



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
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psc.ky.gov

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Linda Breathitt
Commissioner

October 15, 2014

PARTIES OF RECORD

RE: Northern Kentucky Water District
Case No. 2014-00151

Attached is an item which is being filed in the record of Case No. 2014-00151 Northern Kentucky Water District application of a CPCN and financing for Taylor Mill Treatment Plant Basin. The document is a copy of the executed Assistance Agreement with KIA and was provided by KIA.

Sincerely,

A handwritten signature in blue ink that reads "Linda Faulkner".

Linda Faulkner
Filings Director



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

May 6, 2013

*Upstart Case
Case # 2014-00151*

Mr. 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 (F13-012)**

Dear Mr. Lovan:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On May 2, 2013, the Authority approved your loan for the Kenton and Campbell County Water Main Projects subject to the conditions stated below. The total cost of the project shall not exceed \$5,930,000 of which the Authority loan shall provide \$4,000,000 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 (5/6/2014) 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 \$4,000,000.

2. The loan shall bear interest at the rate of 1.75% 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 performed for the life of the loan.

Mr. Lovan
May 6, 2013
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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.

Mr. Lovan
May 6, 2013
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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.
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.

The following is a list of additional 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.

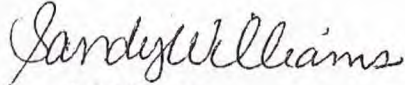
1. The Borrower shall require all contractors to pay wages pursuant to applicable prevailing wage rates (federal or state) for all work relating to the subject Project. The Borrower shall, if applicable, comply with all Davis Bacon related monitoring and reporting.
2. The project shall comply with the reporting requirements of the Transparency Act, and shall complete the attached Transparency Act Reporting Information Form and provide to the Authority no later than 30 days after the KIA Board approval date of your loan.
3. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.

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.

Mr. Lovan
May 6, 2013
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Sincerely,

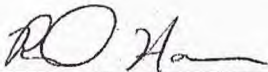


Sandy Williams
Financial Analyst

Attachments

cc: Richard Harrison, P.E., V.P. of Engineering, Northern Kentucky Water District
Jack Bragg, V.P. of Finance, Northern Kentucky Water District
Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
State Local Debt Office, DLG
Borrower File - Northern Kentucky Water District - F13-012

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

May 29, 2013

Date

AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND F13-012)

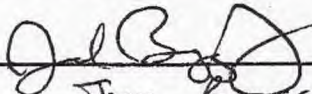
Borrower Information:

Name: Northern Kentucky Water District
Address: 2835 Crescent Springs Rd PO Box 18640
City: Erlanger State: KY Zip: 41018
Federal I.D. # [REDACTED]
Contact Name: Jack Bragg Telephone: (859) 426-2758
Email: jbragg@kywater.org

Financial Institution Information:

Bank Name: ~~Bank of Kentucky~~ Park National Bank
Branch: Florence Phone No: 859-647-2722
City: Florence State: KY Zip: 41042
Transit / ABA No.: [REDACTED]
Account Name: Grant/Loan Clearing
Account Number: [REDACTED]

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: 5/28/13
Name Printed: Jack Bragg, Jr Job Title: CPO

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

TRANSPARENCY ACT REPORTING INFORMATION FORM

CLEAN WATER STATE REVOLVING FUND AND DRINKING WATER STATE REVOLVING FUND

This form is required for projects funded in whole or in part from the Clean Water State Revolving Fund or the Drinking Water State Revolving Fund. This form is to be completed and returned with the signed Conditional Commitment Letter from the Kentucky Infrastructure Authority.

Borrower Information:

Name:	Northern Kentucky Water District
Data Universal Numbering system (DUNS) No.*:	963951983
KIA Loan Number:	F13-012
Street Address	2835 Crescent Springs Road, PO Box 18640
City, State and Zip (Zip must include 4 digit extension)	Erlanger, KY 41018-0640
Federal Congressional District(s) of Borrower Utility Service Area:	Fourth

*If the DUNS No. provided above is registered under a different name than the recipient of funding, please provide the registration name below:

DUNS Name	
-----------	--

*If the recipient has not yet obtained a DUNS Number, please do so no later than 30 days after the KIA Board approval date of your loan request and provide notification to KIA of the number once issued. For instructions on DUNS registration, please contact sandy.williams@ky.gov.

Physical Location of Project (Primary Place of Performance)

Street Address	Contract 1 - 700 Alexandria Pike Contract 2 - Across Licking River, no street Contract 3 - 608 Grand Avenue
City, State and Zip (Zip must include 4 digit extension)	Contract 1 - Fort Thomas, KY 41075-2153 Contract 2 - near Wilder, KY Contract 3 - Taylor Mill, KY 41015-1924
Federal Congressional District(s) of Project Location	Fourth

Reliance upon Federal Assistance (please answer the below questions Yes or No):

Did recipient receive 80% or more of its annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards) during the last fiscal year?	No
Did recipient receive \$25 million or more in annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards) during the last fiscal year?	No
Does the public have access to compensation of senior executives of the recipient through periodic reports filed under Section 13A or 15D of the Securities Exchange Act of 1934 or Section 6104 of the Internal Revenue Code of 1986?	No

DUNS Registration Information: <http://fedgov.dnb.com/webform> OR 1-866-705-5711

Registration can be completed over the phone or via the web. Phone registration requests take approximately 10 minutes and are free. Internet requests are fulfilled within 24 hours.

ATTACHMENT A

**Northern Kentucky Water District
F13-012**

EXECUTIVE SUMMARY		Reviewer	Sandy Williams	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	May 2, 2013	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number	F13-012	
REVOLVING LOAN FUND		WRIS Number	WX21037003	
BORROWER		NORTHERN KENTUCKY WATER DISTRICT KENTON COUNTY		
BRIEF DESCRIPTION				
This project includes the installation of new raw and finished water transmission mains along with equipment upgrades at the Taylor Mill treatment plant. The project will provide a more reliable water supply to wholesale customers and give the District flexibility in conveying raw water between reservoirs which will facilitate the temporary removal of the north reservoir from service for maintenance and a more even distribution of water storage between the north and south reservoirs.				
PROJECT FINANCING		PROJECT BUDGET		
Fund F Loan	\$4,000,000	Administrative Expenses	RD Fee %	Actual %
Northern KY Water District	1,930,000	Legal Expenses		
		Land, Easements		
		Eng - Design	6.8%	5.2%
		Eng - Constr / Insp	3.5%	1.4%
		Construction		
		Contingency		
TOTAL	\$5,930,000	TOTAL		\$5,930,000
REPAYMENT	Rate	1.75%	Est. Annual Payment	\$247,902
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	N/A		
	Bond Counsel	Peck, Shaffer, & Williams		
PROJECT SCHEDULE	Bid Opening	Aug-13		
	Construction Start	Dec-13		
	Construction Stop	Dec-14		
DEBT PER CUSTOMER	Existing	\$3,205		
	Proposed	\$2,901		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	80,481	\$35.74 (for 4,000 gallons)	
	Additional	0	\$35.74 (for 4,000 gallons)	
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2010	21,867,155	14,558,010	7,309,145	1.5
Audited 2011	24,901,248	14,986,158	9,915,090	1.7
Audited 2012	28,151,693	17,076,648	11,075,045	1.6
Projected 2013	29,353,951	18,113,241	11,240,710	1.6
Projected 2014	30,639,269	20,101,678	10,537,591	1.5
Projected 2015	31,983,535	21,001,368	10,982,167	1.5
Projected 2016	33,389,332	21,148,055	12,241,277	1.6
Projected 2017	34,859,357	21,156,567	13,702,790	1.6

Reviewer: Sandy Williams
Date: May 2, 2013
Loan Number: F13-012

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND "F")
NORTHERN KENTUCKY WATER DISTRICT, KENTON COUNTY
PROJECT REVIEW
WX21037003**

I. PROJECT DESCRIPTION

The Northern Kentucky Water District is requesting a \$4,000,000 Drinking Water SRF loan for the Kenton and Campbell County Water Main Projects. The project includes the installation of new finished and raw water transmission mains and improvements to the Taylor Mill treatment plant. A thirty six inch water transmission main will provide a redundant transmission main across the Licking River to provide a more reliable supply of water from Campbell to Kenton County. The raw water transmission main at the Fort Thomas Treatment plant in Campbell County will allow a higher percentage of raw water to be conveyed to the south raw water reservoir, facilitating the District's plan to temporarily remove the north reservoir from service for maintenance and for providing a more even distribution of water storage between the two reservoirs. The motor control centers for six pumps that convey water to the distribution system located at the Taylor Mill treatment plant in Kenton County will be moved to an indoor location which will improve reliability (three cabinets are currently outdoors). Improvements to the flocculation and sedimentation basin including replacement of tube settlers, replacement of concrete water stops and miscellaneous repairs will also be made.

The District provides service to Campbell and Kenton counties and portions of Boone, Grant and Pendleton counties and is regulated by the Public Service Commission. Wholesale service is provided to the City of Walton and the Bullock Pen and Pendleton County Water Districts.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 6,000
Legal Expenses	15,000
Land, Easements	10,000
Engineering Fees - Design	285,200
Engineering Fees - Const / Inspection	80,000
Construction	4,990,000
Contingency	543,800
Total	\$ 5,930,000

III. PROJECT FUNDING

	Amount	%
Fund F Loan	\$ 4,000,000	67%
Northern KY Water District	1,930,000	33%
Total	\$ 5,930,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 4,000,000
Interest Rate	1.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 237,902
Administrative Fee (0.25%)	10,000
Total Estimated Annual Debt Service	\$ 247,902

V. PROJECT SCHEDULE

Bid Opening	August 2013
Construction Start	December 2013
Construction Stop	December 2014

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current
Residential	75,648
Commercial	4,723
Industrial	110
Total	80,481

B) Rates

	Prior	Prior	Current
Date of Last Rate Increase	01/07/11	01/01/12	01/01/13
Fixed Service Charge (Monthly Billing)	\$12.77	\$13.00	\$13.60
Fixed Service Charge (Quarterly Billing)	22.49	26.00	27.20
First 1,500 Cubic Feet (per hundred CF)	3.67	4.02	4.14
Next 163,500 Cubic Feet (per hundred CF)	3.08	3.27	3.40
Over 165,000 Cubic Feet (per hundred CF)	2.57	2.58	2.65
Cost for 4,000 gallons - Monthly Billing	\$32.39	\$34.50	\$35.74
Percent Increase		6.5%	3.6%
Affordability Index (Rate/MHI)		0.7%	0.8%

	Prior	Prior	Current
Cost for 4,000 gallons - Quarterly Billing	\$27.12	\$30.16	\$31.20
Percent Increase		11.2%	3.4%
Affordability Index (Rate/MHI)		0.7%	0.7%
Wholesale Rate	\$3.05	\$3.13	\$3.20
Percent Increase		2.6%	2.1%

The district also has a Subdistrict Monthly Surcharge that ranges from \$8.55 to \$36.22 depending on location.

VII. DEMOGRAPHICS

Census data was taken from the American Community Survey 5-Year Estimate 2006-2010. The District provides service to Campbell and Kenton counties and portions of Boone, Grant and Pendleton counties.

County	Population	MHI
Kenton	158,034	\$53,213
Campbell	89,016	51,482
Boone	114,723	66,549
Grant	24,604	42,475
Pendleton	14,894	44,670
Total / Weighted MHI	401,271	\$55,666

The median household income for the Commonwealth is \$41,576. The District is a regional provider and the project will qualify for a 1.75% interest rate.

VIII. 2012 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - The 2012 Drinking Water capitalization grant does not contain a "green" requirement.
- 2) Additional Subsidization – This project does not qualify for additional subsidization.

IX. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information was obtained from the audited financial statements for the years ended December 31, 2010 through 2012. Interim financing balances were reclassified to long term debt for presentation since the amounts will ultimately be replaced by the issuance of bonds.

HISTORY

Revenues increased 12% from \$43.8 million in 2010 to \$49.0 million in 2012 with the bulk of the increase being due to rate increases. Operating expenses increased 2.6% from \$23.8 to \$24.4 during the same period. Non-operating income, comprised primarily of investment income and capital contributions, increased from \$1.9 million in 2010 to \$3.5 million in 2012 due to an increase in capital contributions. The debt coverage ratio was fairly consistent at 1.5, 1.7, and 1.6 for 2010, 2011 and 2012, respectively.

The balance sheet reflects a current ratio of 2.7 and a debt to equity ratio of 1.6. Months of operating expenses in unrestricted cash is 9.3. The District maintains various restricted accounts, primarily related to its bond covenants, and an Improvement, Repair and Replacement Reserve account. This account had a balance of \$11.6 million, or 3% of in service fixed assets, at the end of 2012. Capital spending from 2010 through 2012 was \$76 million.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will increase 4% for inflation (rates) and volume each year
- 2) Expenses will increase 3% for inflation and volume.
- 3) Debt service on the proposed loan is estimated at \$247,902 annually
- 4) Debt service coverage is 1.5 in 2015 when principal and interest repayments begin.

Based on the proforma assumptions, the utility shows adequate cash flow to repay the KIA Fund F loan.

REPLACEMENT RESERVE

The District maintains an "Improvement, Repair and Replacement account to make major repairs and replacements and to pay the cost of construction of additions, extensions and improvements to the water system. During the past five years the balance has increased from \$2.6 million to \$11.6 million. As a percentage of in service fixed assets the balance has increased from .9% in 2008 to 3.0% in 2012. Based on the District's current reserve funding practice a reserve will not be required for this proposed loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Series 2002B Revenue Bonds	4,200,000	2017
Series 2003A Revenue Bonds	1,280,000	2032
Series 2003B Revenue Bonds	22,150,000	2028
Series 2003C Revenue Bonds	12,250,000	2020
Series 2004 Revenue Bonds	8,095,000	2029

Series 2006 Revenue Bonds	24,815,000	2031
Series 2009 Revenue Bonds	26,280,000	2033
Series 2011 Revenue Bonds	30,005,000	2035
Rural Development Loan	1,987,000	2039
Taylor Mill Purchase Financing	925,000	2018
KIA Fund F Loan (F06-03)	3,304,508	2028
KIA Fund C Loan (C08-01)	4,939,349	2020
2011 Bond Anticipation Notes	25,615,000	TBD
KIA Fund F Loan (F08-07)	4,000,000	2032
KIA Fund F Loan (F09-02, i/a/o \$24M)	23,500,000	TBD
Deferred Note Payable	100,000	TBD
Series 2012 Revenue Bonds	54,840,000	2027
Total	\$ 248,285,857	

XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>
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

XII. CONTACTS

Legal Applicant	
Name	Northern Kentucky Water District
Address	2835 Crescent Springs Road Erlanger, KY 41018
County	Kenton
Authorized Official	Jack Bragg (V.P. of Finance)
Phone	(859) 426-2758
Email	jbragg@nkwater.org

Project Administrator

Name	Northern Kentucky Water District
Address	2835 Crescent Springs Road Erlanger, KY 41018
Contact	Richard Harrison, (V.P. of Engineering)
Phone	(859) 578-5458
Email	rharr@nkwater.org

XIII. RECOMMENDATIONS

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

**NORTHERN KENTUCKY WATER DISTRICT
BALANCE SHEETS (DECEMBER YEAR END)**

ASSETS	Audited	Audited	Audited	Projected	Upon
	2010	2011	2012	2013	Completion 2014
Current Assets					
Cash and Cash Equivalents	11,835,530	14,822,171	18,846,882	20,837,392	21,194,983
Accounts Receivable	10,545,667	10,370,535	10,854,735	11,288,900	11,740,500
Assessments Receivable	92,634	98,760	104,778	105,000	105,000
Inventory	1,343,411	1,198,490	1,241,516	1,250,000	1,250,000
Prepaid Items	442,448	280,028	231,973	250,000	250,000
Total Current Assets	24,259,690	26,769,984	31,279,684	33,731,292	34,540,483
Restricted Assets					
Boone Florence Settlement	1,601,840	1,813,821	743,592	743,592	743,592
Bond Proceeds Fund	21,540,563	26,460,229	14,781,474	14,781,474	14,781,474
Debt Service Reserve Account	15,577,413	17,557,818	16,727,770	16,727,770	16,727,770
Debt Service Account	10,871,257	12,788,211	13,258,210	13,258,210	13,258,210
Improvement, Repair & Replacement	8,874,835	10,278,024	11,618,535	12,118,535	12,118,535
Total Restricted Assets	56,465,908	68,677,903	57,109,581	57,609,581	57,609,581
Utility Plant					
Property, Plant and Equipment	337,020,659	354,073,466	388,571,927	397,821,927	412,001,927
Unclassified Plant - Construction in Progress	37,881,689	58,207,358	43,776,830	43,776,830	43,776,830
Property, Plant and Equipment	374,902,348	412,280,824	432,348,757	441,598,757	455,778,757
Less Accumulated Depreciation ()	(84,366,604)	(92,727,220)	(101,451,833)	(111,962,034)	(122,972,235)
Net Fixed Assets	290,535,744	319,553,604	330,896,924	329,636,723	332,806,522
Other Assets					
Deferred Charges	7,590,929	6,684,376	0	0	0
Total Other Assets	7,590,929	6,684,376	0	0	0
Total Assets	378,852,271	421,685,867	419,286,189	420,977,596	424,956,586
LIABILITIES					
Current Liabilities					
Bonded Indebtedness	6,883,000	7,974,000	7,926,000	8,218,000	9,335,000
Notes Payable	857,824	878,563	1,081,548	2,092,164	2,136,521
Accounts Payable	1,988,566	1,959,482	1,813,804	1,900,000	2,000,000
Accrued Payroll and Taxes	329,191	347,903	366,801	375,000	400,000
Other Accrued Liabilities	218,987	212,381	225,469	225,000	225,000
Total Current Liabilities	10,277,568	11,372,329	11,413,422	12,810,164	14,096,521
Liabilities Payable - Restricted Assets					
Accounts Payable	3,188,628	5,846,148	1,084,940	1,000,000	1,000,000
Accrued Interest Payable	3,492,903	3,994,015	3,703,241	3,700,000	3,700,000
Total Liabilities Payable - Restricted Assets	6,681,531	9,840,163	4,788,181	4,700,000	4,700,000
Long Term Liabilities					
Bonded Indebtedness	171,556,000	194,412,000	177,976,000	195,373,000	186,038,000
Notes Payable	16,693,975	54,659,908	35,687,309	34,095,145	31,958,624
Notes Payable (Interim Financing)	29,160,000	0	25,815,000	0	0
Proposed KIA Loan	0	0	0	0	4,000,000
Miscellaneous Deferred Charges	0	0	2,371,462	2,221,462	2,071,462
Total Long Term Liabilities	217,409,975	249,071,908	241,649,771	231,689,607	224,068,086
Total Liabilities	234,369,074	270,284,400	257,851,374	249,199,771	242,864,607
Retained Earnings:					
Invested in Capital Assets Net of Related Debt	65,384,945	81,629,133	82,611,067	89,858,414	99,338,377
Restricted	49,784,377	58,837,740	52,321,400	52,609,581	52,609,581
Unrestricted	29,313,875	30,934,594	26,502,348	29,309,830	30,144,021
Total Retained Earnings	144,483,197	151,401,467	161,434,815	171,777,825	182,091,979
Total Liabilities and Equities	378,852,271	421,685,867	419,286,189	420,977,596	424,956,586
Balance Sheet Analysis					
Current Ratio	2.4	2.4	2.7	2.6	2.5
Debt to Equity	1.6	1.8	1.6	1.5	1.3
Days Sales in Accounts Receivable	88.0	85.1	80.8	80.8	80.8
Months Operating Expenses in Unrestricted Cash	6.0	7.7	9.3	10.0	9.8

**EXHIBIT 1
NORTHERN KENTUCKY WATER DISTRICT
CASH FLOW ANALYSIS (DECEMBER YEAR END)**

	Audited 2010	% Change	Audited 2011	% Change	Audited 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017
Operating Revenues										
Water Sales	42,118,806	2%	42,826,733	10%	47,243,674	49,133,421	51,098,758	53,142,708	55,268,416	57,479,153
Forfeited Discounts	765,655	-3%	740,506	13%	837,746	871,256	906,106	942,350	980,044	1,019,246
Rents From Property	525,784	1%	533,666	5%	562,966	585,485	608,904	633,260	658,590	684,934
Other Water Revenue	328,515	13%	370,150	-1%	365,295	379,907	395,103	410,907	427,343	444,437
Total Revenues	43,738,760	2%	44,471,055	10%	49,009,681	50,970,069	53,008,871	55,129,225	57,334,393	59,627,770
Operating Expenses										
Operating Expenses	23,751,578	-3%	23,003,045	6%	24,384,581	25,116,118	25,869,602	26,645,690	27,445,061	28,268,413
Depreciation	8,688,797	9%	9,498,005	5%	10,010,201	10,510,201	11,010,201	11,510,201	12,010,201	12,510,201
Replacement Reserve										
Total Expenses	32,440,375	0%	32,501,050	6%	34,394,782	35,626,319	36,879,803	38,155,891	39,455,262	40,778,614
Net Operating Income	11,298,385	6%	11,970,005	22%	14,614,899	15,343,750	16,129,068	16,973,334	17,879,131	18,849,156
Non-Operating Income and Expenses										
Investment Income	955,195	-15%	811,145	3%	831,929	800,000	800,000	800,000	800,000	800,000
Miscellaneous Non-Operating Income	(144,026)		(239,673)		(384,846)	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)
Capital Contributions	1,068,804		2,861,766		3,079,510	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Total Non-Operating Income & Expenses	1,879,973	83%	3,433,238	3%	3,526,593	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Add Non-Cash Expenses										
Depreciation	8,688,797	9%	9,498,005	5%	10,010,201	10,510,201	11,010,201	11,510,201	12,010,201	12,510,201
Cash Available for Debt Service	21,867,155	14%	24,901,248	13%	28,151,693	29,353,951	30,639,269	31,983,535	33,389,332	34,859,357
Debt Service										
Existing Principal	6,956,737		7,740,824		8,852,563	9,007,548	10,310,164	11,471,521	11,898,987	12,347,587
Existing Interest	7,601,273		7,245,334		8,224,085	9,105,693	9,791,514	9,405,896	9,001,166	8,561,078
Proposed KIA Loan	0		0		0	0	0	123,951	247,902	247,902
Total Debt Service	14,558,010		14,986,158		17,076,648	18,113,241	20,101,678	21,001,368	21,148,055	21,156,567
Income After Debt Service	7,309,145		9,915,090		11,075,045	11,240,710	10,537,591	10,982,167	12,241,277	13,702,790
Debt Coverage Ratio	1.5		1.7		1.6	1.6	1.5	1.5	1.6	1.6