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February 23, 2010

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**PUBLIC SERVICE
COMMISSION**

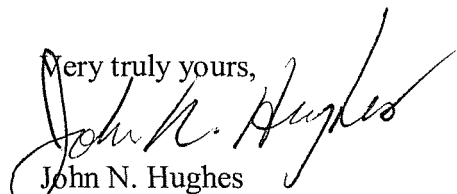
Jeff Derouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: Case No. 2010-0038

Dear Mr. Derouen:

Attached for filing is the approval letter and loan conditions from the Kentucky Infrastructure Authority for \$8,000,000 of financing, which is to be used for the Memorial Parkway Treatment Plant upgrade. This completes Exhibit D to the application filed in this case.

If you have any questions about this matter, please contact me.

Very truly yours,

John N. Hughes
Attorney for Northern Kentucky
Water District

Attachment



Steven L. Beshear
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY

1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

John E. Covington III
Executive Director

February 22, 2010

The Honorable C. Ronald Lovan, P.E., President / CEO
Northern Kentucky Water District
2835 Crescent Springs Road
Erlanger, KY 41018

**KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (F09-02)**

Dear President Lovan:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On December 3, 2009, the Authority approved your loan for the Advanced Treatment Project subject to the conditions stated below. The total cost of the project shall not exceed \$45,300,000 of which the Authority loan shall provide \$8,000,000 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Northern Kentucky Water District upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (2/22/2011) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$8,000,000.
2. The loan shall bear interest at the rate of 2.0% per annum commencing with the first draw of funds.
3. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal payments will commence on the appropriate June 1 or December 1 within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
6. A loan servicing fee of 0.25% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The Authority loan funds must be expended within six months of the official date of initiation of operation.
9. Fund "F" loan funds are considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. The Authority requires an annual audit to be preformed for the life of the loan.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required

documentation must be submitted to the party designated.

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. The Borrower must agree to expend all Authority loan funds within six months of the date of initiation of operation.
4. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
5. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Division of Water.
8. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.
9. The Authority to Award Package documentation shall be submitted to and approved by DOW.
10. An environmental review shall be conducted by the Division of Water for all construction projects receiving DWSRF funds, within the term of this binding commitment and prior to project bid.

President Lovan
February 22, 2010
Page 4

11. Technical plans and specifications and a complete DWSRF specifications checklist shall be approved by the Division of Water prior to project bid.
12. A clear site certificate shall be obtained and DOW representatives shall be notified for attendance of the pre-construction conference.
13. Project changes or additions shall require a complete environmental and change order review before they can be included in the DWSRF loan project.
14. The project shall use federal wage rates as described in the Davis/Bacon Act.

Any special conditions listed below and/or stated in Attachment A must be resolved.

Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,

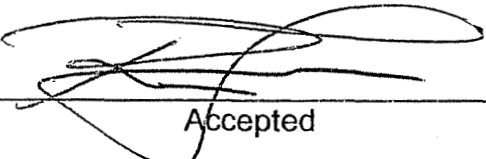


Kasi L. White
Financial Analyst

Attachments

cc: Richard Harrison, P.E., Northern Kentucky Water District
Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
State Local Debt Office, DLG
Borrower File - Northern Kentucky Water District - F09-02

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization For Electronic Deposit of Vendor Payment" Form.



Accepted

2/23/10

Date

**AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND F09-02)**

Borrower Information:

Name: _____

Address: _____

City: _____ **State:** KY **Zip:** _____

Telephone: _____ **Contact:** _____

Federal I.D. # _____

Financial Institution Information:

Bank Name: _____

Branch: _____ **Phone No:** _____

City: _____ **State:** ____ **Zip:** _____

Transit / ABA No.: _____

Account Name: _____

Account Number: _____

I, the undersigned, authorize payments directly to the account indicated above and to correct any errors which may occur from the transactions. I also authorize the Financial Institution to post these transactions to that account.

Signature: _____ **Date:** _____

Name Printed: _____ **Job Title:** _____

Please return completed form to:

**Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601
phone: 502-573-0260
fax: 502-573-0157**

ATTACHMENT A

**Northern Kentucky Water District
F09-02**

EXECUTIVE SUMMARY		Reviewer:	Kasi White
KENTUCKY INFRASTRUCTURE AUTHORITY		Date:	December 3, 2009
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number:	F09-02
REVOLVING LOAN FUND		WRIS Number	WX21117208
BORROWER:	NORTHERN KENTUCKY WATER DISTRICT		
	KENTON COUNTY		
BRIEF DESCRIPTION:	The Northern Kentucky Water District is requesting an \$8,000,000 Drinking Water SRF loan for it's Advanced Treatment Project. The project will promote public health and help maintain compliance with the Safe Drinking Water Act in a number of ways. SRF Funding will be used for Phase 3 and Phase 4 of the project. Phases III and IV involve the installation of granular activated carbon (GAC) post-filter contactors, ultraviolet disinfection and replacement of undersized emergency power generators at two treatment plants (FTTP and Memorial Parkway). The addition of GAC is necessary for the District to comply with Stage 2 of the Disinfection By-Product Rule (DBPR) by 2012. The District will not be able to comply with this new regulation with the existing treatment processes at the treatment plants.		
PROJECT FINANCING:		PROJECT BUDGET	
Fund F Loan	\$ 8,000,000	Administrative Expenses	\$ 12,000
NKWD	37,300,000	Legal Expenses	1,500
TOTAL	\$ 45,300,000	Engineering Fees	5,664,000
		Construction	36,050,000
		Contingency	3,572,500
		TOTAL	\$ 45,300,000
REPAYMENT		Est. Annual	
	Rate	2.00%	Payment \$507,290
	Term	20 years	1st Payment 6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	n/a	
	Bond Counsel	Peck, Shaffer, & Williams	
PROJECT SCHEDULE		Phase III (FTTP GAC)	Phase IV (MPTP GAC)
	Bid Opening:	12/01/09	11/01/09
	Construction Start:	04/01/10	04/01/10
	Construction Stop:	04/01/12	04/01/12
DEBT PER CUSTOMER	Existing:	\$ 2,462	
	Proposed:	\$ 2,783	
OTHER DEBT	See Attached		
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached		
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>
	Current	79,980	\$ 30.24 (for 4,000 gallons)
	Additional	0	\$ 30.24 (for 4,000 gallons)
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.		
CASHFLOW	Cash Available for	Income after Debt	
	Debt Service	Debt Service	Service Coverage Ratio
Audited 2005	18,591,662	10,800,890	7,790,772 1.72
Audited 2006	19,020,640	11,210,374	7,810,266 1.70
Audited 2007	22,885,106	11,917,712	10,967,394 1.92
Audited 2008	24,986,558	12,871,327	12,115,231 1.94
Projected 2009	25,425,160	15,288,071	10,137,089 1.66
Projected 2010	26,338,113	15,494,211	10,843,902 1.70
Projected 2011	27,376,407	15,497,033	11,879,374 1.77
Projected 2012	28,639,670	20,434,681	8,204,988 1.40
Projected 2013	20,715,938	20,613,381	102,557 1.00
Projected 2014	21,536,626	20,790,515	746,111 1.04

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER REVOLVING LOAN FUND (FUND "F")
NORTHERN KENTUCKY WATER DISTRICT, KENTON COUNTY
PROJECT REVIEW
WX21117208**

I. PROJECT DESCRIPTION

The Northern Kentucky Water District is requesting an \$8,000,000 Drinking Water SRF loan for its Advanced Treatment Project. The project will promote public health and help maintain compliance with the Safe Drinking Water Act in a number of ways. SRF funding will be used for Phases III and IV which involve the installation of granular activated carbon (GAC) post-filter contactors, ultraviolet disinfection and replacement of undersized emergency power generators at two treatment plants (FTTP and Memorial Parkway). The addition of GAC is necessary for the District to comply with Stage 2 of the Disinfection By-Product Rule (DBPR) by 2012. The District will not be able to comply with this new regulation with the existing treatment processes at the treatment plants.

II. PROJECT BUDGET

	<u>Amounts</u>
Administration	\$12,000
Legal	1,500
Engineering	
Total	\$ 45,300,000

III. PROJECT FUNDING

	<u>Amounts</u>	<u>%</u>
Fund F Loan	\$ 8,000,000	18%
NKWD	37,300,000	82%
Total	\$ 45,300,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$	8,000,000
Interest Rate		2.00%
Loan Term (Years)		20
Estimated Annual Debt Service	\$	487,290
Administrative Fee (0.25%)		20,000
Total Estimated Annual Debt Service	\$	507,290

V. PROJECT SCHEDULE

	Phase III (FTTP GAC)	Phase IV (MPTP GAC)
Bid Opening:	12/01/09	11/01/09
Construction Start:	04/01/10	04/01/10
Construction Stop:	04/01/12	04/01/12

VI. RATE STRUCTURE

Customers	Current	Proposed	Total
Residential	75,491	0	75,491
Commercial	4,376	0	4,376
Industrial	113	0	113
	<hr/>		
	79,980	0	79,980

Rates

As of March, 2008, the monthly charge for water utility service as of the last is:

Service Charges:

<u>Meter Size</u>	<u>Monthly</u>	<u>Quarterly</u>
5/8"	\$12.54	\$18.97
3/4"	\$12.96	\$19.99
1"	\$14.15	\$22.98
1 1/2"	\$15.93	\$27.08
2"	\$20.13	\$38.07
3"	\$48.61	\$118.45
4"	\$60.89	\$148.45
6"	\$90.16	\$219.44
8"	\$121.75	\$299.79
10" and larger	\$161.91	\$391.47

Commodity Charges:

	<u>Monthly Block</u>	<u>Quarterly Block</u>	<u>Rate</u>
First	1,500 cu ft	4,500 cu ft	\$3.31/100 cu ft
Next	163,500 cu ft	490,500 cu ft	\$2.88/100 cu ft
Over	165,000 cu ft	495,000 cu ft	\$2.55/100 cu ft

Quarterly Residential Bill for 4,000 gallons \$30.24

Affordability Index 0.85%

Subdistrict Monthly Surcharges:

Subdistrict A	\$ 9.03
Subdistrict B	\$ 18.36
Subdistrict C	\$ 19.44
Subdistrict D	\$ 30.00
Subdistrict E	\$ 30.00
Subdistrict F	\$ 30.00
Subdistrict G	\$ 30.00
Subdistrict K	\$ 21.09
Subdistrict R	\$ 18.50
Subdistrict RF	\$ 25.47
Subdistrict RL	\$ 36.22

Wholesale Water Rates

Bullock Pen Water District	\$2.22 per 100 cu ft or \$2.97 per 1000 gallons
City of Walton	\$2.22 per 100 cu ft or \$2.97 per 1000 gallons
Pendleton County Water District	\$2.22 per 100 cu ft or \$2.97 per 1000 gallons

VII. DEMOGRAPHICS

The district is located in Kenton County, in the northern part of the state and provides service to Campbell and Kenton counties and portions of Boone, Grant and Pendleton counties. The following census information is from the 2000 census.

	Borrower Population	Borrower MHI
Campbell	88,616	41,903
Kenton	151,464	43,906
Boone	85,991	53,593
Grant	22,384	38,438
Pendleton	14,390	38,125

The MHI for the Commonwealth is \$33,672.

The Northern Kentucky Water District, by providing water service to multiple cities, counties and water districts, is multi-jurisdictional. The water district is considered regional and the project will qualify for the 2% interest rate.

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information for the utility was obtained from the audited financial statements of the Northern Kentucky Water District for the years ended December 31, 2005 - 2008.

HISTORICAL

Revenues have increased a net of 20% over the past four years with the only decline occurring during 2006 when revenues dropped 2% due to weather conditions that provided for a more mild summer. Water rates were increased approximately 15% in March, 2008 contributing to the 8% increase in revenues. Increases in operating expenses averaged 5.7% between 2005 and 2008 taking into account 2006 when expenses remained flat. Non-operating income, comprised primarily of investment income and capital contributions, made up approximately one-fourth of the cash available for debt service. Capital contributions represent assessments and reimbursements to recover the costs of new services and extensions of the distribution system. The district does not include the amount of costs incurred and contributed by outside contractors for installation of distribution systems for which the costs are absorbed and provides for their operations and maintenance. The district has maintained a strong debt coverage ratio which averaged 1.82 for the period reviewed.

The current ratio for 2005 through 2007 shows the district had current assets of more than one and a half times the amount necessary to cover current liabilities. In 2008, this amount drops because of an approximate \$28 million dollar bond anticipation note that was due. The utility however issued bonds in early 2009 to cover the short fall so that there would be no significant impact on the district. Utility plant assets represent approximately 75% of the total assets for the district while long term liabilities represent less than 50% of the total liabilities and equities.

PROFORMA

The proforma is based on the following assumptions:

- Revenues are projected to increase 5% each year except for 2009. Revenues for 2009 are projected to increase 10%.
- O & M expenses are projected to increase 5% per year except in 2013 when an additional \$10 million for increased costs in electricity, chemical and fuels is estimated as a result of the project.
- Due to the Improvement, Repair and Replacement Account self funded by the district, an additional annual replacement reserve amount will not be required.
- KIA Fund F principal, interest and administrative fees totaling \$507,290 annually beginning in FY 2012.

Based on these assumptions, the utility shows adequate cashflow to repay the KIA Fund F loan. Based on these assumptions the NKWD is projected to have a 1.40 coverage ratio in 2012 when principal and interest payments begin.

REPLACEMENT RESERVE

The Northern Kentucky Water District self funds an "Improvement, Repair and Replacement Account" which is available to make major repairs and replacements and to pay the cost of construction of additions, extensions and improvements to the water system. The account assets as of December 31, 2008 are \$2,873,636. Based on the account already in place, the system will not be required to further fund an additional replacement reserve specifically for this loan.

IX. DEBT OBLIGATIONS

<u>Debt Issuance</u>	<u>Outstanding</u>	<u>Maturity</u>
Series 1997 Revenue Bonds	\$ 3,760,000	2022
Series 1998 Revenue Bonds	9,005,000	2028
Series 2001 Revenue Bonds	14,750,000	2026
2000 Rural Development Loan	2,115,000	2039
Series 2002A Revenue Bonds	43,270,000	2027
Series 2002B Revenue Bonds	7,360,000	2017
Series 2003A Revenue Bonds	1,440,000	2032
Series 2003B Revenue Bonds	25,965,000	2028
Series 2003C Revenue Bonds	17,570,000	2020
Series 2004 Revenue Bonds	9,335,000	2029
Taylor Mill Purchase Financing	1,625,000	2018
Series 2006 Revenue Bonds	27,980,000	2031
Series 2007 Bond Anticipation Note	27,165,000	2009
KIA Fund F Loan	3,348,035	2028
Series 2009 Revenue Bonds	28,290,000	2033
TOTAL	\$ 222,978,035	

X. OTHER STATE OF FEDERAL FUNDING IN PAST FIVE YEARS

Project Title	Funding Source	Amount
Unserved and Underserved Projects	HB 608	\$ 500,000
Pike Street - Bromley	HB 608	300,000
Robbins Street Water Project	HB 608	300,000
Campbell Co. Unserved/Underserved Improvements	HB 608	1,000,000
Campbell Co. System Improvements	HB 608	1,200,000
Campbell Co. Unserved/Underserved Improvements	HB 608	750,000
3 Mile Rd/Gibson Lane from I-275 to Licking Pike	HB 380	200,000
Various Water Projects	HB 267	1,000,000
Main Replacement in City of Covington	HB 380	1,000,000
Subdistrict I Water System Improvements	HB 380	2,000,000
Covington Water System Improvements	HB 380	2,500,000
Various Water and Sewer Projects	HB 267	600,000
Water Line Extension	HB 267	688,000

XI. CONTACTS

Applicant		Applicant Contact	
Name	Northern Kentucky Water District	Name	Northern Kentucky Water Dist.
Address	2835 Crescent Springs Road Erlanger, KY 41018	Address	2835 Crescent Springs Road Erlanger, KY 41018
County	Kenton	Contact	Richard Harrison, P.E.
Contact	C. Ronald Lovan, P.E.	Phone	(859) 578-5458
Phone	(859) 578-9898	Email	rharr@nkwater.org
Email	rlovan@nkwater.org		

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions.

**EXHIBIT 1
NORTHERN KENTUCKY WATER DISTRICT
CASH FLOW ANALYSIS**

	Audited 2005	% Change	Audited 2006	% Change	Audited 2007	% Change	Audited 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014
Operating Revenues													
Water Sales	33,229,278	-2%	32,499,994	15%	37,410,245	8%	40,409,737	44,450,711	46,673,246	49,006,909	51,457,254	54,030,117	56,731,623
Forfeited Discounts	752,736	-5%	713,273	10%	784,386	16%	906,636	951,968	999,566	951,968	999,566	1,049,544	1,102,022
Rents From Property	506,326	-2%	493,795	7%	527,552	-6%	493,590	518,270	544,183	571,392	599,962	629,960	661,458
Other Water Revenue	358,282	15%	413,202	-11%	366,560	4%	380,160	399,168	381,963	387,097	389,409	386,156	387,554
Total Revenues	34,846,622	-2%	34,120,264	15%	39,088,743	8%	42,190,123	46,320,116	48,598,958	50,917,365	53,448,191	56,095,777	58,882,656
Operating Expenses													
Operating Expenses	21,023,284	-1%	20,831,914	14%	23,782,968	1%	24,033,139	25,234,796	26,496,536	27,821,363	29,212,431	30,807,431	31,797,802
Depreciation	5,562,139	5%	5,814,572	2%	5,916,329	28%	7,563,621	7,941,802	8,338,892	8,755,837	10,265,837	10,779,129	11,318,085
Total Expenses	26,585,423	0%	26,646,486	11%	29,699,297	6%	31,596,760	33,176,598	34,835,428	36,577,199	39,478,267	50,586,559	53,115,887
Net Operating Income	8,261,199	-10%	7,473,778	26%	9,389,446	13%	10,593,363	13,143,518	13,763,530	14,340,166	13,967,924	5,509,218	5,766,769
Non-Operating Income and Expenses													
Investment Income	1,862,615	20%	2,227,971	12%	2,506,262	-16%	2,112,845	2,155,102	2,198,204	2,242,168	2,287,011	2,332,752	2,379,407
Miscellaneous Non-Operating Income	5,432	-6890%	(368,821)	-141%	152,913	18%	181,116	184,738	37,487	38,236	118,898	94,840	72,365
Capital Contributions	2,900,277	34%	3,873,140	27%	4,920,156	-8%	4,535,613	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Amort of Debt Discount and (Expense)	(576,617)	2%	(585,345)	-2%	(575,605)	-1%	(567,231)	(558,857)	(550,483)	(542,109)	(533,735)	(525,361)	(516,987)
Total Non-Operating Income & Expenses	4,191,707	23%	5,146,945	36%	7,003,726	-11%	6,262,343	3,780,983	3,685,208	3,738,295	3,872,174	3,902,230	3,934,785
Add Non-Cash Expenses													
Depreciation	5,562,139	5%	5,814,572	2%	5,916,329	28%	7,563,621	7,941,802	8,338,892	8,755,837	10,265,837	10,779,129	11,318,085
Amortization	576,617	2%	585,345	-2%	575,605	-1%	567,231	558,857	550,483	542,109	533,735	525,361	516,987
Cash Available for Debt Service	18,591,662	2%	19,020,640	20%	22,885,106	9%	24,986,558	25,425,160	26,338,113	27,376,407	28,639,670	20,715,938	21,536,626
Debt Service													
Existing Principal	4,674,000		4,806,000		5,267,000		5,890,853	7,078,548	6,933,433	7,194,436	7,464,560	7,755,808	8,838,494
Existing Interest	6,126,890		6,404,374		6,650,712		6,980,474	8,209,523	8,400,778	8,142,597	7,868,617	7,582,424	6,676,872
Anticipated Bond Issues (\$80 MM)									160,000	160,000	333,645	507,290	507,290
Proposed KIA Loan													
Total Debt Service	10,800,890		11,210,374		11,917,712		12,871,327	15,288,071	15,494,211	15,497,033	20,434,681	20,613,381	20,790,515
Income After Debt Service	7,790,772		7,810,266		10,967,394		12,115,231	10,137,089	10,843,902	11,879,374	8,204,988	102,557	746,111
Debt Coverage Ratio	1.72		1.70		1.92		1.94	1.66	1.70	1.77	1.40	1.00	1.04

**NORTHERN KENTUCKY WATER DISTRICT
BALANCE SHEETS**

ASSETS	2005	2006	2007	2008	Upon Project Completion
Current Assets					
Cash and Cash Equivalents	6,478,053	5,326,214	10,205,218	11,509,211	11,611,768
Accounts Receivable	8,840,182	8,436,177	9,732,583	10,156,102	9,291,261
Assessments Receivable	37,767	73,008	77,906	82,711	87,516
Inventory	1,150,975	1,245,380	1,289,824	1,268,952	1,238,783
Prepaid Items	842,700	464,883	246,623	898,284	613,123
Total Current Assets	17,349,677	15,545,662	21,552,154	23,915,260	22,842,450
Restricted Assets					
Boone Florence Settlement	3,344,622	3,023,965	2,771,076	2,426,639	2,082,202
Bond Proceeds Fund	17,242,047	13,149,342	19,167,438	15,081,881	12,116,219
Debt Service Reserve Account	12,472,874	13,157,181	14,173,637	13,359,108	14,422,154
Debt Service Account	6,547,631	7,713,194	8,549,511	9,885,153	12,342,875
Improvement, Repair & Replacement	3,074,102	1,932,787	3,331,799	2,612,396	3,004,255
Total Restricted Assets	42,681,276	38,976,469	47,993,461	43,365,177	43,967,705
Utility Plant					
Property, Plant and Equipment	253,634,326	277,798,907	283,057,774	289,419,623	334,719,623
Unclassified Plant - Construction in Progress	19,738,958	11,907,816	30,336,979	39,560,254	79,323,254
Less Accumulated Depreciation	(54,448,687)	(58,245,471)	(63,047,992)	(69,391,199)	(70,901,199)
Net Fixed Assets	218,924,597	231,461,252	250,346,761	259,588,678	343,141,678
Other Assets					
Deferred Charges	9,821,617	10,339,671	9,355,708	9,026,934	8,698,160
Total Other Assets	9,821,617	10,339,671	9,355,708	9,026,934	8,698,160
Total Assets	288,777,167	296,323,054	329,248,084	335,896,049	418,649,993
LIABILITIES					
Current Liabilities					
Bonded Indebtedness	4,556,000	5,017,000	5,578,000	5,775,000	7,400,000
Accounts and Notes Payable	5,882,832	2,785,094	2,071,042	29,570,206	2,430,584
Accrued Payroll and Taxes	273,867	339,778	364,749	148,361	281,689
Other Accrued Liabilities	161,958	187,673	206,004	213,586	192,305
Total Current Liabilities	10,874,657	8,329,545	8,219,795	35,707,153	10,304,578
Liabilities Payable - Restricted Assets					
Accounts Payable	2,848,054	762,498	2,717,818	1,898,706	1,079,594
Accrued Interest Payable	2,737,097	2,944,301	3,251,309	3,181,843	3,112,377
Total Liabilities Payable - Restricted Assets	5,585,151	3,706,799	5,969,127	5,080,549	4,191,971
Long Term Liabilities					
Bonded Indebtedness	144,145,000	168,128,000	162,550,000	156,775,000	202,070,000
Note Payables	20,205,000	1,975,000	28,890,000	4,769,487	10,718,776
Total Long Term Liabilities	164,350,000	170,103,000	191,440,000	161,544,487	212,788,776
Total Liabilities	180,809,808	182,139,344	205,628,922	202,332,189	227,285,325
Retained Earnings:					
Invested in Capital	46,163,597	56,091,252	53,078,761	64,800,643	102,100,643
Restricted	37,096,125	35,269,670	42,024,334	38,284,628	46,484,943
Unrestricted	24,707,637	22,822,788	28,516,067	30,478,589	42,779,082
Total Retained Earnings	107,967,359	114,183,710	123,619,162	133,563,860	191,364,668
Total Liabilities and Equities	288,777,167	296,323,054	329,248,084	335,896,049	418,649,993
Balance Sheet Analysis					
Current Ratio	1.60	1.87	2.62	0.67	2.22
Debt to Equity	1.67	1.60	1.66	1.51	1.19
Working Capital	6,475,020	7,216,117	13,332,359	(11,791,893)	12,537,872
Percent of Total Assets in Working Capital	2.24%	2.44%	4.05%	-3.51%	2.99%