuing the Bonds. Based on the accountants study, a rate tariff increase will not be required in order to meet the current rate covenant of the District (see "Proforma Minimum Net Income and Revenue Calculation" herein under Appendix B).

### **PLANS TO ISSUE ADDITIONAL PARITY DEBT**

The District continues to plan projects in order to meet the short and long term needs of the System to pump, treat and supply potable water in order to meet the future service area water needs. The District expects that it will issue a substantial amount of additional parity debt over the next ten years to pay for these improvements to the System. However, no definitive plan for financing the expansions and improvements have been developed nor has the impact these projects may have on the System's current rates and tariffs being charged its retail and wholesale customers been studied.

In addition to the additional bonds that are expected to be issued in the future to meet the customary repair and replacement of mains, water quality control measures and the growing demands of the service area, the District expects it will issue approximately \$45,675,000 of refunding and revenue bonds on or about December 1, 2001. The proceeds of these additional bonds are planned to be used to currently refund the Series 1992B bonds of the System and to provide funds to acquire the City of Newport, Kentucky municipal water system. The District is currently negotiating the final terms and conditions of the purchase contract and has petitioned the PSC [Case # 2001-198] for their approval to issue these bonds.

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### DEBT SERVICE SCHEDULE

The following schedule sets forth the annual debt service of the current Outstanding Bonds, the principal and interest payments for the Bonds, and the total debt service following the sale and delivery of the Bonds:

FY Ending 12/31	Current Bond Payments	Principal Payment	Interest Payment	Total Payment	Total Bond Payments
2002	\$ 8,713,496	\$ 285,000	\$ 254,575	\$ 916,450	\$ 9,629,946
2003	8,778,970	235,000	376,875	984,638	9,763,608
2004	8,771,056	240,000	372,763	981,325	9,752,381
2005	8,751,721	230,000	368,563	963,100	9,714,821
2006	8,730,698	215,000	364,538	940,313	9,671,011
2007	8,717,664	200,000	360,775	917,675	9,635,339
2008	8,674,856	170,000	356,900	880,400	9,555,256
2009	8,639,466	155,000	353,500	858,745	9,498,211
2010	8,551,451	75,000	350,245	773,878	9,325,328
2011	8,559,084	80,000	348,633	775,545	9,334,629
2012	7,562,731	80,000	346,913	772,105	8,334,836
2013	8,196,740	735,000	345,193	1,409,583	9,606,323
2014	8,208,573	770,000	329,390	1,411,840	9,620,413
2015	8,213,879	810,000	312,450	1,416,675	9,630,554
2016	8,204,373	845,000	294,225	1,414,438	9,618,810
2017	8,210,749	890,000	275,213	1,419,288	9,630,037
2018	4,293,285	930,000	254,075	1,416,063	5,709,348
2019	4,297,017	980,000	231,988	1,420,700	5,717,717
2020	3,738,176	1,030,000	208,713	1,422,963	5,161,139
2021	2,468,251	1,080,000	184,250	1,421,500	3,889,751
2022	2,466,919	1,135,000	157,250	1,421,125	3,888,044
2023	2,365,493	1,190,000	128,875	1,418,000	3,783,493
2024	2,371,668	1,255,000	99,125	1,421,875	3,793,543
2025	2,367,938	1,320,000	67,750	1,422,500	3,790,438
2026	2,374,054	1,390,000	34,750	1,424,750	3,798,804
<b>TOTALS:</b>	<b>\$162,228,308</b>	<b>\$16,325,000</b>	<b>\$6,777,523</b>	<b>\$29,625,470</b>	<b>\$191,853,778</b>

Note: Numbers are rounded to nearest one dollar (\$1.00).

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## USE OF PROCEEDS

The table below shows the use of proceeds of the Bonds, other than any portions thereof representing accrued interest:

<b>Sources</b>	
Par Amount of Bonds	\$16,325,000.00
Less Underwriter's Discount	325,962.60
Less accrued interest	<u>50,915.00</u>
Total Source of Funds	\$16,049,952.40
<b>Uses</b>	
Deposit to 2000 Note Fund	\$7,688,666.67
Deposit to Construction Fund	7,238,889.73
Deposit to Debt Service Reserve	978,981.00
Deposit to Cost of Issuance Fund	92,500.00
Deposit accrued interest to Bond Interest Account	<u>50,915.00</u>
Total Use of Proceeds	\$16,049,952.40

## THE BONDS

### Dated Date and Payment Dates

The Bonds will be dated October 1, 2001, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year commencing February 1, 2002 (each an "Interest Payment Date"), and will mature February 1, in the years and in the principal amounts set forth on the cover page of this Official Statement.

### Registration, Payment and Transfer

The Bonds are to be issued only as fully registered Bonds in the denomination of \$5,000 or any integral multiple thereof.

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

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

**NORTHERN KENTUCKY WATER DISTRICT  
COMMISSIONERS**

Joe Koester, Chairman  
Pat Sommerkamp, Secretary  
Michael Hemmer, Treasurer

Norman Veach  
Frank Jackson  
Kathleen Almoslechner

Ron Lovan P.E., President/CEO  
Ronald J. Barrow M.P.A., Finance Director  
Andrew Remlinger CPA, Controller

**COUNSEL TO THE ISSUER**

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Cincinnati, Ohio

John M. Hughes  
Frankfort, Kentucky

**INDEPENDENT ACCOUNTANTS**

Rankin, Rankin & Company  
Ft. Wright, Kentucky

**BOND COUNSEL**

Hemmer, Spoor, Pangburn, Defrank & Kasson, PLLC  
Ft. Mitchell, Kentucky

**PAYING AGENT AND REGISTRAR**

Fifth Third Bank  
Cincinnati, Ohio

**FINANCIAL ADVISOR**

Ross, Sinclair & Associates, Inc.  
Cincinnati, Ohio  
Lexington, Kentucky  
Louisville, Kentucky

## REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the Northern Kentucky Water District identified on the cover page hereof. No person has been authorized by the District to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized by the District or their Financial Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful 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 the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the District will pass upon the accuracy or adequacy of this Official Statement or approve the Bonds for sale.

This Official Statement includes the front cover page immediately preceding this page and all Appendices hereto.

ATTACHMENT 5

**FINAL OFFICIAL STATEMENT  
DATED JANUARY 23, 2002**

**NEW ISSUE  
Book-entry Only**

**RATING: Moody's "Aaa" (FGIC)  
See "Bond Insurance" and "Ratings" herein**

*In the opinion of Bond Counsel, under existing law (i) interest on the Bonds will be excludible from gross income of the holders thereof for purposes of federal income taxation and (ii) interest on the Bonds will not be a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, all subject to the qualifications described herein under the heading "Tax Exemption." The Bonds and interest thereon are exempt from income taxation and ad valorem taxation by the Commonwealth of Kentucky and political subdivisions thereof (see "Tax Exemption" herein). The District has not designated the Bonds as "qualified tax-exempt obligations" under Section 265 of the Code.*

**\$45,485,000**

**NORTHERN KENTUCKY WATER DISTRICT  
REFUNDING AND REVENUE BONDS, SERIES 2002A**

**Dated: February 1, 2002**

**Due: February 1, as shown below**

Interest on the Bonds is payable each February 1 and August 1, beginning August 1, 2002. The Bonds are being issued in book-entry only form and will be available for purchase in principal amounts of \$5,000 and integral multiples thereof. The Bonds are subject to redemption prior to maturity as described herein.

Upon issuance and delivery, the Bonds will be secured on a parity with certain other Outstanding Bonds of the District (see "Outstanding Bonds" herein) and with any additional Parity Bonds (as hereinafter defined) and by a pledge of and lien on the net revenues of the System (as hereinafter defined) and by a mortgage lien on the Mortgaged Properties as hereinafter described.

Maturing February 1	Principal Amount	Interest Rate	Reoffering Yield	Maturing February 1	Principal Amount	Interest Rate	Reoffering Yield
2003	\$ 350,000	4.50%	1.88%	2014	\$ 990,000	4.50%	4.55%
2004	345,000	4.50%	2.26%	2015	1,035,000	4.65%	4.68%
2005	360,000	4.50%	2.82%	2016	1,100,000	4.75%	4.78%
2006	370,000	4.50%	3.14%	2017	1,625,000	4.75%	4.94%
2007	380,000	4.50%	3.48%	2018	2,520,000	4.75%	5.00%
2008	410,000	4.50%	3.70%	2019	2,640,000	4.75%	5.06%
2009	365,000	4.50%	3.92%	2020	3,080,000	5.00%	5.04%
2010	465,000	4.50%	4.05%	2021	3,240,000	5.00%	5.06%
2011	485,000	4.50%	4.15%	2022	3,405,000	5.00%	5.07%
2012	1,530,000	4.50%	4.25%	2023	3,580,000	5.00%	5.09%
2013	950,000	4.50%	4.40%				

**\$16,260,000 5.00% Term Bond due February 1, 2027 - Priced at 98.042 to yield 5.14%**

Certain of the Bonds are offered and sold in their initial public offering at an original issue discount ("OID"). OID is the difference between the stated redemption price at maturity (generally, the face amount) and the lower "issue price" of such Bonds ("Discount Bonds"). The issue price of the Discount Bonds is the initial offering price to the public at which a substantial amount of the Discount Bonds are sold pursuant to that offering. OID accrues to the holders of the Discount bonds over the period to their maturity based on the constant yield method compounded semiannually. The portion of OID that accrues during the time a holder owns a Discount Bond (i) constitutes interest excludable from the holder's gross income for federal income tax purposes and (ii) is added to the holder's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of the Discount Bond. Holders should consult their tax advisers as to the federal income tax consequences, and any state and local tax aspects, of owning Discount Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. Purchases will be made in book-entry form only. Purchasers of Bonds will not receive physical delivery of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, interest together with the principal of and redemption premium, if any, on the Bonds will be paid directly to DTC by the Paying Agent Bank. See "The Bonds - Book-Entry-Only System."

The Northern Kentucky Water District (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"). The Kenton County Water District No.1 adopted a certain General Bond Resolution on November 19, 1985 (the "Resolution") and has issued and has outstanding certain bonds that will continue to be outstanding following the sale and delivery of the Bonds. The Bonds are being issued pursuant to the General Bond Resolution in order to provide moneys for the redemption of the outstanding Kenton County Water District No. 1 Water District Refunding and Revenue Bonds, Series 1992A (the "Series 1992A Bonds"); to refinance certain other outstanding bond anticipation notes of the District or to acquire the Newport City Waterworks System as described herein; to make any deposits to the Debt Service Reserve Fund as required by the Resolution; and, to pay for the costs of issuance of the Bonds.

The Bonds are special and limited obligations of the District, a nonprofit, non-stock special District organized under the provisions of Kentucky Revised Statutes (KRS) Chapter 74, issued at the request of the District, and do not constitute a debt, liability or general obligation of the District within the meaning of the Constitution and laws of the Commonwealth of Kentucky, or a pledge of the faith and credit or the taxing power of the District.

The scheduled payment of principal and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by



**Financial Guaranty Insurance Company**

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency.

The Bonds are offered when, as, and if issued subject to the approving legal opinion of Hemmer, Spoor, Pangburn, Defrank & Kasson PLLC, Ft. Mitchell, Kentucky, Bond Counsel.

The District deems this Official Statement to be final for purposes of the Securities and Exchange Commission Rule 15c2-12(b)(1).



**NORTHERN KENTUCKY WATER DISTRICT  
COMMISSIONERS**

Joe Koester, Chairman  
Pat Sommerkamp, Secretary  
Michael Hemmer, Treasurer

Norman Veach  
Frank Jackson  
Kathleen Almoslechner

Ron Lovan P.E., President/CEO  
Ronald J. Barrow M.P.A., Finance Director  
Andrew Remlinger CPA, Controller

**COUNSEL TO THE ISSUER**

Charlie Pangburn III  
Cincinnati, Ohio

Jack M. Hughes  
Frankfort, Kentucky

**INDEPENDENT ACCOUNTANTS**

Rankin, Rankin & Company  
Ft. Wright, Kentucky

**BOND COUNSEL**

Hemmer, Spoor, Pangburn, Defrank & Kasson, PLLC  
Ft. Mitchell, Kentucky

**PAYING AGENT AND REGISTRAR**

Fifth Third Bank  
Cincinnati, Ohio

**FINANCIAL ADVISOR**

Ross, Sinclair & Associates, Inc.  
Cincinnati, Ohio  
Frankfort, Kentucky  
Louisville, Kentucky

## REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the original offering of the Bonds of the Northern Kentucky Water District identified on the cover page hereof. No person has been authorized by the District to give any information or to make any representation other than that contained in the Official Statement, and if given or made such other information or representation must not be relied upon as having been given or authorized by the District or their Financial Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction in which it is unlawful 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 the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency, except the District will pass upon the accuracy or adequacy of this Official Statement or approve the Bonds for sale.

This Official Statement includes the front cover page immediately preceding this page and all Appendices hereto.

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**OFFICIAL STATEMENT  
Relating to the Issuance of**

**\$45,485,000**

**NORTHERN KENTUCKY WATER DISTRICT  
REFUNDING AND REVENUE BONDS, SERIES 2002A**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth certain information pertaining to the Northern Kentucky Water District Refunding and Revenue Bonds, Series 2002A (the "Series 2002A Bonds" or the "Bonds").

The Northern Kentucky Water District (the "District") is the lawful successor to the Campbell County, Kentucky Water District and the Kenton County Water District No. 1 (collectively the "Prior Districts"). On May 24, 1996, the Prior Districts petitioned the Commonwealth of Kentucky Public Service Commission (the "PSC") for approval to merge and operate as the Northern Kentucky Water District. On August 28, 1996 the PSC by Order [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 Bonds are being issued as parity bonds under and secured by the 1985 General Bond Resolution, adopted by the Kenton County Water District No. 1 on November 19, 1985 as amended by a First Supplemental General Bond Resolution adopted November 17, 1987 (collectively, the "Resolution"), authorizing the issuance of and securing the Water District Revenue Bonds. The Bonds, together with the current Outstanding Bonds (see "Outstanding Bonds" herein) and, any other Parity Bonds (as hereinafter defined) that may be issued in the future, are collectively referred to as the "Outstanding Bonds". All Outstanding Bonds are issued under Chapter 74 of the Kentucky Revised Statutes. Issuance of the Bonds has been determined by the PSC as reasonably necessary and appropriate for such purposes [Case No. 2001-198].

The Bonds do not constitute an indebtedness of the District within the meaning of the Constitution of the Commonwealth of Kentucky, but are payable as to principal and 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 waterworks facilities (the "System") owned by the District. A statutory mortgage lien on all properties of the District has been granted to and in favor of the registered owner or owners of the Bonds and such properties shall remain subject to statutory mortgage lien until the payment in full of the principal and interest on the Bonds.

The Bonds are not general obligations of the District, or the counties, cities, water districts or other water associations it serves. For a more detailed description of the sources of payment of the Bonds and the rate covenant and statutory mortgage lien that secure the Bonds, see "Security and Sources of Payment."

All financial and other information presented in this Official Statement has been provided by the District from its records, except for information expressly attributed to other sources. The presentation of financial and other information regarding the District is not intended, unless specifically stated, to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

This Official Statement should be considered in its entirety, and no one subject discussed should be

considered more or less important than any other by reason of its location in the text. Reference should be made to laws, reports or other documents referred to in this Official Statement for more complete information regarding their contents. Prior to issuance and delivery of the Bonds, copies of the Resolution, as amended, may be obtained at the offices of Hemmer, Spoor, Pangburn, Defrank & Kasson PLLC, 250 Grandview, Suite 200, Ft. Mitchell, Kentucky 41017.

### AUTHORIZATION AND PURPOSE

The District Board of Commissioners at their meeting of January 29, 2002, adopted a resolution (the "Series 2002A Resolution") authorizing a Preliminary Official Statement, the Bid Form, the Official Notice of Sale and other actions with respect to the offering for sale of the Bonds. Approval was granted by the Kentucky Public Service Commission in the matter of Case No. 2001-198 to issue the Bonds by an Order dated January 8, 2002.

### OUTSTANDING BONDS

The District currently has outstanding seven (7) series of bonds issued by the Kenton County Water District No. 1 and three (3) series of bonds issued by the District with debt payments extending past December 31, 2001. The current series of outstanding bonds (the "Outstanding Bonds") are reported by the table below:

Issuer	Series	Original Principal	Principal Redeemed	Principal Outstanding	Final Maturity	Interest Range
KCWD	1992A	\$ 36,090,000	\$ 8,370,000	\$ 27,720,000	2017	6.3 - 6.375%
KCWD	1992B	11,405,000	1,185,000	10,220,000	2017	3.5 - 6.0%
KCWD	1993	2,150,000	455,000	1,695,000	2017	4.675 - 5.5%
KCWD	1995A	7,315,000	1,020,000	6,295,000	2019	5.7 - 5.7%
KCWD	1995B	16,885,000	2,095,000	14,790,000	2020	5.5 - 5.7%
KCWD	1995C	1,621,000	58,000	1,563,000	2035	5.5 - 5.5%
KCWD	1997	11,225,000	2,040,000	9,185,000	2022	4.7 - 4.75%
NKWD	1998	11,355,000	650,000	10,705,000	2028	4.7 - 4.875%
NKWD	2000	2,287,000	484,000	1,803,000	2039	5.0 - 5.0%
NKWD	2001A	16,325,000		16,325,000	2026	3.5 - 5.0%
Totals:		\$116,658,000	\$16,357,000	\$100,301,000		

### OUTSTANDING BOND ANTICIPATION NOTES

The District has reported it has currently outstanding \$16,905,000 of bond anticipation notes ("BANs") originally issued to complete needed capital improvements for its waterworks system. The BANs are further described in the schedule shown below.

Issue Date	Original Principal Amount	Current Principal Outstanding	Interest Rate	Due Date
02/01/01	\$ 2,740,000	\$ 2,740,000	4.50%	02/01/03
06/26/01	14,165,000	14,165,000	4.25%	02/01/03
Totals:	\$16,905,000	\$16,905,000		

## PLAN OF FINANCING

### Public Service Commission Approval

On June 27, 2001, the District applied for authority from the Kentucky Public Service Commission (the "PSC") [Case # 2001-198] to issue approximately \$38,425,000 of refunding bonds in order to refinance its outstanding Kenton County Water District No. 1 Water District Refunding and Revenue Bonds, Series 1992A (the "Series 1992A Bonds") and its Kenton County Water District No. 1 Water District Revenue Bonds (the "Series 1992B Bonds"). The District did not petition the PSC for any changes to the existing rates charged by the System. Prior to receiving an Order as to Case # 2001-198, the District made a proposal to the City of Newport, Kentucky ("Newport") to acquire its waterworks system. Officials of the District have reported that Newport has accepted the proposal of the District to acquire its waterworks system and final negotiations and details as to the transfer of the waterworks system are expected to be completed within the next 60-90 days.

At the request of the District, the PSC held Case # 2001-198 in abeyance until December 5, 2001. On December 17, 2001, the District amended its application to the PSC to reduce the par amount of the refunding and revenue bonds by subtracting that amount required to refinance its Series 1992B Bonds, since the interest costs savings were not at an acceptable amount to the District, and added the costs for acquiring the Newport waterworks system. The total par amount of bonds was amended to approximately \$45,045,000. The District's amended application did not propose any changes to the existing rates of the System.

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

An Order of the PSC was granted on January 8, 2002. The substance of said Order provides that the District is permitted to issue approximately \$46,0945,00 of its revenue and refunding bonds from which the net proceeds are to be applied as follows:

1. The District is authorized to issue bonds in the amount of \$46,045,000 for the purpose of refinancing its Series 1992A Bonds and to permanently fund its Outstanding Bond Anticipation Notes.
2. The District shall agree only to such terms that will result in a positive net present value savings and which are consistent with the parameters set out in its December 17, 2001 filing.
3. The District shall include all necessary provisions in its Bond documents that will enable it to call Bonds should the Commission deny approval of any of the projects listed to be funded by the Outstanding Bond Anticipation Notes.
4. The District shall obtain approval from the Commission prior to using its Bond proceeds for any purpose not expressly authorized by the Order.
5. The District shall, within 30 days of issuing the Bonds authorized herein, file with the Commission a statement setting forth the date the Bonds were issued, the actual interest rates, and the principal amount.

## **Bond Anticipation Notes and City of Newport Waterworks System**

\_\_\_\_\_ Pursuant to the PSC Order dated January 8, 2002, within 90 days of the delivery of the Bonds, the District plans to: (a) redeem all or a portion of its \$2,740,000 Northern Kentucky Water District Bond Anticipation Notes dated February 1, 2001; or, (b) redeem all or any portion of its \$14,165,000 Northern Kentucky Water District Bond Anticipation Notes dated June 26, 2001 (collectively referred to herein as the "Prior Notes"); or, (c) subject to PSC approval, acquire the City of Newport Kentucky Waterworks System as further described below. Said principal amounts to be redeemed and other details of said redemption will be described in more detail in the call notice that describes the Prior Notes that are to be called.

### City of Newport, Kentucky Waterworks System

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

Newport's customer base is currently approximately 6,300 residential, industrial and businesses and one wholesale contract with the District. The 1999 audit of the City shows the total book value of all the waterworks system assets at \$14,997,727. The City reported to the District that it had sales of 386,339,008 gallons of treated water in fiscal year 2001-01 (ending June 30), representing a total gross billing of \$1,382,027.

Officials of the District have reported the total agreed acquisition costs of the Newport waterworks system to be approximately \$17,100,000.

### **Refinancing of Series 1992A Bonds**

The Plan of Financing for the District provides for the issuance of a sufficient par amount of Bonds, that when added with the amounts on deposit in the Series 1992A principal and interest bond sinking funds, will be sufficient to redeem all of the \$27,720,000 outstanding principal amount of its Kenton County Water District No. 1 Water District Refunding and Revenue Bonds, Series 1992A, maturing February 1, 2002 through February 1, 2017, pay the accreted interest due on the call date and pay a premium of 3% on the \$26,565,00 of principal redeemed prior to their stated maturities.

## **PLANS TO ISSUE ADDITIONAL PARITY DEBT**

The District is preparing a plan (the "Master Plan") to issue additional bonds and notes in order to meet the short and long term needs of the System to pump, treat and supply potable water to meet the future service area water needs. The District expects that it will issue a substantial amount of additional parity debt over the next five - ten years to pay for these improvements to the System. However, at this time, no definitive plan for financing the expansions and improvements have been developed nor has the impact these projects may have on the System's current rates and tariffs being charged its retail and wholesale customers been determined. The District has recently established a team of professional service consultants and District officials to make these determinations and plans to file during 2002 with the PSC the Master Plan and a rate tariff proposal that will consolidate the rate structure and support the additional parity bonds and notes debt payments to assure that the District will comply as to adequate debt coverage as set forth in its Outstanding Bond Resolution, as amended.

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### DEBT SERVICE SCHEDULE

The following schedule, rounded to the nearest one dollar, sets forth the annual debt service of the current Outstanding Bonds, the reduction in payments due to the redemption of all the outstanding Series 1992A Bonds, the addition of the principal and interest payments of the Bonds and the total debt service following the sale and delivery of the Bonds:

FY Ending 12/31	Current	Less	----- Add Bond Payments -----			Outstanding	Total
	Outstanding Bond Payments	Refunded Portion	Principal Maturing	Interest Payment	Total Payment	Bond Payments	Outstanding Principal
2002	\$ 8,713,496	-\$ 846,305		\$ 1,107,958	\$ 1,107,958	\$ 8,975,149	\$116,348,000
2003	8,778,970	-2,864,496	\$ 350,000	2,208,040	2,558,040	8,472,514	113,728,000
2004	8,771,056	-2,841,059	345,000	2,192,403	2,537,403	8,467,399	110,981,000
2005	8,751,721	-2,818,503	360,000	2,176,540	2,536,540	8,469,758	108,092,000
2006	8,730,698	-2,792,122	370,000	2,160,115	2,530,115	8,468,691	105,056,000
2007	8,717,664	-2,766,756	380,000	2,143,240	2,523,240	8,474,148	101,857,000
2008	8,674,856	-2,742,088	410,000	2,125,465	2,535,465	8,468,234	98,496,000
2009	8,639,466	-2,645,188	365,000	2,108,028	2,473,028	8,467,306	94,957,000
2010	8,551,451	-2,640,259	465,000	2,089,353	2,554,353	8,465,544	91,230,000
2011	8,559,084	-2,643,797	485,000	2,067,978	2,552,978	8,468,265	87,300,000
2012	7,562,731	-2,645,163	1,530,000	2,022,640	3,552,640	8,470,209	83,158,000
2013	8,196,740	-2,644,038	950,000	1,966,840	2,916,840	8,469,543	78,797,000
2014	8,208,573	-2,649,784	990,000	1,923,190	2,913,190	8,471,979	74,202,000
2015	8,213,879	-2,656,606	1,035,000	1,876,851	2,911,851	8,469,124	69,364,000
2016	8,204,373	-2,659,025	1,100,000	1,826,663	2,926,663	8,472,010	64,262,000
2017	8,210,749	-3,121,422	1,625,000	1,761,944	3,386,944	8,476,271	58,881,000
2018	4,293,285		2,520,000	1,663,500	4,183,500	8,476,785	53,216,000
2019	4,297,017		2,640,000	1,540,950	4,180,950	8,477,967	47,256,000
2020	3,738,176		3,080,000	1,401,250	4,481,250	8,219,426	41,251,000
2021	2,468,251		3,240,000	1,243,250	4,483,250	6,951,501	36,236,000
2022	2,466,919		3,405,000	1,077,125	4,482,125	6,949,044	30,967,000
2023	2,365,493		3,580,000	902,500	4,482,500	6,847,993	25,532,000
2024	2,371,668		3,765,000	718,875	4,483,875	6,855,543	19,811,000
2025	2,367,938		3,960,000	525,750	4,485,750	6,853,688	13,799,000
2026	2,374,054		4,160,000	322,750	4,482,750	6,856,804	7,476,000
2027	947,247		4,375,000	109,375	4,484,375	5,431,622	2,291,000
2028	679,941					679,941	1,714,000
2029	233,720					233,720	1,565,000
2030	234,683					234,683	1,407,000
2031	233,225					233,225	1,242,000
2032	234,323					234,323	1,067,000
2033	232,948					232,948	884,000
2034	234,075					234,075	690,000
2035	235,598					235,598	484,000
2036	133,400					133,400	372,000
2037	133,650					133,650	254,000
2038	133,600					133,600	130,000
2039	133,250					133,250	
<b>TOTALS:</b>	<b>166,027,966</b>	<b>-41,976,611</b>	<b>45,485,000</b>	<b>41,262,570</b>	<b>86,747,57</b>	<b>0210,798,925</b>	

## USE OF PROCEEDS

The table below shows the use of proceeds of the Bonds, other than any portions thereof representing accrued interest:

<b>Sources</b>	
Par Amount of Bonds	\$45,485,000.00
Less Original Issue Discount	(458,768.15)
Less Underwriter's Discount	<u>(221,457.41)</u>
Total Source of Funds	\$44,804,774.44
<b>Uses</b>	
Deposit to Series 1992A Bond Fund	\$27,361,500.00
Deposit to Construction and Acquisition Account	17,100,000.00
Deposit to Cost of Issuance Fund	<u>343,274.44</u>
Total Use of Proceeds	\$44,804,774.44

## THE BONDS

### Dated Date and Payment Dates

The Bonds will be dated February 1, 2002, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year commencing August 1, 2002 (each an "Interest Payment Date"), and will mature February 1, in the years and in the principal amounts set forth on the cover page of this Official Statement.

### Registration, Payment and Transfer

The Bonds are to be issued in book-entry only form in the denomination of \$5,000 or any integral multiple thereof.

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

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

### Book-Entry Only System

The Bonds will be issued solely in book-entry form to be held in the book-entry only system maintained by The Depository Trust Company ("DTC"), New York, New York. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Bonds and, except as otherwise

provided herein with respect to Beneficial Owners of Beneficial Ownership Interests, Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Bonds.

**The following information about the book-entry only system applicable to the Bonds has been supplied by DTC. The District, the Paying Agent and the Underwriter does makes any representations, warranties or guarantees with respect to its accuracy or completeness.**

DTC will act as securities depository for the Bonds. The Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, 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 Bonds ("Beneficial Ownership Interests") 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 Beneficial Ownership Interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).



Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. 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 Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the Participant's interest in the Beneficial Ownership Interests, on DTC's records, to the purchaser or the Paying Agent, as appropriate. The requirements for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Note certificates are required to be printed and delivered, as described below under "DESCRIPTION OF THE Bonds-Revision of Book-Entry System; Replacement Bonds."

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

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

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

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

### **DTC Letter of Representations**

Certain duties of DTC and procedures to be followed by DTC, the Paying Agent and the Underwriter are set forth in DTC's operational arrangements (the "Operational Arrangements"). In the event of any conflict between the provisions of the General Bond Resolution and the provisions of the Operational Arrangements relating to delivery of Bonds to the Paying Agent, the provisions of the Operational Arrangements shall control. The Issuer has executed a blanket letter of representations (the "DTC Letter of Representations") enabling the Bonds to be eligible for DTC's book-entry only system.

### **Revision of Book-Entry System; Replacement Bonds**

The District will issue and deliver fully registered Bonds (the "Replacement Bonds") directly to owners other than DTC only in the event that DTC determines not to continue to act as securities depository for the Bonds.

Upon occurrence of such event, the District may attempt to establish a securities depository book-entry relationship with another securities depository. If the District does not do so, or is unable to do so, and after the Paying Agent has notified the owners of book-entry interests with respect to the Bonds by appropriate notice to DTC, the District will issue and the Paying Agent will authenticate and deliver Replacement Bonds to the assignees of DTC or its nominee.

In the event that the book-entry only system is discontinued, the principal or redemption price of and interest on the Bonds will be payable in the manner described above in the third paragraph under "DESCRIPTION OF THE BONDS - General," and the following provisions would apply. The Bonds may be transferred or exchanged for one or more Bonds in different authorized denominations upon surrender thereof at the designated office of the Paying Agent as Registrar or at the designated office of any Paying Agent (initially, the Paying Agent) by the registered owners or their duly authorized attorneys or legal representatives. Upon surrender of any Bonds to be transferred or exchanged, the District will execute, and the Registrar will record the transfer or exchange in its registration books and the Registrar or Authenticating Agent shall authenticate and deliver, new Bonds appropriately registered and in appropriate authorized denominations. Neither the District, the Registrar nor any Paying Agent shall be required to transfer or exchange any Note during a period beginning 15 business days before the day of the mailing of a notice of redemption of the Bonds and ending at the close of business on the day of such mailing, nor any Note all or part of which has been selected for redemption or subject to mandatory purchase.

### **Optional Redemption**

The Bonds maturing on or after February 1, 2013, will be subject to redemption prior to maturity at the option of the District, on any date on or after February 1, 2012, in whole or in part, prior to maturity, in inverse order of their maturities, less than all of the single maturity to be selected in such manner as the Registrar may determine, from any money available therefore, at the redemption prices, expressed as percentages of the principal amount to be redeemed, set forth in the following table, plus accrued interest to the Redemption Date:

<u>Optional Redemption Period (Dates Inclusive)</u>	<u>Redemption Price</u>
February 1, 2012 and thereafter if prior to maturity	100 %

The District shall mail a notice of the redemption of the Bonds determined by the District to be redeemed, which notice shall specify the maturities of the Bonds to be redeemed, not less than thirty (30) days before the Redemption Date to the registered owners.

**Mandatory Sinking Fund Redemption**

The Term Bond due February 1, 2027 is subject to mandatory sinking fund redemption prior to maturity at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the redemption date, on February 1, in the years and in the principal amounts as follows:

2024	\$3,765,000
2025	3,960,000
2026	4,160,000

The remaining \$4,375,000 principal amount of Bonds due February 1, 2027 is scheduled to be paid at maturity.

**Extraordinary Redemption**

The District plans to file a Petition to the PSC no later than February 1, 2002 that will request the PSC approve their using the balance of the Bond proceeds that has not been used in connection with refinancing the Series 1992A Bonds, funding of the Debt Service Reserve and payment of the cost of issuance of the Bonds and applying those Bond proceeds towards the purchase price of the City of Newport waterworks system. However, in the alternative, if the PSC has not granted their approval to acquire the Newport waterworks system within ninety (90) days from the date of delivery of the Bonds, then the District plans to call and discharge a correlating principal amount of its Outstanding Bond Anticipation Notes represented by the projects that have been approved at that time by the PSC for which Certificates of Construction and Necessity have been granted by the PSC and that were originally paid from the net proceeds of the Outstanding Bond Anticipation Notes (the "Original Note Projects"). As of the date of this Official Statement, District officials have reported that orders have been granted and Certificates of Construction granted by the PSC representing approximately \$7,430,000 of Original Note Projects. Assuming the acquisition of the Newport waterworks system and no additional orders and certificates of construction are granted for the Original Note Projects within ninety (90) days from the delivery date of the Bonds by the PSC, then the District expects that it would have to call approximately \$8,000,000 of the Bonds due to the inability to receive adequate PSC approvals. If an Extraordinary Redemption of the Bonds is made, Bonds will be selected in the inverse order of their maturities (less than all of single maturity to be selected by lot) on any date occurring before May 15, 2002.

**Additional Bonds**

The District has reserved the right and privilege of issuing additional series of bonds from time to time, payable under the Resolution on a basis of parity with all other bonds authorized, in order to reconstruct, repair and improve the System; make, acquire, construct and install additions, extensions, betterments, or improvements thereto; acquire existing waterworks and water distribution systems from any person, if said waterworks and water distribution systems are revenue producing; and, refund any bonds outstanding.

The issuance of additional parity bonds is subject to the condition, among other requirements, that the net annual income and revenues of the System for a period of twelve (12) consecutive months of the fifteen (15) months immediately prior to the issuance of said parity bonds, are certified in writing by an independent firm of State-licensed Certified Public Accountants to have been equal to at least one and twenty hundredths (1.20) times the maximum annual debt service coming due in any future twelve (12) month period beginning February 1 and ending January 31 on all Bonds outstanding and payable from revenues pledged under the Resolution. In calculating net annual income and revenues, the accountants may adjust the amounts of water rates and charges for the historical period being tested by taking into account any revision in water rates currently being imposed by the District or any revision in water rates actually approved by the PSC. Net annual income and revenues may also be adjusted by a consulting engineer to take into account additional revenues to be realized by the acquisition of an existing waterworks, to be derived from extensions of the System or to be received under contractual relationships that extend to the final maturity date of such bonds.

CERTIFICATE OF THE TREASURER AS TO  
INDEBTEDNESS AND FINANCIAL CONDITION

I, MICHAEL J. HEMMER, Treasurer of Northern Kentucky Water District, Kenton and Campbell Counties, Kentucky (the "District"), a public agency and a governmental unit of the Commonwealth of Kentucky, created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes, DO HEREBY CERTIFY, as follows:

1. That I am the duly appointed, qualified and acting Treasurer of the District authorized to do and perform all things and execute all papers and documents for and on behalf of the District necessary or convenient to the issuance and sale of the District's \$16,325,000 Northern Kentucky Water District Revenue Bonds, Series 2002A, dated October 1, 2001, described in the document hereto made a part hereof and attached hereto, and identified as Schedule X (the "Series 2002A Bonds").

2. That upon the date of issuance and delivery of the Series 2002A Bonds there will be outstanding, in addition to the Series 2002A Bonds only the following District Bonds:

<u>Designation</u>	<u>Principal Amount</u>
Water District Refunding and Revenue Bonds, Series 1992A	\$27,720,000
Water District Refunding and Revenue Bonds Series 1992B	\$10,220,000
Water District Revenue Bonds, Series 1993	\$1,695,000

Water District Revenue Bonds, Series 1995A	\$6,295,000
Water District Revenue Bonds Series 1995B	\$14,790,000
Water District Revenue Bonds, Series 1995C	\$1,563,000
Water District Refunding Revenue Bonds, Series 1997	\$9,185,000
Water District Revenue Bonds, Series 1998	\$10,705,000
Water District Revenue Bonds, Series 2000	\$1,803,000
Water District Revenue Bonds, Series 2002A	\$16,325,000
TOTAL	<u>\$87,793,000</u>

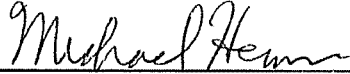
3. That no other bonds, notes or other long-term obligations of the District, other than that specifically listed in paragraph 2 above, have been authorized and issued or are outstanding as of the date of this Certificate.

4. That the present indebtedness of the District including the obligations referred to in paragraph 2 of this Certificate, is within every limit pursuant to Chapter 74 of the Kentucky Revised Statutes and the Constitution of Kentucky prescribed in respect of the District.

5. That as of the date of this Certificate, the financial condition of the District has not changed in any material adverse respect from the financial condition of said District as same may have been represented in the Preliminary Official Statement of the District dated January 22, 2002, and

the Official Statement of the District dated January 29, 2002,  
with respect to the Series 2002A Bonds.

IN WITNESS WHEREOF, I have hereunto set my hand this  
first day of February, 2002.



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MICHAEL J. HEMMER  
District Treasurer  
Northern Kentucky Water District

NORTHERN KENTUCKY WATER DISTRICT  
WATER DISTRICT REFUNDING AND REVENUE BONDS, SERIES 2002A

AGGREGATE PRINCIPAL AMOUNT:     \$45,485,000

AUTHORIZATION: Under and pursuant to Chapter 74 of the Kentucky Revised Statutes, and under and pursuant to the General Bond Resolution of the District adopted and approved by the Board of Commissioners of the Kenton County Water Service District No. 1 ("Kenton"), legal predecessor to the District on November 19, 1985, as amended by the First Supplemental General Bond Resolution adopted and approved on November 17, 1987 by the Board of Commissioners of Kenton (collectively, the "General Bond Resolution") and the series resolution of the District adopted by the Board of Commissioners of the District on January 29, 2002, authorizing the issuance of Northern Kentucky Water District Water District Refunding and Revenue Bonds, Series 2002A of the District (collectively, the "Series 2002A Resolution").

DATE:             February 1, 2002

MATURITIES AND INTEREST RATES: Maturing on February 1, of the following years in the respective principal amounts, and bearing the respective rates of interest set forth opposite such years in the following table:

<u>Maturing February 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturing February 1</u>	<u>Amount</u>	<u>Interest Rate</u>
2003	350,000	4.500%	2014	990,000	4.500%
2004	345,000	4.500%	2015	1,035,000	4.650%
2005	360,000	4.500%	2016	1,100,000	4.750%
2006	370,000	4.500%	2017	1,625,000	4.750%
2007	380,000	4.500%	2018	2,520,000	4.750%
2008	410,000	4.500%	2019	2,640,000	4.750%
2009	365,000	4.500%	2020	3,080,000	5.000%
2010	465,000	4.500%	2021	3,240,000	5.000%
2011	485,000	4.500%	2022	3,405,000	5.000%
2012	1,530,000	4.500%	2023	3,580,000	5.000%
2013	950,000	4.500%	2027	16,260,000	5.000%

PLACES AND MEDIUM OF PAYMENT OF INTEREST PRINCIPAL AND REDEMPTION

PRICE: Principal and premium, if any, payable at the offices of Fifth Third Bank, Cincinnati, Ohio, or its successor, as Paying Agent under the Series 2002A Bond Resolution, in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts. Interest payable by check or draft mailed to the registered owners as of the 15th day of the month preceding each interest payment date.

REDEMPTION PRIOR TO MATURITY: Series 2002A Bonds maturing on and after February 1, 2013 are subject to redemption, in whole or in part on any date, on and after February 1, 2012 at the following Redemption Prices expressed as percentages of the principal amount of the Series 2002A Bonds to be redeemed, as follows:

<u>Period</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Price</u>
February 1, 2012 and thereafter if prior to maturity	100%

Term Bonds due February 1, 2027 shall be subject to mandatory sinking fund redemption at a Redemption Price equal to 100% of the principal amount thereof on February 1, in the years and in the amounts, as follows:

<u>Year</u>	<u>Amount</u>
2024	\$3,765,000
2025	\$3,960,000
2026	\$4,160,000

with the remaining \$4,375,000 principal amounts of such Bonds payable respectively at maturity.

FORM, DENOMINATIONS AND NUMBERING OF THE SERIES 2002A BONDS:

Series 2002A Bonds are issuable as fully registered bonds, in the denominations of any integral multiple of \$5,000. All Series 2002A Bonds are issued substantially in the form of registered bonds set forth in the General Bond Resolution and are numbered from R-1 upward.



BOND REGISTRAR AND  
PAYING AGENCY AGREEMENT

Between

NORTHERN KENTUCKY WATER DISTRICT

And

FIFTH THIRD BANK,  
Cincinnati, Ohio

DATED AS OF:

FEBRUARY 1, 2002

BOND REGISTRAR AND PAYING AGENCY AGREEMENT

THIS PAYING AGENCY AGREEMENT (the "Agreement") dated as of the 1st day of February, 2002. between the NORTHERN KENTUCKY WATER DISTRICT, a regional water district created and existing pursuant to the provisions of Chapter 74 of the Kentucky Revised Statutes (the "Issuer"), and FIFTH THIRD BANK, an Ohio banking corporation (the "Bank"), Cincinnati, Ohio, is made under the following circumstances:

WHEREAS, the Issuer has heretofore and will issue fully-registered bonds, such bonds being identified and described in Exhibit A attached hereto and made a part hereof, (collectively referred to herein as the "Bonds") to defease and redeem outstanding notes and bonds; and

WHEREAS, the Issuer desires the Bank to perform services as paying agent, registrar. and transfer agent with respect to the Bonds, and the Bank is willing to perform such services upon the terms contained in this Agreement;

NOW, THEREFORE, the parties to this Agreement covenant and agree as follows:

## ARTICLE I

### DEFINITIONS

In addition to the words and terms elsewhere defined in this Agreement, the following words and terms shall have the following meanings unless the context or use clearly indicates another or different meaning or intent:

"Bond Account" means the account maintained by the Bank pursuant to Section 2.01 hereof.

"Bondholder" means any registered owner of a Bond.

"Bond Legislation" means the resolution authorizing the Bonds.

"Bond Payment Date" means the date on which any interest on or principal of any Bond is due and payable by the Issuer, whether by maturity, amortization, redemption or otherwise.

"Bond Service Charges" means principal of or interest on any Bond.

"Fiscal Officer" means the Treasurer of the Issuer.

"Record Date" means the fifteenth day of the calendar month preceding each Bond Payment Date; for example, the Record Dates for February 1 and October 1 Bond Payment Dates are January 15 and September 15, respectively.

## ARTICLE II

### DUTIES AS PAYING AGENT

SECTION 2.01. The Bank shall maintain a separate deposit account in the name of the Issuer (the "Bond Account"). The Issuer shall cause to be deposited into the Bond Account, on or before each Bond Payment Date moneys sufficient to pay Bond Service Charges that are due and payable on such Bond Payment Date. The deposit made by the Issuer pursuant to the preceding sentence shall be in federal funds or immediate funds or other funds that are good and available to the Bank not later than the Bond Payment Date.

SECTION 2.02. On each Bond Payment Date, the Bank shall issue and mail its check payable from the Bond Account for

the amount of any interest due on any Bond to each Bondholder at the address shown on the registration records maintained by the Bank for such Bond on the relevant Record Date. On each Bond Payment Date. the Bank shall provide for the payment of any principal due and payable on any Bond from moneys on deposit in the Bond Account in accordance with the terms of such Bond.

SECTION 2.03. Unless otherwise agreed by the Issuer and the Bank. the Bank shall not be required to invest any moneys in the Bond Account.

SECTION 2.04. The Bank shall maintain adequate records with respect to the Bond Account and not less than once a year on or about March 15, shall provide the Fiscal Officer with a statement with respect to deposits into and withdrawals from the Bond Account. Any officer of the Issuer shall have access to such records during the Bank's business hours. All Bonds surrendered to the Bank for payment shall be cancelled by the Bank.

### ARTICLE III

#### DUTIES AS BOND REGISTRAR AND TRANSFER AGENT

SECTION 3.01. The Bank is hereby appointed as bond registrar and as such shall authenticate the Bonds and keep books and records for the registration and transfer of Bonds as provided by this Agreement and any Bond Legislation. Such books and records shall be open to inspection by any officer of the Issuer during the Bank's business hours.

Any Bond shall be transferred only upon the books kept for the registration and transfer of Bonds upon surrender thereof to the Bank together with an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Bank. Upon any such transfer the Bank shall authenticate and deliver in exchange for such Bond a new Bond or Bonds registered in the name of the transferee. of any denomination or denominations authorized by the Bond Legislation in an aggregate principal amount equal to the principal amount of such Bond and of the same series and maturity and bearing interest at the same rate.

In all cases in which Bonds shall be exchanged or transferred hereunder, the Bank shall authenticate and deliver at the earliest practicable time Bonds in accordance with the provisions of this Agreement and the Bond Legislation. All Bonds surrendered in any such exchange or transfer shall

forthwith be cancelled by the Bank. The Bank shall not be required to make any such exchange or transfer of Bonds during the fifteen (15) days immediately preceding a Bond Payment Date or, in the case of any proposed redemption of Bonds. after such Bonds, or any portion of any Bond, have been selected for redemption.

In case any Bond shall be mutilated, lost, stolen or destroyed, then the production of such mutilated Bond or upon the receipt of evidence satisfactory to the Bank of the loss, theft or destruction. and upon receipt also of indemnity in the face amount of the Bond and otherwise satisfactory to the Bank, the Bank, in its discretion, may execute. and thereupon deliver a new Bond in exchange for, and upon cancellation of, the mutilated Bond, or in lieu of the Bond so lost, stolen or destroyed.

SECTION 3.02. No Bond shall be valid or become obligatory for any purpose unless and until an authentication certificate shall have been duly endorsed upon such Bond. Such authentication by the Bank upon any Bond shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered hereunder and that the Bank has agreed to accept its duties under this Agreement with respect to such Bond. Such certificate of the Bank may be executed by any person duly authorized by the Bank, but it shall not be necessary that the same person sign the authentication certificate on all of the Bonds of any issue.

SECTION 3.03. At the time of the authentication of any Bond, the Bank shall complete any blanks appearing on such Bond, including denomination. maturity date, interest rate and CUSIP numbers (if applicable).

#### ARTICLE IV

##### CONCERNING THE BANK

SECTION 4.01. The Bank and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in the capacity of a Bondholder in any action which any Bondholder may be entitled to take with like effect as if the Bank were not a party to this Agreement.

SECTION 4.02. The recitals. statements and representations contained in any of the Bonds shall be taken and construed as made by and on the part of the Issuer and not by the

Bank, and the Bank assumes and shall be under no responsibility for the correctness of the same.

SECTION 4.03. The Bank shall be protected and shall incur no liability in acting or proceeding, or in not acting or not proceeding, in good faith, reasonably and in accordance with the terms of this Agreement, upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other paper or document which it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board, commission or person or to have been prepared and furnished pursuant to any of the provisions of this Agreement, or upon the written opinion of any attorney, architect, accountant or other expert believed by the Bank to be qualified in relation to the subject matter. and the Bank shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument. No provision of this Agreement shall be construed to relieve the Bank from liability for its own misconduct or its own negligent action or negligent failure to act. provided that the Bank shall not be liable for any error of judgment made in good faith and without negligence. Notwithstanding anything to the contrary. under no circumstances shall the Bank be responsible for incidental or consequential damages.

SECTION 4.04. Except as provided in Section 3.01 hereof the Bank shall be entitled to payment or reimbursement, or both, from the Issuer for reasonable fees for its services rendered hereunder, in accordance with the fee schedule attached hereto as Exhibit B and all advances, counsel fees, and other expenses reasonably and necessarily made or incurred by it in connection with such services. The Bank shall bill the Issuer for such services and expenses and such bill shall be payable by the Issuer upon receipt.

SECTION 4.05. The Bank may deem and treat the registered owner of any Bond as the absolute owner thereof for all purposes, and the Bank shall not be affected by any notice to the contrary.

## ARTICLE V

### TERMINATION OF AGREEMENT

SECTION 5.01. The Bank may resign, and thereby become discharged from the duties created by this Agreement, as to all Bonds or any series or issue of Bonds, by notice in writing given to the Issuer not less than sixty (60) days before such

resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a replacement bank hereunder, if such replacement bank shall be appointed before the time set forth by such notice and shall then accept the duties thereof.

SECTION 5.02. The Issuer may terminate this Agreement. and thereby discharge the Bank from its duties under this Agreement, as to all Bonds or any series of Bonds, by notice in writing given to the Bank not less than sixty (60) days before such termination is to take effect.

SECTION 5.03. Upon any resignation or termination of this Agreement under this Article, the Bank shall notify the affected Bondholders of such resignation or termination and the name and address of the successor bank hereunder, by certified mail sent not less than thirty (30) days before such resignation or termination is to take effect.

#### ARTICLE VI

#### MISCELLANEOUS

SECTION 6.01. This Agreement shall be governed by the laws of the Commonwealth of Kentucky.

SECTION 6.02. Any notice required hereby shall be sent to the following notice address:

If to the Issuer: Northern Kentucky Water District  
100 Aqua Drive  
Cold Spring, Kentucky 41076  
Attn: Ron Lovan, P.E.,  
President and CEO

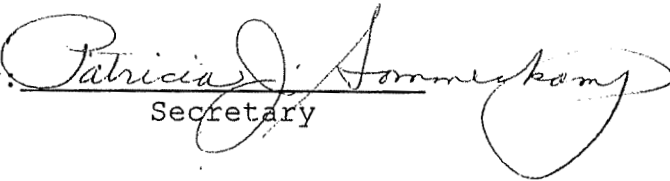
If to the Bank: Fifth Third Bank  
38 Fountain Square Plaza  
Fifth Floor  
Cincinnati, Ohio 45202  
Attn: Fred Overbeck, V.P.

IN WITNESS WHEREOF. the Issuer and the Bank have caused this Agreement to be executed by their duly authorized officers. all as of the date first above written.

NORTHERN KENTUCKY WATER DISTRICT

By:   
Chairperson

Attest:

By:   
Secretary

FIFTH THIRD BANK, Cincinnati, Ohio

By: 

Title: ASSISTANT VICE PRESIDENT



**EXHIBIT A**

NORTHERN KENTUCKY WATER DISTRICT  
WATER DISTRICT REVENUE BONDS, SERIES 2002A

AGGREGATE PRINCIPAL AMOUNT:     \$45,485,000

AUTHORIZATION: Under and pursuant to Chapter 74 of the Kentucky Revised Statutes, and under and pursuant to the General Bond Resolution of the District adopted and approved by the Board of Commissioners of the Kenton County Water Service District No. 1 ("Kenton"), legal predecessor to the District on November 19, 1985, as amended by the First Supplemental General Bond Resolution adopted and approved on November 17, 1987 by the Board of Commissioners of Kenton (collectively, the "General Bond Resolution") and the series resolution of the District adopted by the Board of Commissioners of the District on January 29, 2002, authorizing the issuance of Northern Kentucky Water District Water District Refunding and Revenue Bonds, Series 2002A of the District (collectively, the "Series 2002A Resolution").

DATE:           February 1, 2002

MATURITIES AND INTEREST RATES: Maturing on February 1, of the following years in the respective principal amounts, and bearing the respective rates of interest set forth opposite such years in the following table:

<u>Maturing</u> <u>February 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturing</u> <u>February 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
2003	350,000	4.500%	2014	990,000	4.500%
2004	345,000	4.500%	2015	1,035,000	4.650%
2005	360,000	4.500%	2016	1,100,000	4.750%
2006	370,000	4.500%	2017	1,625,000	4.750%
2007	380,000	4.500%	2018	2,520,000	4.750%
2008	410,000	4.500%	2019	2,640,000	4.750%
2009	365,000	4.500%	2020	3,080,000	5.000%
2010	465,000	4.500%	2021	3,240,000	5.000%
2011	485,000	4.500%	2022	3,405,000	5.000%
2012	1,530,000	4.500%	2023	3,580,000	5.000%
2013	950,000	4.500%	2027	16,260,000	5.000%

PLACES AND MEDIUM OF PAYMENT OF INTEREST PRINCIPAL AND REDEMPTION

PRICE: Principal and premium, if any, payable at the offices of Fifth Third Bank, Cincinnati, Ohio, or its successor, as Paying Agent under the Series 2002A Bond Resolution, in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts. Interest payable by check or draft mailed to the registered owners as of the 15th day of the month preceding each interest payment date.

REDEMPTION PRIOR TO MATURITY: Series 2002A Bonds maturing on and after February 1, 2013 are subject to redemption, in whole or in part on any date, on and after February 1, 2012 at the following Redemption Prices expressed as percentages of the principal amount of the Series 2002A Bonds to be redeemed, as follows:

<u>Period</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Price</u>
February 1, 2012 and thereafter if prior to maturity	100%

Term Bonds due February 1, 2027 shall be subject to mandatory sinking fund redemption at a Redemption Price equal to 100% of the principal amount thereof on February 1, in the years and in the amounts, as follows:

<u>Year</u>	<u>Amount</u>
2024	\$3,765,000
2025	\$3,960,000
2026	\$4,160,000

with the remaining \$4,375,000 principal amounts of such Bonds payable respectively at maturity.

FORM, DENOMINATIONS AND NUMBERING OF THE SERIES 2002A BONDS:

Series 2002A Bonds are issuable as fully registered bonds, in the denominations of any integral multiple of \$5,000. All Series 2002A Bonds are issued substantially in the form of registered bonds set forth in the General Bond Resolution and are numbered from R-1 upward.

EXHIBIT B

One-time up-front fee of \$6,000.00

Financial Guaranty Insurance  
 Company  
 125 Park Avenue  
 New York, NY 10017  
 (212) 312-3000  
 (800) 352-0001

A GE Capital Company

## Municipal Bond New Issue Insurance Policy

Issuer: Northern Kentucky Water District

Policy Number: 02010149

Control Number: 0010001

Bonds: \$45,485,000 in aggregate principal amount of  
 Refunding and Revenue Bonds, Series 2002A

Premium: \$228,300.00

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a

ORDER AND CERTIFICATION OF NORTHERN KENTUCKY WATER  
DISTRICT AS TO CONDITIONS PRECEDENT TO AUTHORIZATION  
AND DELIVERY OF SERIES 2002A BONDS AND RELATED MATTERS

The undersigned, JOSEPH J. KOESTER, Chairperson of the Board of Commissioners and MICHAEL J. HEMMER, Treasurer, of Northern Kentucky Water District, Kenton and Campbell Counties, Kentucky, DO HEREBY CERTIFY AS FOLLOWS:

1. Except for the words "hereby," "herein," "hereto." "hereinafter" and any similar words, all terms which are defined in Section 102 of the General Bond Resolution of Northern Kentucky Water District, Kenton and Campbell Counties, Kentucky (the "District"), adopted on November 19, 1985 by the Board of Commissioners of the Kenton County Water District No. 1 ("Kenton"), as legal predecessor to the District, as amended by the First Supplemental General Bond Resolution adopted by Kenton on November 17, 1987 (collectively, the "General Bond Resolution") shall have the same meanings, respectively, when used in this Order and Certificate as such terms are given in the General Bond Resolution.

2. Pursuant to the General Bond Resolution and the Series 2002A Bond Resolution adopted by the District on January 29, 2002, the District has sold at public competitive sale \$45,485,000 principal amount of Water District Refunding and Revenue Bonds, Series 2002A, dated February 1, 2002 (the "Series 2002A Bonds") to UBS/PaineWebber, Inc. (the "Purchaser") for a purchase price of \$15,886,702.40 together with accrued interest from February 1, 2002, to the date of delivery and payment of the Series 2002A Bonds. The Series 2002A Bonds are more fully described in Schedule X attached hereto.

3. There have now been adopted by and/or received by the District, each as a condition precedent to the issuance of the Series 2002A Bonds, as provided in Section 206 of the General Bond Resolution, the following:

- (i) A certified copy of the General Bond Resolution and a certified copy of the Series 2002A Bond Resolution.
- (ii) The written order of the District as to the delivery of the Series 2002A Bonds, signed by an authorized Officer describing the Series 2002A Bonds to be delivered, designating the purchaser to whom such Series 2002A Bonds are to be delivered and stating the purchase price of the Series 2002A Bonds. This document constitutes such order.
- (iii) The Counsel's Opinion as described in Section 206(3) of the General Bond Resolution.
- (iv) A written order in respect of the deposit of part of the bond proceeds into the Debt Service Reserve if any deposit is required, so that the amount held in such Fund will be equal to the Aggregate Debt Service Reserve Requirement.
- (v) A Certificate of an Authorized Officer of the District stating that the District is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Bond Resolution. This document constitutes such a Certificate, and it is hereby certified for and on behalf of the District, that the District is not in default in the performance

of any of the covenants, conditions, agreements or provisions contained in the General Bond Resolution.

(vi) All certificates, documents and other matters required by the terms of the General Bond Resolution and the Series 2002A Bond Resolution.

4. Prior to the time of delivery of the Series 2002A Bonds, Kenton had authorized and issued certain series of bonds, being identified as the District's Water District Refunding and Revenue Bonds, Series 1992A, of which \$27,720,000 are currently outstanding, Water District Refunding and Revenue Bonds, Series 1992B, of which \$10,220,000 are currently outstanding, Water District Revenue Bonds, Series 1993, of which \$1,695,000 are currently outstanding; Water District Revenue Bonds, Series 1995A of which \$6,295,000 are currently outstanding; Water District Revenue Bonds, Series 1995B, of which \$14,790,000 are currently outstanding; Water District Revenue Bonds, Series 1995C, of which \$1,563,000 are currently outstanding; Water District Refunding and Revenue Bonds, Series 1997, of which \$9,185,000 are currently outstanding, Water District Revenue Bonds, Series 1998 of which \$10,705,000 are currently outstanding; Water District Revenue Bonds, Series 2000 of which \$1,803,000 are currently outstanding; Water District Revenue Bonds, Series 2001A of which \$16,325,000 are currently outstanding (collectively, the "Outstanding Bonds"). Upon the issuance and delivery of the Series 2002A Bonds, the Outstanding Bonds will constitute the only outstanding issues of bonds, which are obligations issued under the General Bond Resolution and are payable from the District's income and revenues, and represent the only bonds, notes, or

other evidences of indebtedness of the District outstanding and payable from the proceeds of the District's income and revenues other than the Series 2002A Bonds.

5. The District has received all documents, opinions, certificates and other instruments required under the General Bond Resolution and the Series 2002A Bond Resolution as conditions precedent to the issuance and delivery of the Series 2002A Bonds.

6. It is hereby ordered that, following execution by the District, the Series 2002A Bonds be delivered to UBS/PaineWebber, Inc. (the "Purchaser"). Upon the date of delivery of the Series 2002A Bonds, there shall be paid to the District the purchase price of \$44,576,474.44 for such Series 2002A Bonds, less the good faith deposit of \$454,850.00 previously received, together with accrued interest from February 1, 2002, to date of delivery and payment of the Series 2002A Bonds. The District acknowledges that the accrued interest due and payable for the period from February 1, 2002, to the date of this Order and Certification at the applicable interest rates borne by the Series 2002A Bonds is \$0.00, for a total amount due and payable on the date hereof from the Purchaser of \$44,121,624.44.

7. It is hereby ordered that the principal proceeds derived from the sale of the Series 2002A Bonds shall be applied by the District as follows:

- |     |   |    |      |
|-----|---|----|------|
| (a) | to the Interest Account<br>of the Debt Service Fund | \$ | 0.00 |
| (b) | to the Debt Service Reserve Fund                    | \$ | 0.00 |



(c) to the Series 2002A Cost of Issuance Account (to be applied to the costs set forth in Exhibit A)	\$ 114,974.44
(d) to the Series 2002A Construction Fund	\$17,100,000.00
(e) to the Series 1992A Bond Fund	\$27,361,500.00
SUBTOTAL	<u>\$44,576,474.44</u>


The good faith check in the amount of \$454,850.00 has previously been deposited in the Series 2002A Construction Fund maintained at Fifth Third Bank. Therefore, the amount of \$44,121,624.44 should be transferred to such account. Any proceeds remaining in the Series 2002A Cost of Issuance Account after all costs of issuance have been paid shall be immediately transferred to the Interest Account of the Debt Service Fund.

8. It is hereby certified that the signatories to this Order and Certification are both Authorized Officers as defined in Section 102 of the General Bond Resolution.

Dated as of the first day of February, 2002.

NORTHERN KENTUCKY WATER DISTRICT

By:   
\_\_\_\_\_  
JOSEPH J. KOESTER  
Chairman of the Board of Commissioners

By:   
\_\_\_\_\_  
MICHAEL J. HEMMER  
Treasurer

SCHEDULE X  
 NORTHERN KENTUCKY WATER DISTRICT  
 WATER DISTRICT REFUNDING AND REVENUE BONDS, Series 2002A

AGGREGATE PRINCIPAL AMOUNT: \$45,485,000

AUTHORIZATION: Under and pursuant to Chapter 74 of the Kentucky Revised Statutes, and under and pursuant to the General Bond Resolution of the District adopted and approved by the Board of Commissioners of the Kenton County Water Service District No. 1 ("Kenton"), legal predecessor to the District on November 19, 1985, as amended by the First Supplemental General Bond Resolution adopted and approved on November 17, 1987 by the Board of Commissioners of Kenton (collectively, the "General Bond Resolution") and the series resolution of the District adopted by the Board of Commissioners of the District on January 29, 2002, authorizing the issuance of Northern Kentucky Water District Water District Refunding and Revenue Bonds, Series 2002A of the District (collectively, the "Series 2002A Resolution").

DATE: February 1, 2002

MATURITIES AND INTEREST RATES: Maturing on February 1, of the following years in the respective principal amounts, and bearing the respective rates of interest set forth opposite such years in the following table:

<u>Maturing</u> <u>February 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturing</u> <u>February 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>
2003	350,000	4.500%	2014	990,000	4.500%
2004	345,000	4.500%	2015	1,035,000	4.650%
2005	360,000	4.500%	2016	1,100,000	4.750%
2006	370,000	4.500%	2017	1,625,000	4.750%
2007	380,000	4.500%	2018	2,520,000	4.750%
2008	410,000	4.500%	2019	2,640,000	4.750%
2009	365,000	4.500%	2020	3,080,000	5.000%
2010	465,000	4.500%	2021	3,240,000	5.000%
2011	485,000	4.500%	2022	3,405,000	5.000%
2012	1,530,000	4.500%	2023	3,580,000	5.000%
2013	950,000	4.500%	2027	16,260,000	5.000%

PLACES AND MEDIUM OF PAYMENT OF INTEREST PRINCIPAL AND REDEMPTION PRICE:  
 Principal and premium, if any, payable at the offices of Fifth Third Bank, Cincinnati, Ohio, or its successor, as Paying Agent under the Series 2002A

Bond Resolution, in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts. Interest payable by check or draft mailed to the registered owners as of the 15th day of the month preceding each interest payment date.

REDEMPTION PRIOR TO MATURITY: Series 2002A Bonds maturing on and after February 1, 2013 are subject to redemption, in whole or in part on any date, on and after February 1, 2012 at the following Redemption Prices expressed as percentages of the principal amount of the Series 2002A Bonds to be redeemed, as follows:

<u>Period</u> ( <u>Both Dates Inclusive</u> )	<u>Redemption Price</u>
February 1, 2012 and thereafter if prior to maturity	100%

Term Bonds due February 1, 2027 shall be subject to mandatory sinking fund redemption at a Redemption Price equal to 100% of the principal amount thereof on February 1, in the years and in the amounts, as follows:

<u>Year</u>	<u>Amount</u>
2024	\$3,765,000
2025	\$3,960,000
2026	\$4,160,000

with the remaining \$4,375,000 principal amounts of such Bonds payable respectively at maturity.

FORM, DENOMINATIONS AND NUMBERING OF THE SERIES 2002A BONDS: Series 2002A Bonds are issuable as fully registered bonds, in the denominations of any integral multiple of \$5,000. All Series 2002A Bonds are issued substantially in the form of registered bonds set forth in the General Bond Resolution and are numbered from R-1 upward.

ATTACHMENT 6



**Notes Payable (Acct. 232 & 234)**

2011  a	Nominal Date of Issue  b	Date of Maturity  c	INTEREST		Principal Amount per Balance Sheet  f
			Rate  d	Amount of payment  e	
Account 232 - Note Payable					
Campbell Co. Fiscal Court			0.00%	\$	\$ 100,000
BAN 2011			2.00%		25,615,000
<b>Total Account 232</b>				\$	\$ 25,715,000
Account 234 - Notes Payable To Associated Companies		N/A		\$	\$
<b>Total Account 234</b>				\$	\$

**Accounts Payable to Associated Companies (Acct. 233)**

Show Payable to Each Associated Company Separately	Amount
	\$
N/A	
<b>Total</b>	\$