



2015-2016 Comprehensive Annual Financial Report

For the Fiscal Years Ended
June 30, 2016 and 2015



Sanitation District No. 1
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Ft. Wright, KY
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SANITATION DISTRICT NO. 1

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

For the Years Ended June 30, 2016 and 2015

Prepared by:

**Sanitation District No. 1
Finance Department**

**Ron Schmitt, Jr.
Director**

**Deborah Vinson
Accounting Manager**

<p>SANITATION DISTRICT NO. 1</p> <p>COMPREHENSIVE ANNUAL</p> <p>FINANCIAL REPORT</p> <p>For the Years Ended June 30, 2016 and 2015</p>
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INTRODUCTORY SECTION



November 28, 2016

To the Citizens Served by Sanitation District No. 1 (SD1) and to SD1's Board of Directors:

SD1 and its Finance Department are pleased to submit the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. This report follows guidelines set forth by the Government Accounting Standards Board and Generally Accepted Accounting Principles (GAAP).

This report consists of management's representations concerning the finances of SD1. Responsibility for the completeness and reliability of the information presented rests with SD1 Management. SD1 has worked to establish an internal control framework that provides a reasonable basis for asserting that the financial statements are fairly presented. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

SD1's financial statements have been audited by Van Gorder, Walker & Co., Inc, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that SD1's financial statements for the fiscal year ended June 30, 2016 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, there was a reasonable basis for issuing an unmodified ("clean") opinion that SD1's financial statements for the fiscal year ended June 30, 2016 are fairly presented in conformity with GAAP. The independent auditor's report is presented at the front of the financial section of this report.

SD1 Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. This letter of transmittal is intended to complement the discussion and analysis and should be read in conjunction with it.

Profile of SD1

SD1 is responsible for the collection and treatment of Northern Kentucky's wastewater, as well as regional storm water management. SD1 is the second largest public sewer utility in Kentucky, serving more than 284,000 residents throughout Boone, Campbell and Kenton Counties.

SD1 maintains approximately 1,620 miles of sanitary sewer line, 124 wastewater pumping stations, 15 flood pump stations, six package treatment plants, three major wastewater treatment plants, nearly 450 miles of storm sewer pipe and 32,820 storm sewer structures.

In Fiscal Year 2016, SD1 served a sanitary sewer customer base of 104,500 accounts and a storm water customer base of 94,659 accounts. SD1's sanitary sewer customer base has experienced a 0.491 percent average annual growth rate over the past five years, while SD1's storm water customer base has experienced a 0.049 percent average annual growth rate over the past five years with the City of Cold Spring opting out of SD1's Regional Management Storm Water Program during 2013.

SD1 is governed by a citizen Board of Directors, consisting of eight members that serve four-year staggered terms. County representation is based on the populations of the three counties SD1 serves. Four Board members are appointed by the Kenton County Judge Executive with the Kenton County Fiscal Court's approval, as Kenton County is the most populous county in SD1's service area. Two are appointed by the Campbell County Judge Executive with the Campbell County Fiscal Court's approval, and two are appointed by the Boone County Judge Executive with the Boone County Fiscal Court's approval. SD1's Board was given the full power and authority granted by Kentucky State Statute Chapter 220 and other applicable laws in administering, controlling and managing the affairs of SD1, including the budgeting process. The Board and County Judges Executive, who appoint the members, are required to review and give final approval of SD1's operating and capital budgets by July 1 of the year to which they apply.

Factors Affecting Financial Conditions

Local Economy

SD1 is located in Northern Kentucky, across the Ohio River from the City of Cincinnati, and is classified as belonging to the Cincinnati Metropolitan Statistical Area (MSA). Per the U.S. 2015 Census estimates, Northern Kentucky's population was 384,790. SD1 derives strength from the area's diverse economic base of manufacturing, entertainment, retail and commercial facilities. The local economy also benefits from its proximity to Cincinnati and includes the Greater Cincinnati International Airport.

According to the Northern Kentucky Tri-County Economic Development Corporation, Northern Kentucky as part of the Cincinnati MSA continues to demonstrate its standing as an economically strong region-within-a-region. Northern Kentucky is on pace with other metropolitan areas of similar size. Job growth and increased project activity are signs of improvement that reflect a thriving economy with a positive outlook for the future.

The Cincinnati MSA unemployment rate is expected to continue on a declining trend as has been seen in the past 6 years. At the end of June 2016, the Cincinnati MSA unemployment rate was 4.4 percent compared to a high of 9.9 percent in June 2010. The regional unemployment rate continues to be lower than the national average rate of 4.9 percent.

In Northern Kentucky, the housing market continues on a steady move toward normalcy. Home sales and prices continue showing signs of improvement, although price appreciation has been slow to return to pre-recession levels. The housing market continues to face challenges such as limited inventory and increased regulatory requirements.

Long Term Financial Planning

Many factors affect the funding and management of our wastewater and storm water utility, the most prominent of which are requirements for sewer overflows and SD1's regional storm water management program.

In 2007, SD1 entered into an agreement, or Consent Decree, with the U.S. EPA and the Kentucky Energy and Environment Cabinet, taking action to reduce water pollution in Northern Kentucky's creeks and streams. The Clean Water Act's regulations affect SD1, because like many wastewater collection systems in the country, SD1 has portions of the collection system that overflow during wet weather periods. During a heavy storm, these pipes can become overloaded and overflow, releasing sewage in the adjoining area. An estimated \$1.3 billion investment, estimated in 2016 dollars is required to address these overflows.

Other cities and utilities have entered into consent decrees like SD1, but SD1's Consent Decree is somewhat unique. It is a comprehensive watershed approach that focuses on improving public health and regional water quality by addressing other sources of water pollution in addition to reducing sewer overflows. This approach allows SD1 to develop efficient and cost-effective solutions that consider the source of the problem in an area and implement solutions specific to the cause and location. SD1 is also able to prioritize the solutions so that those fixes which have the greatest improvement on water quality at lower costs are addressed first.

Because the 2025 deadline for SD1's Consent Decree places a major financial burden on the community, SD1 is currently negotiating with state and federal officials to extend the deadline, making the program more affordable to ratepayers.

SD1 has developed a long-term service plan for the Northern Kentucky Regional Storm Water Program. This long-term service plan sets the course for the Regional Storm Water Program over the next ten or more years and will aid SD1 in meeting the storm water management needs and customer expectations of our community. In developing this long-term service plan, SD1 evaluated various storm water related program initiatives revolving around the extent and level of service to be provided to the community, the repair and replacement of our storm water assets, as well as the current storm water

billing methodology and the impact of storm water on the implementation of SD1's Consent Decree.

Relevant Financial Policies

In April 1998, SD1's Board of Directors established and approved a trust indenture to assure a strong financial position and to protect SD1's revenue bond rating during periods of fiscal stress. The trust indenture requires SD1 to maintain a rate covenant such that net revenues will cover annual bond debt service of at least 1.25 times; a debt service reserve fund requirement equivalent to maximum annual debt service that is fully cash funded; an Operation and Maintenance fund requirement equivalent to three months of operating expenses; and a self-insurance fund requirement of maintaining a minimum of \$5 million for the payment of liability claims against SD1.

At fiscal year-end, SD1 had total debt outstanding of \$493,457,485. Outstanding bonds of SD1 are rated Aa3 by Moody's and AA/Stable by Standard & Poor's rating agencies. For fiscal year ended June 30, 2016, net revenues covered debt service on both revenue bonds and Kentucky Infrastructure Authority (KIA) notes by 1.36 times. Unrestricted cash was at a level representing at least 409 days' cash which equated to \$45.1 million.

Cash temporarily idle during the year was invested in insured certificates of deposit, repurchase agreements and obligations of the U.S. Treasury. SD1's investment policy is to minimize credit and market risk, while maintaining a competitive yield on its portfolio. Accordingly, deposits were either insured by federal depository insurance or collateralized.

Major Initiatives

In order to provide reliable wastewater and storm water services at an affordable rate to our customers, SD1 has continued to work on strategic business plan projects that address issues of strategic importance to the entire region. Our commitment to this plan ensures all members of SD1's staff are working toward protecting public health, property and the environment while supporting the economic vitality of the community.

Some major initiatives that are currently underway and align with the goals outlined in our strategic business plan include conducting wet weather flow monitoring and bi-weekly sampling, making city payroll tracking improvements and upgrading our data center fire suppression system.

Wet Weather Flow Monitoring

SD1's infrastructure plays a vital role in our community's success, so it needs to function properly, especially during wet-weather conditions. Understanding how rain enters our system helps SD1 identify sewer pipes that become restricted or overloaded during wet weather. To aid in understanding our infrastructure, the wet weather team uses wireless remote sensing devices to monitor and evaluate the impact of wet weather on the collection systems. The data collected with these devices is used to update SD1's sewer

system hydraulic models, plan for capital improvement projects and develop operational responses to rain events.

Bi-weekly Sampling

In 2006, SD1 began a comprehensive watershed monitoring program that collects water quality data in Northern Kentucky's 16 watersheds to assess stream conditions. Because of the vast differences among the watersheds, the Integrated Watershed Management Department is implementing a biweekly sampling program over a two-year period to further analyze stream conditions at 20 different locations. This program will allow SD1 to identify trends within each watershed and to proactively map out projects that could help improve water quality. The information obtained from the biweekly sampling program will create a strong foundation to guide our future decisions.

City Payroll Tracking Improvements

Payroll taxes are due to each city SD1 employees work in based on how much time they spend there while on the clock. The current process to collect these taxes for the Collections and Operations Department field crew members involves many manual efforts to pull data from the work order system and enter in to the payroll system so the taxes calculate correctly each pay period. Recognizing this as an opportunity for improvement, the Human Resources, Finance and GIS departments are working to integrate the work order and payroll systems to automate and streamline the process. Once complete, the hours worked by city tracked in Lucity will be input to Paycor through an import routine, eliminating the manual data effort and reducing operating costs.

Data Center Fire Suppression System Upgrade

Technology has become an integral part of our organization because it allows us to share information faster and continue to provide reliable services to our community. One of the biggest challenges we face is protecting large volumes of electronic information that's so critical to our business. The Facilities Department has recently upgraded the data center's water-fed sprinkler system to the Sapphire fire suppression system. This new technology is effective at putting out fires but, unlike water, will not damage or destroy electronic equipment or our building because it turns from a liquid to a gas. Additionally, it is safe for the environment and safe to breathe if necessary. This update helps implement SD1's strategic priority to ensure business continuity and operational reliability during both routine operations and emergency conditions.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SD1 for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2015. This was the third consecutive year SD1 has received this prestigious award. In order to

be awarded a Certificate of Achievement, SD1 published an easily readable and efficiently organized comprehensive annual financial report. The report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of all SD1 departments and staff. We would like to express our appreciation to all who assisted and contributed to the preparation of this report.

Respectfully Submitted,



Mark Wurschmidt
Interim Executive Director



Ron Schmitt, Jr.
Director of Finance

SANITATION DISTRICT NO. 1
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
For the Years Ended June 30, 2016 and 2015

Board of Directors
(As of June 30, 2016)

Adam Chaney, President
Boone County

Garth Kuhnhein, Vice-President
Kenton County

Chuck Heilman, Treasurer
Campbell County

Rick Wessels, Secretary
Kenton County

Bob Boswell
Boone County

Robert Horine
Campbell County

Gary Richardson
Kenton County

Bob Schroder
Kenton County

Management

Mark W. Wurschmidt
Interim Executive Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

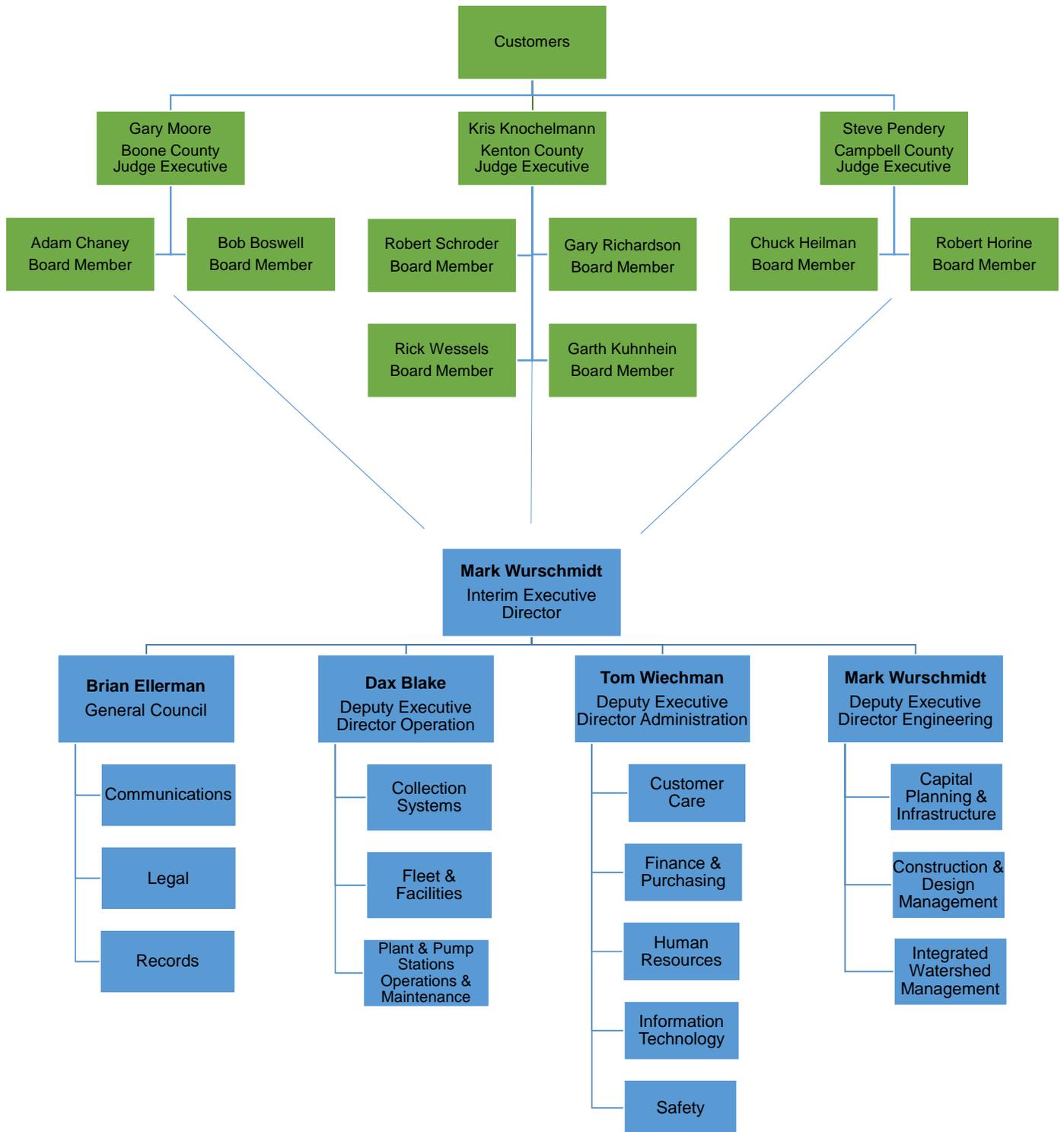
Presented to

**Sanitation District No. 1
Kentucky**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



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FINANCIAL SECTION



Independent Auditor's Report

To the Board of Directors
Sanitation District No. 1

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities of Sanitation District No. 1 (SD1), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise SD1's basic financial statements as listed in the table of contents.

-Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

-Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

-Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sanitation District No. 1 as of June 30, 2016 and 2015 and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America

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-Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and the Multiple Employer, Cost Sharing Defined Benefit plan disclosure, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Sanitation District No. 1's financial statements as a whole. The Introductory Section, the *Budgetary Comparison Schedules – Budget to Actual*, and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of the Sanitation District No. 1. The Introductory Section, the *Budgetary Comparison Schedules – Budget to Actual*, the Schedule of Expenditures of Federal Awards and the Statistical Section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016 on our consideration of Sanitation District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sanitation District No. 1's internal control over financial reporting and compliance.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker & Co., Inc.
Erlanger, Kentucky
November 28, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS For the Years Ended June 30, 2016 And 2015

Following is a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. The information below should be considered in conjunction with additional information that was furnished in the letter of transmittal and basic financial statements included in this report.

Financial Highlights

- SD1's total net position increased by \$4.5 million to \$743.6 million.
- Net investment in capital assets increased by \$1.4 million to \$618.1 million
- Unrestricted net position increased by \$5.8 million to \$43.0 million.
- Operating revenues decreased by \$27.0 thousand to \$94.4 million.
- Operating expenses excluding depreciation decreased by \$3.1 thousand to \$40.3 million.
- SD1's total outstanding debt decreased by \$17.2 million or 3.37%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to SD1's basic financial statements. SD1's basic financial statements are the Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the accompany notes to the financial statements.

The Balance Sheet presents information on all SD1's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of SD1 is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how SD1's net position changed during the most recent fiscal year. SD1 is intended to be entirely or predominately self-supported from user fees. Revenues are reported when earned and expenses are reported when incurred.

The Statement of Cash Flows provides information relating to SD1's cash receipts and disbursements during the fiscal year. This statement summarizes net changes in cash resulting from operating, investing and financing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in SD1's basic financial statements. The notes to the financial statements can be found on pages 30 to 50 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information concerning budgetary comparisons. Other supplementary information can be found on pages 53 to 72 of this report.

Financial Analysis of SD1's Financial Position and Results of Operation

Table 1 provides a summary of SD1's net position at June 30, 2016, 2015 and 2014.

Table 1 – Net Position

	June 30,		
	2016	2015	2014
Current Assets	\$ 74,588,478	\$ 72,226,257	\$ 86,467,260
Noncurrent Restricted Assets	85,017,276	84,756,917	83,424,890
Capital Assets, Net	1,111,300,359	1,127,665,409	1,144,258,426
Total Assets	<u>1,270,906,113</u>	<u>1,284,648,583</u>	<u>1,314,150,576</u>
Deferred Outflow of Resources	<u>6,549,646</u>	<u>4,112,471</u>	<u>5,351,973</u>
Current Liabilities	33,028,647	35,315,013	48,631,602
Noncurrent Liabilities	500,870,145	512,366,490	534,134,323
Total Liabilities	<u>533,898,792</u>	<u>547,681,503</u>	<u>582,765,925</u>
Deferred Inflow of Resources	<u>-</u>	<u>2,045,032</u>	<u>-</u>
Net Position			
Net investment in capital assets	618,121,073	616,736,635	615,611,908
Restricted for:			
Debt service funds, net of current liabilities	43,140,184	42,525,692	41,238,145
Operations, infrastructure & insurance reserves	34,277,222	34,427,560	34,202,584
Capital improvement/programs	2,662,174	5,731,504	10,657,785
Other purposes	2,335,575	2,413,032	2,499,433
Unrestricted	43,020,739	37,200,096	32,526,769
Total Net Position	<u>\$ 743,556,967</u>	<u>\$ 739,034,519</u>	<u>\$ 736,736,624</u>

Total assets decreased by \$13.7 million in 2016 and \$29.5 million in 2015. This decrease for both years can be attributed primarily to accumulated depreciation on existing assets increasing more than the amount being invested in new capital improvement projects each year.

Total liabilities decreased by \$13.8 million in 2016 compared to a \$35.1 million decrease in 2015. \$18.2 million of this decrease was a result of not issuing any new bonds and continuing to pay on the existing debt, while \$6.0 million in additional net pension liabilities was added in 2016. During 2015, GASB Statement No. 68, *Accounting & Financial Reporting for Pensions* ("GASB 68") was implemented which resulted in recognizing \$20.7 million as a prior period adjustment as SD1's net pension liability.

Deferred inflow of resources decreased \$2.0 million due to the netting of pension-related inflow and outflow transactions.

Total net position increased \$4.5 million in 2016 and increased \$6.8 million since 2014. The largest portion of SD1's net position \$618.1 million or 83.1% in the current fiscal year reflects its investment in capital assets such as land, buildings, treatment facilities, and collection systems, less any related debt still outstanding used to acquire those assets. SD1 uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although SD1's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of SD1's net position is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used. The restricted net position decreased 3.2% from 2015 and 7.0% since 2014 which was primarily a result of bond proceeds being spent on capital projects. The remaining balance represents unrestricted net position and may be used to meet SD1's ongoing obligations to customers and creditors. Unrestricted net position increased 15.7% at the end of 2016 and increased 14.4% at the end of 2015. The majority of the increase was associated with building up cash reserves to cash finance future capital improvement projects so as not to incur additional debt.

Table 2 shows the changes in net position for 2016, as well as the revenue and expense comparisons to 2015 and 2014.

Table 2 – Changes in Net Position

	For the Years Ended June 30,		
	2016	2015	2014
Operating Revenues:			
Sewer service charges	\$ 75,730,322	\$ 76,583,543	\$ 74,221,151
Storm water charges	12,745,499	12,405,055	11,899,106
Permits and tap-in fees	3,566,331	3,117,162	3,173,486
Sludge hauling	101,621	72,692	84,480
Inspections	217,454	177,073	74,348
Penalties and fines	1,502,174	1,619,161	1,573,674
Contractual services	136,592	132,614	128,752
Bad debt recoveries	138,003	70,916	21,873
Other revenues	297,083	230,623	33,287
Project reimbursements	-	53,274	1,450,000
Total Operating Revenues	<u>94,435,079</u>	<u>94,462,113</u>	<u>92,660,157</u>
Operating Expenses			
Operations, maintenance, and administration	38,588,567	38,897,696	36,354,545
Major repairs and other expenses	1,720,103	1,414,072	1,291,040
Depreciation	40,776,214	40,859,784	40,716,750
Total Operating Expenses	<u>81,084,884</u>	<u>81,171,552</u>	<u>78,362,335</u>
Operating Income	13,350,195	13,290,561	14,297,822
Non-Operating Income	3,077,895	3,481,677	3,157,191
Interest and Other Charges	<u>(20,143,508)</u>	<u>(20,704,561)</u>	<u>(20,872,923)</u>
Change in Net Position Before Capital Contributions	(3,715,418)	(3,932,323)	(3,417,910)
Capital Contributions	<u>8,237,866</u>	<u>6,230,218</u>	<u>5,331,548</u>
Change in Net Position	4,522,448	2,297,895	1,913,638
Net Position - Beginning	739,034,519	736,736,624	753,340,864
Prior Period Adjustment	-	-	(18,517,878)
Net Position - Ending	<u>\$ 743,556,967</u>	<u>\$ 739,034,519</u>	<u>\$ 736,736,624</u>

In 2016, SD1's total operating revenues experienced a slight decrease of \$27.0 thousand or 0.03%. Sanitary revenues decreased \$0.8 million which was a result of declining water consumption by residential households and significant industrial users. Storm water revenues experienced an increase of \$0.3 million due to a slight increase in the number of storm water accounts and an increase in impervious areas on non-residential accounts. Permits and tap-in fees experienced a \$0.4 million increase due to a rise in the number of capacity connection fees.

In 2015, SD1's total operating revenues increased \$1.8 million or 1.94% over the previous year. Sanitary and Storm water revenues increased \$2.9 million which was a result of a 5% rate increase to sanitary sewer and storm water fees that became effective July 1, 2014. Project reimbursement experienced a \$1.4 million decrease due to a one-time Kentucky Infrastructure reimbursement grant received in 2014.

In 2016, operating expenses, excluding depreciation decreased \$3.1 thousand or 0.01%. The following contributed to the change in operating expenses:

- Employee benefits decreased \$0.2 million due to a decrease in the number of high cost claimants and an increase in employee premiums that resulted from an addition of a new participation level.
- Chemicals decreased by \$0.3 million due to a reduction in chemical usage by automating chemical monitoring and feed systems at the treatment plants.
- Sludge and Grit Removal increased \$0.3 million due to experiencing higher costs for transporting and disposing Dry Creek's biosolids to a different facility while the current facility was correcting a landslide issue.
- Vehicle & equipment fuels decreased by \$0.1 million which was primarily a result of less gallons being used and a reduction in fuel rates.
- Major repairs and other expenses increased \$0.3 million due to preliminary studies and conceptual design work of proposed capital projects.

In 2015, Operating expenses, excluding depreciation increased by \$2.6 million or 7.08%. The following contributed to the change in operating expenses:

- Employee medical and dental benefits increased \$1.1 million due to an increase number of high cost claimants.
- General liability insurance and deductibles increased \$0.3 million due to a 30% rate increase across all policies to maintain current level of coverages and an increase in the number of lawsuits and liability claims.
- Professional and contractual services increased \$0.8 million due to an increase in the utilization of external contractors and the utilization of outside legal services while a search was being conducted to find an in-house general counsel replacement.
- Chemicals increased approximately \$0.6 million which was offset by a decrease of \$0.4 million in gas & electric utility cost in operating the pumps and treatment plants.
- Major repairs and other expenses increased \$0.1 million due to reclassifying asset repair projects from Construction in Progress (CIP).

Non-operating income decreased \$0.4 million in 2016 which was primarily due to a \$0.7 million increase in the net effect of change in SD1's share of the pension expenses and a \$0.2 million increase in interest income. Non-operating income increased \$0.3 million in 2015 which was primarily due to a \$0.7 million decrease in losses on disposal of assets and a \$0.3 million increase in the net effect of change in SD1's share of pension expenses.

Interest and other charges decreased \$0.5 million in 2016 and decreased approximately \$0.2 million in 2015. The decrease in both years was primarily the result of a reduction in interest expense due to not issuing any new bonds and continuing to pay down the existing debt.

Capital contributions increased \$2.0 million in 2016 and increased \$0.9 million in 2015 which was primarily due to an increase in acquired subdivision sanitary and storm water assets from developers.

Capital Assets

As of June 30, 2016, total capital assets increased by \$23.1 million or 1.52% over 2015. Collection system improvements contained the majority of the increase with \$18.1 million; \$9.2 million for rehab and replacement of sanitary lines and \$8.9 million for rehab and replacement of storm water lines. Pumping station infrastructure and equipment improvements increased \$5.1 million and treatment and disposal plant and equipment increased \$0.2 million. Construction in progress decreased \$1.2 million as constructed assets were placed into service.

As of June 30, 2015, total capital assets had increased by \$23.3 million or 1.56% over 2014. Collection system improvements contained the majority of the increase with \$16.1 million; \$8.5 million for rehab and replacement of sanitary lines and \$7.6 million for rehab and replacement of storm water lines. Pumping station infrastructure and equipment improvements increased \$1.2 million and treatment and disposal plant and equipment increased approximately \$1.0 million. Construction in progress increased \$4.5 million as on-going projects were being constructed and readied for use.

These assets are summarized in table 3 below.

Table 3 – Capital Assets, Net of Depreciation

Capital Asset	June 30,		
	2016	2015	2014
Land	\$ 15,845,697	\$ 15,414,160	\$ 15,387,159
Construction in progress	11,444,632	12,613,822	8,030,329
Total assets not depreciated	27,290,329	28,027,982	23,417,488
Sanitary collection system	679,709,357	670,488,000	662,016,791
Pump stations	99,281,577	94,139,801	92,930,563
Treatment and disposal	249,265,825	249,052,897	248,129,034
General plant and equipment	69,454,556	69,098,723	68,599,984
Software model development	21,612,210	21,612,209	21,612,210
Storm water collection system	396,875,775	387,981,011	380,376,561
Total depreciable assets	1,516,199,300	1,492,372,641	1,473,665,143
Total Capital Assets	\$ 1,543,489,629	\$ 1,520,400,623	\$ 1,497,082,631
Accumulated depreciation			
Sanitary collection system	(165,176,208)	(151,767,136)	(138,496,498)
Pump stations	(43,460,164)	(39,391,858)	(35,079,060)
Treatment and disposal	(70,783,244)	(65,161,109)	(59,613,565)
General plant and equipment	(39,752,755)	(37,745,166)	(35,788,506)
Software model development	(21,612,208)	(21,612,208)	(21,182,333)
Storm water collection system	(91,404,691)	(77,057,737)	(62,664,243)
Total accumulated depreciation	(432,189,270)	(392,735,214)	(352,824,205)
Capital Assets, Net	\$ 1,111,300,359	\$ 1,127,665,409	\$ 1,144,258,426

Additional information on SD1's capital assets can be found in Note 2 - Capital Assets on pages 34 to 36 of this report.

Debt and Capital Asset Administration

SD1 ended fiscal year 2016 with \$493.5 million in outstanding bonds and notes compared to \$510.7 million in 2015 and \$527.9 million in 2014. This represents a decrease of 3.37% in 2016 and 3.26% in 2015 as shown in Table 4. SD1 has not added additional bonds since early 2011, but has added \$2.1 million to the notes payable in 2016 and \$1.6 million in 2015 as funds were drawn from the Kentucky Infrastructure Authority (KIA) Revolving Loan Fund. These funds were utilized to help fund the necessary capital improvement projects.

Table 4 summarizes SD1 outstanding debt at June 30, 2016, 2015 and 2014.

Table 4 – Debt Summary

	June 30,		
	2016	2015	2014
Bonds Payable Obligations (Backed by User Fee Revenues)	\$ 350,575,000	\$ 362,715,000	\$ 374,485,000
Notes Payable (Backed by User Fee Revenues)	142,882,485	147,961,008	153,411,373
Totals	<u>\$ 493,457,485</u>	<u>\$ 510,676,008</u>	<u>\$ 527,896,373</u>

Additional information on SD1's long-term debt can be found in Note 4 – Bonds Payable and Note 5 – Notes Payable on pages 37 to 42 of this report.

Economic Factor's and Next Year's Budget

In June 2016, SD1's Board of Directors and the Judges Executive of Boone, Campbell and Kenton counties approved the fiscal year 2017 Operating & Maintenance (O&M) and Capital budgets. The 2017 O&M budget was approved for \$42.3 million which reflects a 5.99% increase compared to the 2016 budget.

The revenue budget calls for a 5.0% rate increase to sanitary sewer rates and assumes no rate increase for storm water rates. The impact to revenue is an anticipated increase of \$2.8 million over 2016 actual sewer service revenue.

In preparing the 2017 operating budget, although there was a slight increase over the previous year to account for programs that have shifted from the Capital budget to the Operations budget, the key focus was to continue reducing expenditures by improving operations and systems to provide for better efficiencies. In addition, the 2017 budget assumes minimizing the number of full time staffing levels. Long term staffing levels will continue to be reviewed and based upon strategic goals and evaluating the use of external contractors; future staffing levels will be determined and prioritized to best meet the needs of SD1.

SD1's 2017 wastewater and storm water Capital Improvement Program ("CIP") includes 30 projects to address both operational and community needs for new infrastructure. The projects are all at different stages of advancement and the anticipated work may range from planning, design, to construction. The CIP also provides for implementation of recurring annual improvement programs such as asset renewal and unplanned emergency repairs. New capital asset purchases are also included for vehicle replacements, software and hardware purchases, and equipment replacements at SD1's main facility, treatment plants and pump stations. The total investment approved for the projects, programs, and purchases included in the CIP is \$74.6 million. Approximately \$15.1 million of this total was estimated to

be spent by the end of fiscal year 2016 and \$59.5 million was projected for spending over the next five fiscal years.

Funding for the \$74.6 million in CIP expenditures was provided over multiple fiscal year capital budgets. The 2017 capital budget provided \$27.4 million of funding, of which \$11.5 million will be used to further advance 14 projects, \$14.8 million for annual improvement programs, and \$1.1 million for new capital asset purchases. The remaining \$47.2 million of funding was approved for specified projects in prior fiscal years.

SD1 issued \$60.5 million in Recovery Zone Economic Development Bonds and Build America Bonds early in fiscal year 2011 to help meet the capital budget requirements. At the end of fiscal year 2016, there was a balance remaining of \$1.1 million of bond funds. In addition, other funds available include \$26.4 million to draw from the Commonwealth of Kentucky's Revolving Loan Funds and \$1.7 million of grant/county/KYTC funds. Any remaining funds needed for funding capital projects and programs will be provided from cash reserves and net revenues.

SD1 sold bonds on October 12, 2016 to refund Series 2005A Bonds, Series 2006A Bonds and Series 2007A Bonds that were originally issued to fund major capital improvements. The par amount of the bonds was \$124,990,000. The refunding bonds will save SD1 and its rate payers a net of \$31.2 million over the next 22 years.

Contacting SD1's Financial Management

This report is designed to provide our customers and creditors with a general overview of SD1's finances and to show SD1's accountability for the money it receives. If you have questions about this report or need additional information, contact SD1's Administrative Office at 1045 Eaton Drive, Fort Wright, KY 41017 or e-mail info@sd1.org.

SANITATION DISTRICT NO. 1 BALANCE SHEET June 30, 2016
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Assets and Deferred Outflows of Resources

Assets

	Sanitation	Stormwater	Total
Current Unrestricted Assets			
Cash and cash equivalents	\$ 30,453,418	\$ 14,677,754	\$ 45,131,172
Accounts receivable			
Customers, net of allowance	7,815,881	2,322,496	10,138,377
Communities	14,450	-	14,450
KIA loan receivable	-	-	-
Others	3,750,928	-	3,750,928
Accrued unbilled charges	8,060,550	1,555,400	9,615,950
Prepays and deposits	762,018	3,850	765,868
Accrued interest income	18,877	3,331	22,208
Total Current Unrestricted Assets	<u>50,876,122</u>	<u>18,562,831</u>	<u>69,438,953</u>
Current Restricted Assets			
Cash	2,511,111	5,883	2,516,994
Bond proceeds, held in cash	1,116,291	-	1,116,291
Receivables			
Assessments	1,380,740	-	1,380,740
Improvement notes	5,130	-	5,130
Accrued interest	130,370	-	130,370
Prepaid items	-	-	-
Total Current Restricted Assets	<u>5,143,642</u>	<u>5,883</u>	<u>5,149,525</u>
Total Current Assets	<u>56,019,764</u>	<u>18,568,714</u>	<u>74,588,478</u>
Noncurrent Restricted Assets			
Investments	<u>83,532,630</u>	<u>1,484,646</u>	<u>85,017,276</u>
Capital Assets			
Land, building, system, equipment, & vehicles	1,128,677,339	403,367,658	1,532,044,997
Construction in progress	8,984,555	2,460,077	11,444,632
Less: accumulated depreciation	<u>(335,091,187)</u>	<u>(97,098,083)</u>	<u>(432,189,270)</u>
Total Capital Assets, Net	<u>802,570,707</u>	<u>308,729,652</u>	<u>1,111,300,359</u>
Total Assets	<u>942,123,101</u>	<u>328,783,012</u>	<u>1,270,906,113</u>
Deferred Outflow of Resources			
Deferred refunding costs on defeased bonds	1,993,406	-	1,993,406
Deferred pension contribution	3,635,391	920,849	4,556,240
Total Deferred Outflows of Resources	<u>5,628,797</u>	<u>920,849</u>	<u>6,549,646</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 947,751,898</u>	<u>\$ 329,703,861</u>	<u>\$ 1,277,455,759</u>

The accompanying notes are an integral part of the financial statements.

SANITATION DISTRICT NO. 1 BALANCE SHEET (Continued) June 30, 2016
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Liabilities and Deferred Inflows of Resources

Liabilities

	<u>Sanitation</u>	<u>Stormwater</u>	<u>Total</u>
Current Liabilities (payable from current assets)			
Accounts payable	\$ 3,604,553	\$ 1,018,136	\$ 4,622,689
Accrued payroll and benefits	1,439,194	405,478	1,844,672
Accrued taxes and pension	106	-	106
Customer Deposits and other	167,354	-	167,354
Sales tax payable	(643)	-	(643)
Total Current Liabilities (from current assets)	<u>5,210,564</u>	<u>1,423,614</u>	<u>6,634,178</u>
Current Liabilities (payable from restricted assets)			
Accounts payable	21,496	-	21,496
Current portion of long-term debt	19,832,189	88,634	19,920,823
Accrued interest payable	7,727,268	2,882	7,730,150
Total Current Liabilities (from restricted assets)	<u>27,580,953</u>	<u>91,516</u>	<u>27,672,469</u>
Total Current Liabilities	<u>32,791,517</u>	<u>1,515,130</u>	<u>34,306,647</u>
Noncurrent Liabilities			
Notes payable	134,023,332	1,483,330	135,506,662
Bonds payable, net of amortization	339,745,207	-	339,745,207
Net pension liability	19,554,036	4,786,240	24,340,276
Total Noncurrent Liabilities	<u>493,322,575</u>	<u>6,269,570</u>	<u>499,592,145</u>
Total Liabilities	<u>526,114,092</u>	<u>7,784,700</u>	<u>533,898,792</u>
Deferred Inflows of Resources			
Deferred inflow pension costs	-	-	-
Total Liabilities and Deferred Inflows of Resources	<u>526,114,092</u>	<u>7,784,700</u>	<u>533,898,792</u>
Net Position			
Net investment in capital assets	310,963,385	307,157,688	618,121,073
Restricted for:			
Debt service funds, net of current liabilities	43,132,815	7,369	43,140,184
Operations, infrastructure, & insurance reserves	32,802,827	1,474,395	34,277,222
Capital improvement/programs	2,662,174	-	2,662,174
Other purposes	2,329,692	5,883	2,335,575
Unrestricted	<u>29,746,913</u>	<u>13,273,826</u>	<u>43,020,739</u>
Total Net Position	<u>421,637,806</u>	<u>321,919,161</u>	<u>743,556,967</u>
Total Liabilities and Net Position	<u>\$ 947,751,898</u>	<u>\$ 329,703,861</u>	<u>\$ 1,277,455,759</u>

The accompanying notes are an integral part of the financial statements.

SANITATION DISTRICT NO. 1 BALANCE SHEET June 30, 2015 - Restated

Assets and Deferred Outflows of Resources

Assets

	Sanitation	Stormwater	Total
Current Unrestricted Assets			
Cash and cash equivalents	\$ 24,183,375	\$ 14,565,440	\$ 38,748,815
Accounts receivable			
Customers, net of allowance	7,675,500	2,277,071	9,952,571
Communities	14,484	-	14,484
KIA loan receivable	274,991	-	274,991
Others	4,011,851	-	4,011,851
Accrued unbilled charges	8,276,340	1,524,500	9,800,840
Prepays and deposits	695,557	-	695,557
Accrued interest income	24,508	3,662	28,170
Total Current Unrestricted Assets	<u>45,156,606</u>	<u>18,370,673</u>	<u>63,527,279</u>
Current Restricted Assets			
Cash	2,340,296	-	2,340,296
Bond proceeds, held in cash	4,759,166	-	4,759,166
Receivables			
Assessments	1,470,191	-	1,470,191
Improvement notes	5,130	-	5,130
Accrued interest	124,195	-	124,195
Total Current Restricted Assets	<u>8,698,978</u>	<u>-</u>	<u>8,698,978</u>
Total Current Assets	<u>53,855,584</u>	<u>18,370,673</u>	<u>72,226,257</u>
Noncurrent Restricted Assets			
Investments	<u>83,396,684</u>	<u>1,360,233</u>	<u>84,756,917</u>
Capital Assets			
Land, building, system, equipment, & vehicles	1,113,498,573	394,288,228	1,507,786,801
Construction in progress	9,836,028	2,777,794	12,613,822
Less: accumulated depreciation	<u>(310,001,050)</u>	<u>(82,734,164)</u>	<u>(392,735,214)</u>
Total Capital Assets, Net	<u>813,333,551</u>	<u>314,331,858</u>	<u>1,127,665,409</u>
Total Assets	<u>950,585,819</u>	<u>334,062,764</u>	<u>1,284,648,583</u>
Deferred Outflow of Resources			
Deferred refunding costs on defeased bonds	2,415,774	-	2,415,774
Deferred pension contributions	1,369,488	327,209	1,696,697
Total Deferred Outflow of Resources	<u>3,785,262</u>	<u>327,209</u>	<u>4,112,471</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 954,371,081</u>	<u>\$ 334,389,973</u>	<u>\$ 1,288,761,054</u>

The accompanying notes are an integral part of the financial statements.

SANITATION DISTRICT NO. 1 BALANCE SHEET (Continued) June 30, 2015 - Restated

Liabilities and Deferred Inflow of Resources

Liabilities

	Sanitation	Stormwater	Total
Current Liabilities (payable from current assets)			
Accounts payable	\$ 4,483,986	\$ 1,314,271	\$ 5,798,257
Accrued payroll and benefits	1,423,622	361,235	1,784,857
Accrued taxes and pension	(24)	-	(24)
Due to other fund	-	-	-
Communities	47	-	47
Other accruals	74,923	-	74,923
Sales tax payable	102	-	102
Total Current Liabilities (from current assets)	<u>5,982,656</u>	<u>1,675,506</u>	<u>7,658,162</u>
Current Liabilities (payable from restricted assets)			
Accounts payable	430,382	-	430,382
Accrued interest payable	7,924,684	3,041	7,927,725
Current portion of long-term debt	19,211,856	86,888	19,298,744
Total Current Liabilities (from restricted assets)	<u>27,566,922</u>	<u>89,929</u>	<u>27,656,851</u>
Total Current Liabilities	<u>33,549,578</u>	<u>1,765,435</u>	<u>35,315,013</u>
Noncurrent Liabilities			
Notes payable	139,230,300	1,571,964	140,802,264
Bonds payable, net of amortization	353,243,540	-	353,243,540
Net pension liability	14,757,322	3,563,364	18,320,686
Total Noncurrent Liabilities	<u>507,231,162</u>	<u>5,135,328</u>	<u>512,366,490</u>
Total Liabilities	540,780,740	6,900,763	547,681,503
Deferred Inflows of Resources			
Deferred inflow pension costs	<u>1,647,274</u>	<u>397,758</u>	<u>2,045,032</u>
Total Liabilities and Deferred Inflows of Resources	<u>542,428,014</u>	<u>7,298,521</u>	<u>549,726,535</u>
Net Position			
Net investment in capital assets	304,063,629	312,673,006	616,736,635
Restricted for:			
Debt service funds, net of current liabilities	42,518,477	7,215	42,525,692
Operations, infrastructure, & insurance reserves	33,077,583	1,349,977	34,427,560
Capital improvement/programs	5,731,504	-	5,731,504
Other purposes	2,413,032	-	2,413,032
Unrestricted	<u>24,138,842</u>	<u>13,061,254</u>	<u>37,200,096</u>
Total Net Position	<u>411,943,067</u>	<u>327,091,452</u>	<u>739,034,519</u>
Total Liabilities and Net Position	<u>\$ 954,371,081</u>	<u>\$ 334,389,973</u>	<u>\$ 1,288,761,054</u>

The accompanying notes are an integral part of the financial statements.

SANITATION DISTRICT NO. 1 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Year Ended June 30, 2016

	<u>Sanitation</u>	<u>Stormwater</u>	<u>Total</u>
Operating Revenues			
Sewer service charges	\$ 75,730,322	\$ -	\$ 75,730,322
Storm water charges	-	12,745,499	12,745,499
Permits and tap-in fees	3,476,425	89,906	3,566,331
Sludge hauling	101,621	-	101,621
Inspections	97,534	119,920	217,454
Penalties and fines	1,316,300	185,874	1,502,174
Contractual services	136,592	-	136,592
Bad debt recoveries	119,103	18,900	138,003
Other revenues	296,183	900	297,083
Total Operating Revenues	<u>81,274,080</u>	<u>13,160,999</u>	<u>94,435,079</u>
Operating Expenses			
Operation, maintenance and administration	32,486,628	6,101,939	38,588,567
Major repairs and other	833,554	886,549	1,720,103
Depreciation	26,047,695	14,728,519	40,776,214
Total Operating Expenses	<u>59,367,877</u>	<u>21,717,007</u>	<u>81,084,884</u>
Operating Income (Expense)	<u>21,906,203</u>	<u>(8,556,008)</u>	<u>13,350,195</u>
Non-Operating Income			
Interest income	840,608	66,003	906,611
Transfers to other fund	17,485	(17,485)	-
Gain/(Loss) on sale of fixed assets	(139,580)	(267,900)	(407,480)
Federal credits on Build America Bonds	3,406,317	-	3,406,317
Net change in share of pension expense	(883,536)	(231,479)	(1,115,015)
Net increase, fair market value of investments	280,893	6,569	287,462
Total Non-Operating Income (Expense)	<u>3,522,187</u>	<u>(444,292)</u>	<u>3,077,895</u>
Interest and Other Charges			
Interest on long-term debt	20,060,466	35,860	20,096,326
Amortization of bond discount and expense	47,182	-	47,182
Total Interest and Other Charges	<u>20,107,648</u>	<u>35,860</u>	<u>20,143,508</u>
Change in Net Position Before Capital Contributions	<u>5,320,742</u>	<u>(9,036,160)</u>	<u>(3,715,418)</u>
Capital Contributions	<u>4,373,997</u>	<u>3,863,869</u>	<u>8,237,866</u>
Change in Net Position	<u>9,694,739</u>	<u>(5,172,291)</u>	<u>4,522,448</u>
Net Position, July 1, 2015	<u>411,943,067</u>	<u>327,091,452</u>	<u>739,034,519</u>
Net Position, June 30, 2016	<u>\$ 421,637,806</u>	<u>\$ 321,919,161</u>	<u>\$ 743,556,967</u>

The accompanying notes are an integral part of the financial statements.

SANITATION DISTRICT NO. 1 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION For the Year Ended June 30, 2015 - Restated
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	Sanitation	Stormwater	Total
Operating Revenues			
Sewer service charges	\$ 76,583,543	\$ -	\$ 76,583,543
Storm water charges	-	12,405,055	12,405,055
Permits and tap-in fees	3,051,976	65,186	3,117,162
Sludge hauling	72,692	-	72,692
Inspections	82,446	94,627	177,073
Penalties and fines	1,431,444	187,717	1,619,161
Contractual services	132,614	-	132,614
Bad debt recoveries	62,909	8,007	70,916
Other revenues	230,623	-	230,623
Project reimbursements	34,141	19,133	53,274
Total Operating Revenues	<u>81,682,388</u>	<u>12,779,725</u>	<u>94,462,113</u>
Operating Expenses			
Operation, maintenance and administration	33,476,202	5,421,494	38,897,696
Major repairs and other	531,170	882,902	1,414,072
Depreciation	25,977,249	14,882,535	40,859,784
Total Operating Expenses	<u>59,984,621</u>	<u>21,186,931</u>	<u>81,171,552</u>
Operating Income (Expense)	<u>21,697,767</u>	<u>(8,407,206)</u>	<u>13,290,561</u>
Non-Operating Income			
Interest income	661,955	24,988	686,943
Gain/(Loss) on sale of fixed assets	15,267	(338,453)	(323,186)
Federal credits on Build America Bonds	3,435,087	-	3,435,087
Net change in share of pension expense	(308,088)	(77,866)	(385,954)
Net increase, fair market value of investments	65,155	3,632	68,787
Total Non-Operating Income (Expense)	<u>3,869,376</u>	<u>(387,699)</u>	<u>3,481,677</u>
Interest and Other Charges			
Interest on long-term debt	20,620,784	37,746	20,658,530
Amortization of bond discount and expense	46,031	-	46,031
Total Interest and Other Charges	<u>20,666,815</u>	<u>37,746</u>	<u>20,704,561</u>
Change in Net Position Before Capital Contributions	<u>4,900,328</u>	<u>(8,832,651)</u>	<u>(3,932,323)</u>
Capital Contributions	<u>2,873,523</u>	<u>3,356,695</u>	<u>6,230,218</u>
Change in Net Position	<u>7,773,851</u>	<u>(5,475,956)</u>	<u>2,297,895</u>
Net Position, July 1, 2014	<u>404,169,216</u>	<u>332,567,408</u>	<u>736,736,624</u>
Net Position, June 30, 2015	<u>\$ 411,943,067</u>	<u>\$ 327,091,452</u>	<u>\$ 739,034,519</u>

The accompanying notes are an integral part of the financial statements.

SANITATION DISTRICT NO. 1
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

	Sanitation	Stormwater	Total
Cash Flows from Operating Activities			
Received from customers	\$ 81,610,446	\$ 13,084,674	\$ 94,695,120
Paid to suppliers for goods and services	(19,502,815)	(3,363,612)	(22,866,427)
Paid to or on behalf of employees for services	(14,655,920)	(3,880,618)	(18,536,538)
Net Cash Provided by Operating Activities	<u>47,451,711</u>	<u>5,840,444</u>	<u>53,292,155</u>
Cash Flows from Investing Activities			
Transfers in (out)	17,486	(17,486)	-
Investment income	840,064	66,334	906,398
Net (increase) decrease on investments	144,947	(117,844)	27,103
Net Cash Used by Investing Activities	<u>1,002,497</u>	<u>(68,996)</u>	<u>933,501</u>
Cash Flows from Capital and Related Financing Activities			
Principal received on notes and bonds	2,355,212	-	2,355,212
Federal credits on Build America Bonds	3,406,316	-	3,406,316
Cash received from sale of asset	22,420	-	22,420
Payments made on long term debt	(19,211,856)	(86,888)	(19,298,744)
Interest paid, net of capitalized interest	(20,836,028)	(36,019)	(20,872,047)
Acquisition and construction of fixed assets, net of contributed capital	(11,072,854)	(5,530,344)	(16,603,198)
(Increase) decrease in restricted funds	(319,435)	-	(319,435)
Net Cash Used by Capital and Related Financing Activities	<u>(45,656,225)</u>	<u>(5,653,251)</u>	<u>(51,309,476)</u>
Increase in Cash and Cash Equivalents	2,797,983	118,197	2,916,180
Cash and Cash Equivalents - Beginning of Year	31,282,837	14,565,440	45,848,277
Cash and Cash Equivalents - End of Year	<u>\$ 34,080,820</u>	<u>\$ 14,683,637</u>	<u>\$ 48,764,457</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 21,906,203	\$ (8,556,008)	\$ 13,350,195
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	26,047,695	14,728,519	40,776,214
Change in operating assets and liabilities			
Decrease (Increase) in receivables	(140,347)	(45,425)	170,365
Decrease (Increase) in accrued unbilled charges	215,790	(30,900)	230,023
Decrease (Increase) in assessments receivable	260,923	-	260,923
Decrease (Increase) in prepaid assets	(66,461)	(3,850)	(70,311)
Increase (Decrease) in communities payable	(47)	-	(47)
Increase (Decrease) in accounts payable	(879,433)	(296,135)	(1,175,568)
Increase (Decrease) in accrued payroll and taxes	15,702	44,243	59,945
Increase (Decrease) in other liabilities	91,686	-	91,686
Net Cash Provided by Operating Activities	<u>\$ 47,451,711</u>	<u>\$ 5,840,444</u>	<u>\$ 53,292,155</u>
Non-Cash Capital and Related Financing Activities:			
Capital assets contributed to the District	<u>\$ 4,373,997</u>	<u>\$ 3,863,869</u>	<u>\$ 8,237,866</u>
Supplemental Information			
Interest expensed	\$ 20,060,466	\$ 35,860	\$ 20,096,326
Interest capitalized	170,343	-	170,343
Total	<u>\$ 20,230,809</u>	<u>\$ 35,860</u>	<u>\$ 20,266,669</u>

The accompanying notes are an integral part of the financial statements.

SANITATION DISTRICT NO. 1
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

	Sanitation	Stormwater	Total
Cash Flows from Operating Activities			
Received from customers	\$ 81,531,449	\$ 12,751,572	\$ 94,283,021
Paid to suppliers for goods and services	(17,945,461)	(2,973,689)	(20,919,150)
Paid to or on behalf of employees for services	(15,498,276)	(3,644,350)	(19,142,626)
Net Cash Provided by Operating Activities	<u>48,087,712</u>	<u>6,133,533</u>	<u>54,221,245</u>
Cash Flows from Investing Activities			
Transfers in (out)	(14,313,219)	14,313,219	-
Investment income	633,597	23,143	656,740
Net (increase) decrease on investments	(1,248,541)	(14,699)	(1,263,240)
Net Cash Provided (Used) by Investing Activities	<u>(14,928,163)</u>	<u>14,321,663</u>	<u>(606,500)</u>
Cash Flows from Capital and Related Financing Activities			
Principal received on notes and bonds	2,513,642	-	2,513,642
Federal credits on Build America Bonds	3,452,910	-	3,452,910
Cash received from sale of asset	140,528	-	140,528
Payments made on long term debt	(18,719,489)	(85,176)	(18,804,665)
Interest paid, net of capitalized interest	(21,331,607)	(37,902)	(21,369,509)
Acquisition and construction of fixed assets, net of contributed capital	(12,733,584)	(5,766,678)	(18,500,262)
(Increase) decrease in restricted funds	515,580	-	515,580
Net Cash Used by Capital and Related Financing Activities	<u>(46,162,020)</u>	<u>(5,889,756)</u>	<u>(52,051,776)</u>
Increase in Cash and Cash Equivalents	(13,002,471)	14,565,440	1,562,969
Cash and Cash Equivalents - Beginning of Year	44,285,308	-	44,285,308
Cash and Cash Equivalents - End of Year	<u>31,282,837</u>	<u>\$ 14,565,440</u>	<u>\$ 45,848,277</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 21,697,767	\$ (8,407,206)	\$ 13,290,561
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	25,977,249	14,882,535	40,859,784
Change in operating assets and liabilities			
Decrease (Increase) in receivables	237,351	47,747	285,098
Decrease (Increase) in accrued unbilled charges	(380,611)	(75,900)	(456,511)
Decrease (Increase) in assessments receivable	(7,679)	-	(7,679)
Decrease (Increase) in prepaid assets	667,683	-	667,683
Increase (Decrease) in accounts payable	(21,668)	(388,528)	(410,196)
Increase (Decrease) in accrued payroll and taxes	(126,268)	74,885	(51,383)
Increase (Decrease) in other liabilities	43,888	-	43,888
Net Cash Provided by Operating Activities	<u>\$ 48,087,712</u>	<u>\$ 6,133,533</u>	<u>\$ 54,221,245</u>
Non-Cash Capital and Related Financing Activities:			
Capital assets contributed to the District	<u>\$ 2,873,523</u>	<u>\$ 3,356,695</u>	<u>\$ 6,230,218</u>
Supplemental Information			
Interest expensed	\$ 20,620,784	\$ 37,746	\$ 20,658,530
Interest capitalized	184,695	-	184,695
Total	<u>\$ 20,805,479</u>	<u>\$ 37,746</u>	<u>\$ 20,843,225</u>

The accompanying notes are an integral part of the financial statements.

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 1 – REPORTING ENTITY

Sanitation District No. 1 (SD1) was created in 1946, pursuant to authority of Chapter 220 of the Kentucky Revised Statutes, as amended (the “Act”). In accordance with the Act, SD1 was established by the Director of the Division of Sanitary Engineering of the Kentucky Department of Health on December 4, 1946. A corporate charter was issued to SD1 by the Secretary of State of Kentucky on December 27, 1946, giving SD1 power to prevent and correct the pollution of streams, to regulate the flow of streams for sanitary purposes, to clean and improve stream channels for sanitary purposes and to provide for the collection and disposal of sewerage and other liquid wastes produced within SD1. SD1 has power under the Act to construct sewers, trunk sewers, laterals, intercepting sewers, siphons, pumping stations, treatment and disposal works and other appropriate facilities, and to maintain, operate and repair the same.

In June, 2003, the Board approved the establishment of the Storm Water Program to develop and implement plans for the collection and disposal of storm drainage and for effective programs and policies that preserve or enhance the quality of storm water run-off, and to reduce erosion and prevent flooding.

SD1 is governed and operated by a Board of Directors, consisting of eight Directors, who serve for four-year staggered terms, and such Directors may be reappointed. Directors are appointed by the County Judges of Kenton, Boone, and Campbell Counties.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of certain significant accounting policies followed in the preparation of these financial statements.

Basis of Accounting

SD1’s financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America. SD1 has adopted GASB Statements 71 through 73, Statements 76, Statements 79, and related interpretations issued through June 30, 2016.

Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

Statement No. 72 – *Fair Value Measurement and Application*

Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*

Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

Statement No. 79 – *Certain External Investment Pools and Pool Participants*

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

Future Basis of Accounting

SD1 will adopt GASB Statements 74, 75, 77, 78, 80, 81, and 82 in subsequent years

Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*

Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Statement No. 77 – *Tax Abatement Disclosures*

Statement No. 78 – *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*

Statement No. 80 – *Blending Requirements for Certain Component Unites – an Amendment of GASB Statement No. 14*

Statement No. 81 – *Irrevocable Split-Interest Agreements*

Statement No. 82 – *Pension Issues – an Amendment of GASB Statements No. 67, 68, and 73*

All activities of SD1 are accounted for within a single proprietary (enterprise) reporting entity. Proprietary entities are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expense, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounting and financial reporting treatment applied to SD1 is determined by its measurement focus. The transactions of SD1 are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets (i.e., total assets net of total liabilities) are segregated into “net investment in capital assets”; “restricted”; and “unrestricted” components. The basic financial statements are presented in conformity with generally accepted Enterprise Fund accounting principles as applicable to public waste water utilities. The following is a summary of the significant policies. As previously stated, the accompanying financial statements are prepared on the accrual basis of accounting.

Fund Structure

Sanitation District No. 1 has established the following two funds for the purpose of segregating the two primary purposes of SD1 into discernible self-balancing accounts:

1. Sanitation Fund
2. Storm Water Fund

Sanitation Fund

The Sanitation Fund accounts for financial resources used for general types of operations and expenditures for operation and maintenance of the following budgeted expense areas:

1. Dry Creek Treatment Plant
2. Eastern Regional Waste Water Reclamation Facility

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

3. Western Regional Waste Water Reclamation Facility
4. Collection System
5. Pump Stations
6. Operations
7. Engineering
8. Administration

The Sanitation Fund collects user fees from customers for the collection, transmittal, treatment and disposal of sewage wastewater. This fund also tracks the related expenditures to operate, maintain, and grow this system, as well as the costs associated with monitoring and regulatory compliance.

Storm Water Fund

The storm water program was established to develop and implement plans for the collection and disposal of storm drainage and for effective programs and policies that preserve or enhance the quality of storm water runoff, control the quantity of storm water runoff, and to reduce erosion and prevent flooding. The federal government requires communities to apply for a storm water discharge permit and develop a storm water management program. The accounting for the fund was approved by the Board of Directors in June 2003.

The regulation is known as the National Pollutant Discharge Elimination System (NPDES) and it is administered by the US Environmental Protection Agency (US EPA). In the State of Kentucky, it is known as the Kentucky Pollutant Discharge Elimination System (KPDES), and the Kentucky Division of Water administers it on a statewide level. Local governments are issued KPDES Storm Water Discharge Permits and administer the program at a local level. Virtually all Northern Kentucky communities are required to comply with these unfunded storm water regulations, and SD1 has assisted them with the development of a cooperative storm water management program for the region under Inter-Local Agreements with the local governments. SD1 is also a co-permittee on the KPDES permit.

The storm water surcharge is a service fee that funds the Storm Water Management Program administered by SD1. The fee applies to all improved properties, with the exception of the properties classified as agricultural by the respective county Property Valuation Administrators, and public roadways in the storm water service area of SD1 established by the Kentucky Division of Water. The basic storm water surcharge fee shall be based upon impervious area rate methodology.

Use of Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements.

<p>SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015</p>
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Cash and Cash Equivalents

SD1 considers all highly liquid unrestricted debt instruments purchased with original maturities of 90 days or less to be cash equivalents. For purposes of the cash flow statement, cash includes cash on hand, cash in checking accounts and cash in investment sweep accounts.

SD1 is authorized by bond resolutions to invest in direct obligations of the United States, or obligations guaranteed by the United States, obligations of certain federal agencies and instrumentalities, including U.S. dollar-denominated deposits in commercial banks which are insured by the Federal Deposit Insurance Corporation (FDIC) or fully collateralized by the foregoing, and public housing bonds or project notes issued by public housing authorities annual contribution contracts with the United States or by requisition or payment agreement with the United States.

SD1 had no non-cash investing activities during 2016 or 2015.

The following is a supplemental disclosure of cash flow information:

<u>Cash Paid For</u> <u>Interest During the Year</u>	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
Expensed	\$ 20,096,326	\$ 20,658,530
Capitalized	170,343	184,695
Total	<u>\$ 20,266,669</u>	<u>\$ 20,843,225</u>

Investment Policy

General Policy

It is the policy of SD1 to invest public funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of SD1 and conforming to all state statutes and SD1 regulations governing the investments of public funds.

Authorized Investment Instruments

1. Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
2. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.
3. Obligations of any corporation of the United States government agency.
4. Certificates of deposit issued by, or other interest-bearing accounts of, any bank savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations permitted by Section 41.240(4) of the Kentucky Revised Statutes.

Deposits and Investments

Custodial Credit Risk – Deposits For deposits, this is the risk that in the event of a bank failure, SD1's deposits may not be returned. SD1 maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). As allowed by law, the depository bank should pledge securities along with FDIC insurance at least equal to the amount on deposit at all times. As of June 30, 2016 and

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

2015, the SD1's deposits were entirely insured and/or collateralized with securities held by the financial institutions on the SD1's behalf and the FDIC insurance.

Custodial Credit Risk – Investments This is investment risk that, in the event of the failure of the counterparty, SD1 will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. SD1 had custodial credit risk at June 30, 2016 and 2015 of \$85,017,276 and \$84,756,917 respectively. The related securities totaling this amount are uninsured, unregistered securities held by the counterparty, or its trust department or agent but not in the entity's name.

Credit Risk – Investments SD1's investments are subject to minimal credit risk because they are invested in Federal Agency securities which are generally considered free of default risk due to the perceived stability of the U.S. Government.

Accounts Receivable - Customers

During 2009, SD1 changed to a monthly billing procedure, replacing a quarterly cycled procedure. When meter readings are delayed, bills are rendered based on estimated meter readings to promote consistency of sewer service revenue. Accounts receivable and related sewer service revenue are recorded when billed. The financial statements include an estimate for unbilled sewer and storm water charges of \$9,615,950 and \$9,800,840 as of June 30, 2016 and 2015, respectively.

Accounts receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Accounts are considered past due if any portion of an account has not been paid in full within the contractual terms of the account. SD1 begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the SD1's collection history, the financial stability and recent payment history of the customer, and other pertinent factors. Based on these criteria, the SD1 has estimated no allowance for doubtful accounts at June 30, 2016 and 2015 because management expects no material losses.

Capital Assets

Capital assets are recorded as expenditures at the time of purchase or construction and are capitalized annually, at cost, in the capital asset accounts. These accounts have been adjusted each year for additions and deletions. Depreciation of capital assets was not recognized by SD1 prior to July 31, 1979; however, SD1 established accumulated depreciation allowances for depreciable assets as of August 1, 1979. The book values of capital assets are currently depreciated on a straight-line basis at rates comparable to those acceptable for waste water utilities. SD1 has developed a property control system and maintains detailed records on all capital assets. To be capitalized, assets must be individual items with at least a three year useful life and a cost of \$2,500 or greater.

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

The depreciable life for each asset type is as follows:

Asset Type	Depreciable Life (Years)
Computer equipment/software	3
Vehicles	5
Furniture, small equipment	10
Pump station equipment	10
Treatment and disposal equipment	35
Storm water assets	25-50
Collection system	50
Buildings	50

The following tables provide a summary of capital asset balances, additions, and retirements for the year ended June 30, 2016 for both the Sanitation and the Storm Water funds:

Sanitation Fund

Capital Asset	Balance at June 30, 2015	Additions	Retirements	Balance at June 30, 2016
Land	\$ 14,859,087	\$ 266,587	\$ -	\$ 15,125,674
Construction in progress - sanitation	9,836,028	13,095,429	(13,946,902)	8,984,555
Total - assets not depreciated	24,695,115	13,362,016	(13,946,902)	24,110,229
Collection system	670,488,001	10,092,179	(870,823)	679,709,357
Pumping system	94,139,799	5,651,170	(509,392)	99,281,577
Treatment and disposal	249,052,897	215,196	(2,268)	249,265,825
General plant and equipment	68,991,739	488,867	(152,750)	69,327,856
Software model development	15,967,050	-	-	15,967,050
Total - depreciable assets	1,098,639,486	16,447,412	(1,535,233)	1,113,551,665
Total Capital Assets	\$ 1,123,334,601	\$ 29,809,428	\$ (15,482,135)	\$ 1,137,661,894
Accumulated depreciation				
Collection system	\$ (151,767,136)	\$ (13,737,772)	\$ 328,700	\$ (165,176,208)
Pumping system	(39,391,858)	(4,568,063)	499,757	(43,460,164)
Treatment and disposal	(65,161,109)	(5,624,403)	2,268	(70,783,244)
General plant and equipment	(37,713,899)	(2,117,457)	126,833	(39,704,523)
Software model development	(15,967,048)	-	-	(15,967,048)
Total - accumulated depreciation	(310,001,050)	(26,047,695)	957,558	(335,091,187)
Capital Assets, Net	\$ 813,333,551	\$ 3,761,733	\$ (14,524,577)	\$ 802,570,707

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

Storm Water Fund

Capital Asset	Balance at June 30, 2015	Additions	Retirements	Balance at June 30, 2016
Land	\$ 555,072	\$ 164,951	\$ -	\$ 720,023
Construction in progress	2,777,794	5,819,911	(6,137,628)	2,460,077
Total - assets not depreciated	3,332,866	5,984,862	(6,137,628)	3,180,100
Vehicles	52,499	-	-	52,499
Equipment	54,485	19,716	-	74,201
Storm water collection system	387,981,012	9,527,263	(632,500)	396,875,775
Software model development	5,645,160	-	-	5,645,160
Total - depreciable assets	393,733,156	9,546,979	(632,500)	402,647,635
Total Capital Assets	\$ 397,066,022	\$ 15,531,841	\$ (6,770,128)	\$ 405,827,735
Accumulated Depreciation				
Vehicles	\$ (20,701)	\$ (10,523)	\$ -	\$ (31,224)
Equipment	(10,566)	(6,442)	-	(17,008)
Storm water collection system	(77,057,737)	(14,711,554)	364,600	(91,404,691)
Software model development	(5,645,160)	-	-	(5,645,160)
Total - accumulated depreciation	(82,734,164)	(14,728,519)	364,600	(97,098,083)
Capital Assets, Net	\$ 314,331,858	\$ 803,322	\$ (6,405,528)	\$ 308,729,652

Compensated Absences

Employees of SD1 are entitled to paid vacation depending on length of service and other factors. The amounts recorded for as compensated absences for accumulated vacation for the year ended June 30, 2016 and 2015 was \$877,587 and \$879,354, respectively. This represents a change in liability for compensated absences of (\$1,767) from 2015 to 2016. Financial Accounting Standards Board Statement No. 43 requires accrued employee vacation benefits to be recorded in the financial statements. Sick leave is not accrued because it does not vest; employees are not paid for any sick leave balance at termination of employment except at retirement.

Restricted Net Assets

In conformity with the Uniform System of Accounts for Class A Sewer Utilities and the Trust Indenture dated April 1, 1998, the balance of accounts restricted for specific purposes have been segregated as restricted net assets.

NOTE 3 – NOTES RECEIVABLE

Assessments and Improvement Notes

SD1 has, at the request of homeowners, extended sanitary sewer service into existing areas for which there was no previous service. SD1 paid the initial cost of this construction, and assessed the

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

homeowners to recover the cost of construction. The following is a schedule of assessments and improvements outstanding to SD1 at June 30, 2016 and 2015, respectively.

	2016	2015
Assessments	\$ 1,380,740	\$ 1,470,191
Improvement notes	5,130	5,130
Total	<u>\$ 1,385,870</u>	<u>\$ 1,475,321</u>

NOTE 4 – BONDS PAYABLE

Recovery Zone Economic Development Bonds, Series 2010D

On December 28, 2010, bonds in the total amount of \$40,905,000 were issued under authority of applicable Kentucky Revised Statutes and in accordance with authorized bond resolutions duly passed and adopted by the Board of Directors of Sanitation District No. 1. Balances outstanding as of June 30, 2016 and 2015 were \$40,905,000 and \$40,905,000, respectively. These bonds qualify for a federal reimbursement of interest expense between 43-45% of the bi-annual interest expense. The first principal payment will not be made until 2025.

The proceeds from the sale of the Series 2010D Bonds, together with other available funds, were used to (1) provide funds to meet certain capital construction costs of SD1, (2) fund the Debt Service Reserve Fund, and (3) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2010D Bonds.

Build America Bonds, Series 2010C

On December 28, 2010, bonds in the total amount of \$19,600,000 were issued under authority of applicable Kentucky Revised Statutes and in accordance with authorized bond resolutions duly passed and adopted by the Board of Directors of Sanitation District No. 1. Balances outstanding as of June 30, 2016 and 2015 were \$12,635,000 and \$14,060,000, respectively. These bonds qualify for a federal reimbursement of interest expense of 35% of the bi-annual interest expense.

The proceeds from the sale of the Series 2010C Bonds, together with other available funds, were used to (1) provide funds to meet certain capital construction costs of SD1, (2) fund the Debt Service Reserve Fund, and (3) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2010C Bonds.

Refunding Bonds, Series 2010B

On September 23, 2010, bonds in the total amount of \$42,310,000 were issued under authority of applicable Kentucky Revised Statutes and in accordance with authorized bond resolutions duly passed and adopted by the Board of Directors of Sanitation District No. 1. Balances outstanding as of June 30, 2016 and 2015 were \$35,525,000 and \$37,185,000, respectively.

The proceeds from the sale of the Series 2010B Bonds, were used to defease \$42,250,000 of the 2001A Bonds and to pay the necessary costs and expenses incident to the issuance and delivery of the Series 2010B Bonds.

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

Revenue Bonds, Series 2010A

On May 1, 2010, bonds in the total amount of \$75,000,000 were issued under authority of applicable Kentucky Revised Statutes and in accordance with authorized bond resolutions duly passed and adopted by the Board of Directors of Sanitation District No. 1. Balances outstanding as of June 30, 2016 and 2015 were \$66,690,000 and \$68,405,000, respectively. These bonds qualify for a federal reimbursement of interest expense of 35% of the bi-annual interest expense.

The proceeds from the sale of the Series 2010A Bonds, together with other available funds, were used to (1) provide funds to meet certain capital construction costs of SD1, (2) fund the Debt Service Reserve Fund, and (3) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2010A Bonds.

Revenue Bonds, Series 2009

On August 1, 2009, revenue bonds in the total amount of \$54,880,000 were issued under authority of applicable Kentucky Revised Statutes and in accordance with authorized bond resolutions duly passed and adopted by the Board of Directors of Sanitation District No. 1. Balances outstanding as of June 30, 2016 and 2015 were \$48,055,000 and \$49,260,000, respectively. These bonds qualify for a federal reimbursement of interest expense of 35% of the bi-annual interest expense.

The proceeds for the sale of the Series 2009 Bonds, together with other available funds, are being used (1) to provide funds to meet certain capital construction costs of SD1, (2) to fund the Debt Service Reserve Fund, and (3) to pay the necessary costs and expenses incident to the issuance and delivery of the Series 2009 Bonds.

Revenue Bonds, Series 2007

On December 1, 2007, bonds in the total amount of \$102,000,000 were issued under authority of applicable Kentucky Revised Statutes and in accordance with authorized bond resolutions duly passed and adopted by the Board of Directors of Sanitation District No. 1. Balances outstanding as of June 30, 2016 and 2015 were \$93,140,000 and \$94,475,000, respectively.

The proceeds from the sale of the Series 2007 Bonds, together with other available funds, were used to (1) provide funds to meet certain capital construction costs of SD1, (2) fund the Debt Service Reserve Fund, and (3) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2007 Bonds.

Revenue Bonds, Series 2006

In October 2006, bonds in the total amount of \$50,000,000 were issued under authority of applicable Kentucky Revised Statutes and in accordance with authorized bond resolutions duly passed and adopted by the Board of Directors of Sanitation District No. 1. Balances outstanding as of June 30, 2016 and 2015 were \$41,855,000 and \$43,025,000, respectively.

The proceeds from the sale of the Series 2006 Bonds, together with other available funds, were used to (1) provide funds to meet certain capital construction costs of SD1, (2) fund the Debt Service Reserve Fund, and (3) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2006 Bonds.

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

Revenue Bonds, Series 2005A

In June 2005, bonds in the total amount of \$35,175,000 were issued under authority of applicable Kentucky Revised Statutes and in accordance with authorized bond resolutions duly passed and adopted by the Board of Directors of Sanitation District No. 1. Balances outstanding as of June 30, 2016 and 2015 were \$11,770,000 and \$15,400,000, respectively.

The proceeds from the sale of the Series 2005A Bonds, together with other available funds, were used to (1) advance refund a portion of the outstanding Series 1998A bonds (being the Series 1998A Bonds maturing on August 1 in the years 2009 through 2018) and (2) pay the necessary costs and expenses incident to the issuance and delivery of the Series 2005A Bonds.

The changes in outstanding bond debt for the year ended June 30, 2016 were:

Bond Series	Balance at June 30, 2015	Additions	Payments	Balance at June 30, 2016
2005A	\$ 15,400,000	\$ -	\$ (3,630,000)	\$ 11,770,000
2006	43,025,000	-	(1,170,000)	41,855,000
2007	94,475,000	-	(1,335,000)	93,140,000
2009	49,260,000	-	(1,205,000)	48,055,000
2010A	68,405,000	-	(1,715,000)	66,690,000
2010B	37,185,000	-	(1,660,000)	35,525,000
2010C	14,060,000	-	(1,425,000)	12,635,000
2010D	40,905,000	-	-	40,905,000
Totals	<u>\$ 362,715,000</u>	<u>\$ -</u>	<u>\$ (12,140,000)</u>	<u>\$ 350,575,000</u>

Interest rates range from 4.0% to 5.0% on all bonds.

The debt service to maturity for Revenue/Refunding Bonds Payable, Series 2005A, 2006, 2007, 2009, 2010A, 2010B, 2010C, and 2010D is as follows:

Year ending June 30,	Principal	Interest	Total
2017	\$ 12,545,000	\$ 17,769,846	\$ 30,314,846
2018	12,980,000	17,275,032	30,255,032
2019	13,445,000	16,739,159	30,184,159
2020	11,000,000	16,219,681	27,219,681
2021	11,425,000	15,713,006	27,138,006
2022-2026	64,485,000	69,795,941	134,280,941
2027-2031	79,395,000	51,976,138	131,371,138
2032-2036	84,535,000	30,035,457	114,570,457
2037-2041	60,765,000	7,760,893	68,525,893
Total	<u>\$ 350,575,000</u>	<u>\$ 243,285,153</u>	<u>\$ 593,860,153</u>

All bonds are secured by SD1 assets or future SD1 revenues.

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 5 – NOTES PAYABLEEastern Regional Waste Water Reclamation Facility

SD1 partnered with the Kentucky Infrastructure Authority to fund construction of the Eastern Regional Wastewater Reclamation Facility (ERWRF). This Kentucky Infrastructure Authority Loan bears an interest rate of 3.0% with interest-only payments due until completion, with final maturity due 20 years after completion. Construction on the plant was complete in June 2008. The outstanding loan balances at June 30, 2016 and 2015 were \$20,889,624 and \$22,390,357, respectively.

Western Regional Waste Water Reclamation Facility

During the year ended June 30, 2009, SD1 partnered with the Kentucky Infrastructure Authority to fund construction of the Western Regional Wastewater Reclamation Facility (WRWRF). This Kentucky Infrastructure Authority Loan bears an interest rate of 1.0% with interest-only payments due until completion, with final maturity due 20 years after completion. Construction on the plant began in February 2009 and was completed in fiscal year 2012. The outstanding loan balances at June 30, 2016 and 2015 were \$59,854,823 and \$63,069,540, respectively.

Dry Creek Waste Water Treatment Plant

During fiscal years 2011 and 2010, SD1 secured funding from KIA for a new clarifier at the Dry Creek Plant Treatment Plant. These funds are drawn as part of KIA Revolving Loan Fund and carry a 2.0% interest rate and 20 year maturity. The outstanding loan balances at June 30, 2016 and 2015 were \$3,980,906 and \$4,197,993, respectively.

Sunnybrook Sewer System

During fiscal year 2011, SD1 secured funding from KIA for new sewer lines. These funds are drawn as part of KIA Revolving Loan Fund and carry a 2.0% interest rate and 20 year maturity. The outstanding loan balances at June 30, 2016 and 2015 were \$4,168,119 and \$4,413,642, respectively.

Southfork Gunpowder Creek

During fiscal year 2011, SD1 secured funding from KIA for new sewer lines. These funds are drawn as part of KIA Revolving Loan Fund and carry a 2.0% interest rate and 20 year maturity. The outstanding loan balances at June 30, 2016 and 2015 were \$11,132,611 and \$11,677,492, respectively.

Frogtown Interceptor

During fiscal year 2011, SD1 secured funding from KIA for new sewer lines. These funds are drawn as part of KIA Revolving Loan Fund and carry a 2.0% interest rate and 20 year maturity. The outstanding loan balances at June 30, 2016 and 2015 were \$4,029,350 and \$4,233,611, respectively.

Turkeyfoot/Industrial Road

During fiscal year 2011, SD1 secured funding from KIA for new sewer lines. These funds are drawn as part of KIA Revolving Loan Fund and carry a 2.0% interest rate and 20 year maturity. The outstanding loan balances at June 30, 2016 and 2015 were \$1,878,864 and \$1,970,825, respectively.

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

Narrows Road Diversion

During fiscal year 2011, SD1 secured funding from KIA for new sewer lines. These funds are drawn as part of KIA Revolving Loan Fund and carry a 2.0% interest rate and 20 year maturity. The outstanding loan balances at June 30, 2016 and 2015 were \$7,053,679 and \$7,398,918, respectively.

Dry Creek Head Works/Hydraulics

During fiscal year 2012, SD1 secured funding from KIA for headwork/hydraulics reconfiguration at the Dry Creek Wastewater Treatment Plant. These funds are drawn as part of KIA Revolving Loan Fund and carry a 2.0% interest rate and 20 year maturity. The outstanding loan balances at June 30, 2016 and 2015 were \$14,661,641 and \$15,332,284, respectively.

Lakeview, Kentucky Aire, Church Street

During fiscal year 2013, SD1 secured funding from KIA for combined sewer overflow reduction, pump station elimination and pump station replacement. These funds are drawn as part of KIA Revolving Loan Fund and carry a 2.0% interest rate and 20 year maturity. The outstanding loan balances at June 30, 2016 and 2015 were \$9,686,902 and \$9,686,902, respectively.

Lakeside Park, Vernon Lane

During fiscal year 2013, SD1 secured funding from KIA for Lakeside Park sewer rehabilitation and Vernon Lane removal of sewer inflow and infiltration. These funds are drawn as part of KIA Revolving Loan Fund and carry a 2.0% interest rate and 20 year maturity. The outstanding loan balances at June 30, 2016 and 2015 were \$1,104,022 and \$1,104,022, respectively.

Wolpert Force Main

During fiscal year 2013, SD1 secured funding from KIA for the Wolpert pump station rehabilitation and force main project. These funds are drawn as part of KIA Revolving Loan Fund and carry a 2.0% interest rate and 20 year maturity. The outstanding loan balances at June 30, 2016 and 2015 were \$726,159 and \$762,971, respectively.

Patton & 8th Street Wet Well Rehabilitation

During fiscal year 2015, SD1 secured funding from KIA for the Patton & 8th Street Wet Well Rehabilitation project. These funds are drawn as part of KIA Revolving Loan Fund and carry a 2.0% interest rate and 20 year maturity. The outstanding loan balance at June 30, 2016 and 2015 was \$2,143,820 and \$63,599, respectively.

American Recovery and Reinvestment Act – Minor Infrastructure Improvements

During fiscal years 2011 and 2010, SD1 secured funding from KIA, as part of the federal government's American Recovery and Reinvestment Act, for several smaller infrastructure improvement projects. These projects are funded based upon 52.1% principal forgiveness, and a 2.0% interest rate and a 20 year maturity. The projects include the Banklick wetlands project, the regional bio-retention facility, the Banklick Creek stabilization project, and the terraced reforestation of an interstate right-of-way. The outstanding loan balances at June 30, 2016 and 2015 were \$1,571,964 and \$1,658,852, respectively.

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

The changes in outstanding Kentucky Infrastructure Authority debt for the year ended June 30, 2015 were as follows:

Project	Balance at June 30, 2015	Additions	Payments	Balance at June 30, 2016
Eastern Regional Wastewater Facility	\$ 22,390,357	\$ -	\$ (1,500,733)	\$ 20,889,624
Western Regional Wastewater Facility	63,069,540	-	(3,214,717)	59,854,823
Dry Creek Clarifier	4,197,993	-	(217,087)	3,980,906
Sunnybrook Sewer	4,413,642	-	(245,523)	4,168,119
South Fork Gunpowder Creek	11,677,492	-	(544,881)	11,132,611
Frogtown Interceptor	4,233,611	-	(204,261)	4,029,350
Turkeyfoot - Industrial Road	1,970,825	-	(91,960)	1,878,865
Narrows Road Diverter	7,398,918	-	(345,239)	7,053,679
Dry Creek Headworks/Hydraulics	15,332,284	-	(670,643)	14,661,641
Lakeview, Kentucky Aire, Church St.	9,686,902	-	-	9,686,902
Lakeside Park, Vernon Lane	1,104,022	-	-	1,104,022
Wolpert Force Main	762,971	-	(36,812)	726,159
Patton & 8th Street	63,599	2,080,221	-	2,143,820
Banklick Wetlands	560,898	-	(29,005)	531,893
Regional Bio-Retention Facility	595,694	-	(31,934)	563,760
Banklick Creek Stabilization	152,946	-	(8,508)	144,438
Terraced Right of Way	349,314	-	(17,441)	331,873
Totals	\$ 147,961,008	\$ 2,080,221	\$ (7,158,744)	\$ 142,882,485

The debt service to maturities for the sixteen KIA Notes Payable, with drawn balances outstanding at June 30, 2016 only, is as follows:

Year ending June 30,	Principal	Interest & Fees	Total
2017	\$ 7,375,823	\$ 2,712,733	\$ 10,088,556
2018	7,953,590	2,559,950	10,513,540
2019	8,096,963	2,404,834	10,501,797
2020	8,243,385	2,246,499	10,489,884
2021	8,392,928	2,084,872	10,477,800
2022-2026	44,322,380	7,879,134	52,201,514
2027-2031	40,489,002	3,450,333	43,939,335
2032-2036	18,008,414	550,310	18,558,724
Totals	\$ 142,882,485	\$ 23,888,665	\$ 166,771,150

All KIA notes are secured by SD1 assets or future SD1 revenues.

NOTE 6 – INTERFUND BALANCES

In fiscal year 2015, the sanitation fund transferred \$14,313,219 in cash to the stormwater fund to establish a cash balance in the stormwater fund. This was the balance that had been held as payable to the stormwater fund in the year ending June 30, 2014. At June 30, 2016 and 2015 the balances payable from the sanitation fund to the stormwater fund were \$0 and \$0, respectively.

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 7 – PENSION PLAN

SD1’s eligible employees are covered by the County Employees Retirement System.

General information about the County Employees Retirement System Non-Hazardous (“CERS”)

Plan description-Employees are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided- CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date Unreduced Retirement Reduced Retirement	Before September 1, 2008 27 years service or 65 years old At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation Date Unreduced Retirement	September 1, 2008 - December 31,2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 At least 10 years service and 60 years old
Tier 3	Participation Date Unreduced Retirement Reduced Retirement	After December 31, 2013 At least 5 years service and 65 years old Or age 57+ and sum of service years plus age equal 87 Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate or pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits.

Contributions- Required contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

Contributions

SD1 contributed 17.06%, of which 12.42% was for the pension fund and 4.64% was for the health insurance fund, of the non-hazardous duty employee's compensation during the fiscal year ended June 30, 2016. SD1 made all required contributions for the Plan pension obligation for the fiscal year ended June 30, 2016 in the amount of \$2,258,969, of which \$1,644,572 was for the pension fund and \$614,397 was for the health insurance fund.

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

At June 30, 2016, SD1 reported a liability of \$24,340,276 its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. SD1's proportion of the net pension liability was based on a projection of SD1's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2015, SD1's employer allocation proportion was 0.566115% of the total CERS non-hazardous duty employees. For the year ended June 30, 2015, SD1 recognized pension expense of \$2,753,116. At June 30, 2015, SD1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 202,276	\$ -
Net difference between projected and actual earnings on plan investments	2,454,451	-
Changes of assumptions	218,191	-
Changes in proportion and differences between SD1 contributions and proportionate share of contributions	36,751	-
SD1 contributions subsequent to the measurement date	1,644,572	-
Total	<u>\$ 4,556,241</u>	<u>\$ -</u>

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The schedule does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net pension liability as of June 30, 2016, is based on the June 30, 2015, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience and changes in assumptions subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period.

The \$2,911,669 of deferred outflows of resources resulting from SD1's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Fiscal Year Ending	Net
<u>June 30,</u>	<u>Deferral</u>
2016	\$ 999,509
2017	999,509
2018	473,691
2019	438,960
2020	-
	<u>\$ 2,911,669</u>

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25%
Salary Increase	4.0%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan expense, including inflation

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (1 year set-back for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

Changes of Assumptions

Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

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

<u>Asset Class</u>	<u>CERS Hazardous & Non-Hazardous Target Allocation</u>	<u>Long Term Expected Nominal Return</u>
Combined equity	44%	5.40%
Combined fixed income	19%	1.50%
Real return (diversified inflation strategies)	10%	3.50%
Real estate	5%	4.50%
Absolute return (diversified hedge funds)	10%	4.25%
Private equity	10%	8.50%
Cash	2%	-0.25%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.5%. The long-term assumed investment rate of return was applied to all periods of projected of benefit payments to determine the total pension liability.

Sensitivity of the SD1's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the SD1's proportionate share of the net pension liability calculated using the

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

discount rate of 7.5%, as well as what the SD1's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	Discount Rate	SD1's Proportionate Share of Net Pension Liability
1% decrease	6.5%	\$ 31,073,386
Current discount rate	7.5%	24,340,276
1% increase	8.5%	18,573,964

Plan Fiduciary Net Position

The Plan issues a publicly available financial report that includes financial statements and required supplementary information, and detailed information about the Plan's fiduciary net position. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

NOTE 8 – LESSOR AGREEMENT

On July 1, 2007, SD1 renewed its agreement to lease 15,000 square feet of its building to the Kenton County Board of Education. The original agreed-upon term of the lease was July 1, 2007 until July 1, 2012. There was an option to renew at the end of the full term for an additional five years. The Board of Education did renew its lease with SD1 for a period from July 1, 2012 to June 30, 2017. Future minimum rentals to be received are as follows:

Year ending June 30,	Lease Revenue
2017	\$ 140,689
Totals	\$ 140,689

NOTE 9 – REIMBURSEMENT COMMITMENTS

SD1 has entered into interlocal agreements, whereby cities can apply for reimbursement of qualified expenses incurred to accomplish required storm water improvements. There were 11 additional projects approved for funding in the amount of \$574,935 as of June 30, 2016 compared to 13 additional projects approved for funding in the amount of \$762,629 as of June 30, 2015.

SD1 has also partnered with communities, organizations, and businesses to increase the utilization of "green infrastructure". Through Green Initiative Project Partnerships (GrIPP), SD1 expended \$0 and \$0 in the years ended June 30, 2016 and 2015, respectively.

NOTE 10 – ECONOMIC DEPENDENCY

SD1 receives all of its service revenues from customers in the three northern counties of Kentucky and is not dependent upon one customer, industry, or commercial user.

NOTE 11 – CONTINGENCIES

Effective June 22, 1999, the Board of Directors approved a resolution to indemnify each officer and director all expenses incurred in connection with their performance of duties and responsibilities associated with their membership with SD1. This includes claims not covered by SD1's Directors and

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

Officers Errors and Omissions Liability Insurance. SD1 offers a Health Reimbursement Account to full time eligible employees for out of pocket healthcare costs. SD1 annually credits various amounts to the accounts of eligible employees based on their participation in wellness programs. Once credited, the contributions become available for participants for uses allowed by the plan during their employment and retirement. Unspent balances are available to participants for allowable expenditures unless they cease employment with SD1 before their normal retirement date. Accordingly, a liability of \$438,797 and \$491,838 have been recorded in the accompanying financial statements which are management's estimate of the unspent balances as of June 30, 2016 and 2015, respectively, that is likely to be paid in future periods.

After a routine internal sales tax review, SD1 discovered a technological incompatibility in the process used to transfer data from the Northern Kentucky Water District to SD1's billing software that caused multiple taxable accounts to incorrectly appear as tax exempt during some billing periods from 2012 to 2016. As a result, the required sales tax for these accounts for wastewater and storm water services were not charged correctly and resulted in a shortfall to the Kentucky Department of Revenue. SD1 has identified the affected accounts and is in the process of adding the amounts to all accounts. As amounts are added, SD1 will meet state requirements and pay all sales tax to the Kentucky Department of Revenue. Collection efforts will occur over the next several months. The uncollectible amount will not be known until collection efforts have been exhausted; however any shortfall will not materially affect the operation of SD1.

NOTE 12 – LITIGATION

In October 2005, SD1 announced that it had reached a comprehensive settlement with the Kentucky Environmental and Public Protection Cabinet and the U.S. Environmental Protection Agency (EPA) to address sewer overflows and improve water quality in Northern Kentucky. The settlement is contained in a Consent Decree, which was logged with the U.S. District Court for the Eastern District of Kentucky on October 7, 2005. The Consent Decree establishes a 20-year plan to address combined sewer overflows (CSOs) consistent with U.S. EPA's 1994 CSO control policy, and separate sanitary sewer overflows (SSOs) consistent with the Clean Water Act. SD1 will implement the requirements of the Decree through a unique watershed approach, which will allow SD1 to comprehensively assess the cumulative impacts of all pollution sources on receiving waters. This holistic approach will lead to more efficient and cost-effective solutions for the improvement of water quality. The Consent Decree required SD1 to pay a civil penalty in the amount of \$476,400, which was paid during the year ended June 30, 2006, and to expend \$636,000 for supplemental environmental projects. It is estimated that full implementation of the Decree will cost approximately \$1.3 billion over the next 20 years. The Consent Decree was entered by the Court in April 2007 and is final and binding upon all parties. SD1 continues negotiations with the EPA regarding affordability issues in connection with the project and deadlines set forth in the Consent Decree.

SD1 is the defendant in 13 separate lawsuits relating to matters arising in the normal course of business. SD1 intends to aggressively defend each of these suits, and financial contingencies that could be awarded in 12 of the lawsuits are covered, at least in part, by SD1's insurance company.

SD1 is a party to a breach of contract suit involving two other parties in the construction of a storm water pipe as part of a development project in the City of Dayton, Kentucky. Motion to dismiss has been granted to SD1 and the appeals court affirmed the decision. The Kentucky Supreme Court reversed the lower court decision and remanded it to the lower court. This case is now in the discovery phase.

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On August 26, 2009, two individuals challenged the Kentucky Pollutant Discharge Elimination System permit issued by the Kentucky Division of Water for SD1's new Western Regional Wastewater Reclamation Facility (WRWRF). The KPDES permit was issued July 22, 2009, and authorizes the discharge of wastewater from the WRWRF to the Ohio River. Petitioners contend that the permit is not sufficiently protective of water quality and, therefore, more stringent limitations should be imposed in the permit, including limitations for nitrogen and phosphorus, which are not currently limited. The Secretary of the Kentucky Energy and Environment Cabinet issued a Final Order upholding the KPDES permit in its entirety. SD1 and the Energy and Environment Cabinet defended Secretary's Final Order before the court of appeals, which affirmed the lower court's decision. There is a high potential that petitioners could challenge the renewal permit for the facility if specific limits are not imposed.

The owner of a shopping center development has claimed that storm water lines running through its property should be maintained by SD1. SD1 has denied this claim and the shopping center owner has filed suit in Campbell County Circuit court. The trial court sustained SD1's motion for summary judgment on all of plaintiff's claims, with the exception of a negligent maintenance/repair claim. Trial took place in October, 2016, with the Court dismissing the case on a Rule 41.02 motion. SD1 is awaiting Plaintiff's decision on whether or not to appeal the Court's ruling.

Property owners in Covington, Kentucky, along with the insurers for the Covington Independent School District have filed a punitive class action suit against SD1 asserting claims of negligence, inverse condemnation, trespass, and nuisance arising from flooding which occurred as a result of two significant rainfall events in July of 2010. The plaintiffs seek class certification, compensatory damages, and injunctive relief. This trial is set for January 2017. A framework for settlement is being explored before the costs of class action certification and merits discovery are incurred.

A consortium of property owners in Camp Springs, Kentucky have filed a complaint and temporary restraining order and injunction in Franklin Circuit Court to prevent the Kentucky Infrastructure Authority from releasing loan funds from the State Revolving Loan Fund to SD1 for construction of the Ash Street Pump Station Project. The suit claims that SD1 did not properly consider alternative force main routes and environmental concerns, and that the KIA commitment letter as allowed to expire and certain funding conditions were not met. The District is vigorously defending these claims and has submitted a motion to dismiss on various jurisdictional grounds.

Rate payers in Boone County, which is within SD1's storm water service area, but are served by a private wastewater disposal system, are seeking class action status and challenge SD1's imposition of storm water fees because they do not receive wastewater services from SD1, and allege that the imposition of the storm water fee violates KRS 220.235, that the fee is not "reasonable," and that the imposition of the fee violates KRS 220.515. Further, Plaintiffs allege that "SD1 is comingled, and continues to comingle, the storm water fee it receives with improvements, maintenance and other benefits to the sanitary sewer system it maintains, further making the imposition of those fees illegal. Plaintiffs seek a declaration that the storm water fees are illegal as applied to them, an injunction prohibiting SD1 from charging the storm water fees, a refund for the storm water fees paid to date, and damages. SD1 filed a Motion to Dismiss the Complaint on April 1, 2016 and a hearing was held on May 24, 2016. The Judge entered an Order on July 11, 2016, granting in part and denying in part SD1's Civil Rule Motion to Dismiss the Complaint. The Judge's order affirmed that SD1 has the ability and authority to assess a storm water surcharge fee on Plaintiffs, even though they do not receive wastewater services from SD1. He also dismissed Plaintiffs' claim that the surcharge fee was illegal and void. Plaintiffs' surviving claim is whether SD1's fees are reasonable and that the funds are comingled. SD1 has filed its Answer and discovery has commenced.

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2016 and 2015

SD1 also has several other claims against it which involve sewer backups, odor control, and minor property damages.

In addition, SD has several collections claims filed against individual customers who have, in turn, filed counter claims against SD1.

NOTE 13 – INSURANCE IN FORCE

SD1 has the following insurance policies in force during fiscal years 2016 and 2015:

Type of Coverage	Amount of Coverage	
	2016	2015
Property- Buildings, pump stations, machinery	\$ 320,080,453	\$ 313,804,365
Earthquake	50,000,000	50,000,000
Equipment breakdown	50,000,000	50,000,000
Flood	50,000,000	50,000,000
Vehicles	26,000,000	26,000,000
Environmental impairment	25,000,000	25,000,000
Public entity management liability	26,000,000	26,000,000
General liability, aggregate	26,000,000	26,000,000
Scheduled equipment	6,221,428	6,096,484
Pipeline policy	5,000,000	5,000,000
Employer's liability	4,000,000	4,000,000
Crime - employee dishonesty	3,000,000	3,000,000
Cyber liability	3,000,000	3,000,000
Property- Building contents	2,656,480	2,653,412
EDP-hardware, software	1,350,000	1,350,000
Sewer backup	1,000,000	1,000,000
Telecommunications-equipment	467,814	467,814
Electronic vandalism	100,000	100,000
Telecommunications-tower	89,600	89,600

NOTE 14 – RECLASSIFICATION IN PRIOR YEAR STATEMENTS

SD1 management has recorded a net adjustment to the net position of (\$654,726) at June 30, 2015. This adjustment accounts for the estimated health insurance portion that was recorded in the net pension liability at June 30, 2015 (measured at June 30, 2014), and is being removed in accordance with Government Accounting Standards Board Statement No. 68.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated events through November 28, 2016, the date on which the financial statements were available for issue. Sanitation District No. 1 has one event subsequent to June 30, 2016 through November 28, 2016 to disclose.

The District sold bonds on October 12, 2016 to refund Series 2005A Bonds, Series 2006A Bonds and Series 2007A Bonds. The par amount of the bonds was \$124,990,000. The refunding bonds will save the District and its rate payers a net of \$31,198,486 over the life of the bonds that run through February 1, 2038. The bond sale closes on November 2, 2016.

SANITATION DISTRICT NO. 1
MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT PENSION PLAN-NON-HAZARDOUS
Last Ten Fiscal Years

Schedule of the SD1's Proportionate Share of the Net Pension Liability
County Employees' Retirement System (CERS)

(New disclosure in 2015, will display additional years as time progresses)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Proportion of net pension liability	0.566115%	0.564690%								
Proportionate share of the net pension liability (asset)	\$ 24,340,276	\$ 18,320,686								
Covered employee payroll in year of measurement	13,307,431	12,954,902								
Share of the net pension liability (asset) as a percentage of its covered employee payroll	182.91%	141.42%								
Plan fiduciary net position as a percentage of total pension liability	59.97%	66.80%								

Schedule of the SD1's Contributions
County Employees' Retirement System (CERS)

(New disclosure in 2015, will display additional years as time progresses)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 1,644,572	\$ 1,696,697	\$ 1,780,004							
Actual contribution	1,644,572	1,696,697	1,780,004							
Contribution deficiency (excess)	-	-	-							
Covered employee payroll	13,241,319	13,307,431	12,954,902							
Contributions as a percentage of covered employee payroll	12.42%	12.75%	18.89%							

Notes to Required Supplementary Information
For the Year Ended June 30, 2016

Changes of Assumptions

The net pension liability as of June 30, 2016, is based on the June 30, 2015, actuarial valuation.. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between SD1's contributions and proportionate share of contributions are detailed in NOTE 7 in the Notes to the Financial Statements.

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SUPPLEMENTARY INFORMATION

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
GENERAL REVENUES
For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Sewer service	\$ 73,850,000	\$ 72,905,636	\$ (944,364)
Storm water charges	12,575,000	12,745,499	170,499
Surcharges	3,072,000	2,824,686	(247,314)
Capacity connection fees	1,950,000	3,132,618	1,182,618
Penalties	1,590,000	1,487,424	(102,576)
Fines	6,500	14,750	8,250
Inspections	100,000	217,454	117,454
Permits	424,300	433,713	9,413
Project reimbursements	1,500,000	-	(1,500,000)
Contractual services	150,000	136,592	(13,408)
Sludge hauling	60,000	101,621	41,621
Bad debt recoveries	59,000	138,003	79,003
Other revenues	50,000	297,083	247,083
Total General Revenue	<u>\$ 95,386,800</u>	<u>\$ 94,435,079</u>	<u>\$ (951,721)</u>

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
GENERAL REVENUES
For the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Sewer service	\$ 72,575,000	\$ 73,493,916	\$ 918,916
Storm water charges	12,484,000	12,405,055	(78,945)
Surcharges	3,633,000	3,089,627	(543,373)
Capacity connction fees	2,900,000	2,710,688	(189,312)
Penalties	1,530,000	1,609,411	79,411
Fines	27,500	9,750	(17,750)
Inspections	61,000	177,073	116,073
Permits	448,000	406,474	(41,526)
Project reimbursements	50,000	53,274	3,274
Contractual services	140,000	132,614	(7,386)
Sludge hauling	85,000	72,692	(12,308)
Bad debt recoveries	18,500	70,916	52,416
Other income	40,000	230,623	190,623
Total General Revenue	<u>\$ 93,992,000</u>	<u>\$ 94,462,113</u>	<u>\$ 470,113</u>

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2016

Expenses			Variance Favorable (Unfavorable)
Dry Creek Treatment Plant Operations	Budget	Actual	
Salaries and wages	\$ 2,270,417	\$ 2,184,431	\$ 85,986
Medical and dental self-insured plan	661,497	753,843	(92,346)
Pension plan	370,623	344,985	25,638
Payroll taxes	173,687	154,040	19,647
Employee benefits	44,241	37,326	6,915
Credits charged to capital projects	(30,494)	(42,939)	12,445
Insurance and bond	162,038	168,176	(6,138)
Professional and contracted services	190,000	189,863	137
Postage	5,000	3,055	1,945
Office and operating supplies	128,700	161,792	(33,092)
Travel, training and certification	14,850	33,547	(18,697)
Contract labor - building maintenance	5,000	10,944	(5,944)
Operating maintenance - building grounds	76,428	88,377	(11,949)
Subscriptions	1,500	378	1,122
Electric and gas	1,132,750	1,160,682	(27,932)
Chemicals	1,296,000	869,666	426,334
Fuel oil	80,000	13,282	66,718
Telephone and radio	30,000	36,721	(6,721)
Water	50,000	38,609	11,391
Vehicle fuels	70,000	50,618	19,382
Auto and truck expense	62,000	98,234	(36,234)
Maintenance material - plant equipment	180,000	158,490	21,510
Sludge and grit removal	712,500	915,176	(202,676)
Safety equipment expense	15,000	19,504	(4,504)
Rental	6,000	8,387	(2,387)
Legal advertising	-	720	(720)
Penalties and fines paid	-	3	(3)
Total Dry Creek Treatment Plant Expenses	7,707,737	7,457,910	249,827

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SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2016

Expenses			Variance Favorable (Unfavorable)
Eastern Regional Reclamation Facility	Budget	Actual	(Unfavorable)
Salaries and wages	\$ 526,285	\$ 468,200	\$ 58,085
Medical and dental self-insured plan	146,791	163,038	(16,247)
Pension plan	88,419	75,652	12,767
Payroll taxes	40,261	33,101	7,160
Employee benefits	10,940	8,512	2,428
Credits charged to capital projects	(277,099)	(355,278)	78,179
Insurance and bond	45,316	49,144	(3,828)
Professional and contracted services	55,100	41,463	13,637
Postage	200	89	111
Office and operating supplies	19,800	33,424	(13,624)
Travel, training and certification	4,950	8,155	(3,205)
Operating maintenance - building grounds	14,850	30,287	(15,437)
Subscriptions	300	253	47
Electric and gas	334,900	322,135	12,765
Chemicals	91,200	94,935	(3,735)
Fuel oil	7,000	1,442	5,558
Telephone and radio	35,000	33,563	1,437
Water	5,000	4,485	515
Vehicle fuels	28,500	13,084	15,416
Auto and truck expense	35,000	38,375	(3,375)
Maintenance material - plant equipment	85,000	76,100	8,900
Sludge and grit removal	91,200	90,029	1,171
Safety equipment expense	5,000	5,888	(888)
Rental	1,000	700	300
Penalties and fines paid	-	6	(6)
Total Eastern Regional Facility Expenses	1,394,913	1,236,782	158,131

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SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2016

Expenses			Variance Favorable (Unfavorable)
Western Regional Reclamation Facility	Budget	Actual	
Salaries and wages	\$ 606,045	\$ 592,873	\$ 13,172
Medical and dental self-insured plan	190,871	209,092	(18,221)
Pension plan	102,538	102,092	446
Payroll taxes	46,362	40,525	5,837
Employee benefits	12,882	10,033	2,849
Credits charged to capital projects	(1,049)	-	(1,049)
Insurance and bond	78,058	82,323	(4,265)
Professional and contracted services	56,715	50,450	6,265
Postage	500	12	488
Office and operating supplies	39,600	47,982	(8,382)
Travel, training and certification	4,950	4,463	487
Operating maintenance - building grounds	24,750	44,367	(19,617)
Subscriptions	400	340	60
Contract labor - building maintenance	1,000	-	1,000
Electric and gas	788,000	766,362	21,638
Chemicals	72,000	85,650	(13,650)
Fuel oil	6,000	1,309	4,691
Telephone and radio	25,000	20,662	4,338
Water	3,000	2,738	262
Vehicle fuels	2,750	4,628	(1,878)
Auto and truck expense	8,000	9,732	(1,732)
Maintenance material - plant equipment	85,000	100,255	(15,255)
Sludge and grit removal	570,000	695,773	(125,773)
Safety equipment expense	10,000	9,188	812
Rental	3,000	1,446	1,554
Penalties and fines paid	-	7,006	(7,006)
Total Western Regional Facility Expenses	2,736,372	2,889,301	(152,929)

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SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2016

Expenses			Variance
	Budget	Actual	Favorable
			(Unfavorable)
Collection System			
Salaries and wages	\$ 3,008,447	\$ 2,938,566	\$ 69,881
Medical and dental self-insured plan	913,464	1,040,230	(126,766)
Pension plan	504,247	480,605	23,642
Payroll taxes	230,146	205,708	24,438
Employee benefits	60,928	48,152	12,776
Credits charged to capital projects	(964,106)	(830,287)	(133,819)
Insurance and bond	455,030	437,816	17,214
Professional and contracted services	1,235,000	1,234,847	153
Postage	4,000	2,558	1,442
Office and operating supplies	7,312	10,393	(3,081)
Travel, training and certification	34,650	50,778	(16,128)
Operating maintenance - building grounds	-	161	(161)
Subscriptions	750	626	124
Telephone and radio	48,158	29,187	18,971
Vehicle fuels	206,813	109,142	97,671
Auto and truck expense	221,585	300,787	(79,202)
Sludge and grit removal	43,700	31,855	11,845
Maintenance material - collection systems	317,066	344,786	(27,720)
Safety equipment expense	24,500	33,432	(8,932)
Rental	-	1,158	(1,158)
Total Collection System Expenses	6,351,690	6,470,500	(118,810)

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SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2016

Expenses			Variance Favorable (Unfavorable)
Pump Stations/Field Tech	Budget	Actual	
Salaries and wages	\$ 723,918	\$ 688,373	\$ 35,545
Medical and dental self-insured plan	220,304	252,909	(32,605)
Pension plan	119,256	112,398	6,858
Payroll taxes	55,380	48,525	6,855
Employee benefits	16,644	13,647	2,997
Credits charged to capital projects	(73,765)	(46,437)	(27,328)
Insurance and bond	149,488	152,232	(2,744)
Professional and contracted services	90,250	127,745	(37,495)
Postage	3,000	-	3,000
Office and operating supplies	24,750	35,812	(11,062)
Travel, training and certification	7,920	5,415	2,505
Operating maintenance - building grounds	19,800	16,554	3,246
Electric and gas	1,773,000	1,694,870	78,130
Chemicals	1,617,600	1,439,520	178,080
Fuel oil	20,000	13,883	6,117
Telephone and radio	53,000	65,050	(12,050)
Water	24,000	21,535	2,465
Vehicle fuels	40,000	26,130	13,870
Auto and truck expense	35,000	26,565	8,435
Sludge and grit removal	294,500	177,348	117,152
Operating Maintenance - pump stations	180,000	236,891	(56,891)
Safety equipment expense	8,000	7,528	472
Rental	35,000	52,340	(17,340)
Penalties and fines paid	-	10	(10)
Total Pump Stations/Field Tech Expenses	5,437,045	5,168,843	268,202

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SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2016

Expenses			Variance
Operations	Budget	Actual	Favorable
			(Unfavorable)
Salaries and wages	\$ 334,907	\$ 367,598	\$ (32,691)
Medical and dental self-insured plan	68,114	78,233	(10,119)
Pension plan	53,112	51,117	1,995
Payroll taxes	25,620	26,324	(704)
Employee benefits	3,440	4,256	(816)
Credits charged to capital projects	(5,838)	(2,003)	(3,835)
Insurance and bond	14,395	13,270	1,125
Professional and contracted services	18,050	16,228	1,822
Office and operating supplies	5,264	633	4,631
Travel, training and certification	4,257	5,714	(1,457)
Subscriptions	1,407	1,126	281
Telephone and radio	4,011	2,899	1,112
Vehicle fuels	4,900	3,005	1,895
Auto and truck expense	8,300	8,305	(5)
Safety equipment expense	-	144	(144)
Rentals	250	-	250
Total Collection System Expenses	540,189	576,849	(36,660)

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SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2016

Expenses			Variance Favorable (Unfavorable)
Engineering	Budget	Actual	
Salaries and wages	\$ 1,302,141	\$ 1,340,320	\$ (38,179)
Medical and dental self-insured plan	275,451	314,596	(39,145)
Pension plan	219,848	221,325	(1,477)
Payroll taxes	99,614	93,000	6,614
Employee benefits	18,255	16,949	1,306
Credits charged to capital projects	(852,624)	(838,931)	(13,693)
Insurance and bond	60,774	58,599	2,175
Insurance claims	-	-	-
Professional and contracted services	324,829	333,382	(8,553)
Legal Services	15,000	232,032	(217,032)
Postage	150	351	(201)
Office and operating supplies	17,863	5,516	12,347
Training and certification	31,131	17,405	13,726
Subscriptions	51,956	50,193	1,763
Telephone and radio	18,671	17,547	1,124
Vehicle fuels	18,200	15,173	3,027
Auto and truck expense	6,000	12,786	(6,786)
Safety equipment expense	3,700	1,258	2,442
Rental	-	-	-
Inflow and infiltration removal program	25,000	-	25,000
Total Engineering Expenses	1,635,959	1,891,501	(255,542)

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SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2016

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Storm Water Program			
Salaries and wages	\$ 2,979,383	\$ 2,930,492	\$ 48,891
Board of directors	6,307	6,311	(4)
Medical and dental self-insured plan	768,216	886,657	(118,441)
Pension plan	487,104	468,858	18,246
Payroll taxes	227,922	205,204	22,718
Employee benefits	46,588	40,386	6,202
Unemployment taxes	3,862	2,993	869
Credits charged to capital projects	(468,157)	(407,843)	(60,314)
Insurance and bond	29,403	39,962	(10,559)
Professional and contracted services	640,000	1,026,495	(386,495)
Legal services	125,000	52,533	72,467
Bank services	114,699	72,329	42,370
Auditing services	8,581	7,610	971
Collections expenses	14	-	14
Postage	93,142	101,313	(8,171)
Office and operating supplies	87,356	68,681	18,675
Training and certification	26,000	25,782	218
Operating maintenance - building grounds	116,344	58,179	58,165
Storm water program	55,000	29,146	25,854
Subscriptions	50,700	58,285	(7,585)
Communications	3,862	2,603	1,259
Legal advertising	2,000	-	2,000
Electric and gas	32,662	29,561	3,101
Telephone and radio	42,057	41,007	1,050
Water	3,969	4,929	(960)
Vehicle fuels	93,887	49,891	43,996
Auto and truck expense	88,615	114,390	(25,775)
Maintenance material - storm water	112,204	122,311	(10,107)
Storm water facilities and features	20,000	2,241	17,759
Safety equipment expense	2,800	264	2,536
50/50 storm water projects	100,000	61,369	38,631
Total Storm Water Expenses	5,899,520	6,101,939	(202,419)

(Continued to next page)

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2016

Expenses			Variance Favorable (Unfavorable)
Administration	Budget	Actual	
Salaries and wages	\$ 2,778,781	\$ 2,640,712	\$ 138,069
Board of directors	23,093	23,089	4
Medical and dental self-insured plan	639,612	756,354	(116,742)
Pension plan	448,606	401,937	46,669
Payroll taxes	212,577	184,450	28,127
Employee benefits	31,510	36,060	(4,550)
Unemployment taxes	14,138	10,964	3,174
Credits charged to capital projects	-	(39)	39
Insurance and bond	215,164	188,899	26,265
Professional and contracted services	1,050,967	854,373	196,594
Legal services	158,000	212,508	(54,508)
Bank services	410,801	471,259	(60,458)
Auditing services	31,419	27,870	3,549
Collections expenses	51	918	(867)
Postage	340,658	370,654	(29,996)
Office and operating supplies	126,149	101,518	24,631
Training and certification	146,455	96,105	50,350
Operating maintenance - building grounds	84,255	97,851	(13,596)
Dues and subscriptions	70,265	80,368	(10,103)
Communications	14,138	9,530	4,608
Legal advertising	7,000	6,400	600
Electric and gas	104,448	100,715	3,733
Telephone and radio	45,388	68,415	(23,027)
Water	14,531	18,055	(3,524)
Vehicle fuels	3,500	1,519	1,981
Auto and truck expense	4,000	3,284	716
Safety equipment expense	7,970	6,750	1,220
Rental	22,500	23,792	(1,292)
Penalties and fines paid	5,000	632	4,368
Total Administration Expenses	7,010,976	6,794,942	216,034
Total Operation, Maintenance, and Administration Expenses	\$ 38,714,401	\$ 38,588,567	\$ 125,834

**Reconciliation of Budget to Actual to Statement
of Revenues, Expenses and Changes in Net Position**

General Revenues	\$ 94,435,079
Operation, Maintenance and Administration Expenses	(38,588,567)
Major Repair Expenses	(1,720,103)
Depreciation	(40,776,214)
Net Operating Income	\$ 13,350,195

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2015

Expenses			Variance Favorable (Unfavorable)
Dry Creek Treatment Plant Operations	Budget	Actual	
Salaries and wages	\$ 2,279,374	\$ 2,274,158	\$ 5,216
Medical and dental self-insured plan	595,809	797,911	(202,102)
Pension plan	413,185	375,226	37,959
Payroll taxes	174,372	160,139	14,233
Employee benefits	43,003	42,077	926
Credits charged to capital projects	(97,000)	(23,073)	(73,927)
Insurance and bond	233,935	152,524	81,411
Professional and contracted services	193,000	225,509	(32,509)
Postage	5,000	4,294	706
Office and operating supplies	150,000	169,113	(19,113)
Travel, training and certification	30,000	35,538	(5,538)
Contract labor - building maintenance	5,000	6,404	(1,404)
Operating maintenance - building grounds	92,500	105,776	(13,276)
Subscriptions	1,500	1,084	416
Legal advertising	-	249	(249)
Electric and gas	1,150,000	1,149,488	512
Chemicals	1,300,000	1,189,249	110,751
Fuel oil	80,000	58,406	21,594
Telephone and radio	36,000	30,535	5,465
Water	56,000	33,062	22,938
Vehicle fuels	100,000	69,425	30,575
Auto and truck expense	65,000	68,756	(3,756)
Maintenance material - plant equipment	220,000	199,074	20,926
Sludge and grit removal	675,000	834,950	(159,950)
Safety equipment expense	15,000	17,444	(2,444)
SD 1 penalties and fines paid	-	1,788	(1,788)
Rental	7,000	5,438	1,562
Total Dry Creek Treatment Plant Expenses	7,823,678	7,984,544	(160,866)

(Continued to next page)

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2015

Expenses			Variance
	Budget	Actual	Favorable
Eastern Regional Reclamation Facility			(Unfavorable)
Salaries and wages	\$ 541,735	\$ 489,290	\$ 52,445
Medical and dental self-insured plan	129,470	180,977	(51,507)
Pension plan	101,142	79,828	21,314
Payroll taxes	41,443	34,647	6,796
Employee benefits	10,441	9,112	1,329
Credits charged to capital projects	(277,500)	(326,095)	48,595
Insurance and bond	55,474	42,721	12,753
Professional and contracted services	48,500	39,830	8,670
Postage	200	59	141
Office and operating supplies	24,000	20,431	3,569
Travel, training and certification	9,000	14,602	(5,602)
Operating maintenance - building grounds	20,000	23,275	(3,275)
Subscriptions	200	300	(100)
Electric and gas	340,000	360,857	(20,857)
Chemicals	100,000	77,562	22,438
Fuel oil	10,000	4,811	5,189
Telephone and radio	38,000	32,296	5,704
Water	7,000	4,737	2,263
Vehicle fuels	35,000	20,081	14,919
Auto and truck expense	45,000	30,681	14,319
Maintenance material - plant equipment	100,000	83,012	16,988
Sludge and grit removal	100,000	79,756	20,244
Safety equipment expense	5,000	849	4,151
Rental	1,500	-	1,500
Total Eastern Regional Facility Expenses	1,485,605	1,303,619	181,986

(Continued to next page)

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2015

Expenses			Variance
	Budget	Actual	Favorable
Western Regional Reclamation Facility			(Unfavorable)
Salaries and wages	\$ 610,592	\$ 586,100	\$ 24,492
Medical and dental self-insured plan	168,247	207,749	(39,502)
Pension plan	112,862	99,616	13,246
Payroll taxes	46,710	40,527	6,183
Employee benefits	12,329	10,430	1,899
Credits charged to capital projects	(5,000)	(572)	(4,428)
Insurance and bond	116,980	75,325	41,655
Professional and contracted services	75,000	58,493	16,507
Postage	500	84	416
Office and operating supplies	52,000	44,252	7,748
Travel, training and certification	5,000	4,694	306
Operating maintenance - building grounds	35,000	33,639	1,361
Subscriptions	300	352	(52)
Contract labor - building maintenance	2,000	-	2,000
Electric and gas	906,000	788,522	117,478
Chemicals	80,000	124,857	(44,857)
Fuel oil	6,400	3,639	2,761
Telephone and radio	37,000	27,941	9,059
Water	6,000	866	5,134
Vehicle fuels	8,000	3,917	4,083
Auto and truck expense	12,000	8,962	3,038
Maintenance material - plant equipment	100,000	76,802	23,198
Sludge and grit removal	600,000	610,539	(10,539)
Safety equipment expense	15,000	8,913	6,087
Rental	3,000	4,483	(1,483)
Total Western Regional Facility Expenses	3,005,920	2,820,130	185,790

(Continued to next page)

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2015

Expenses			Variance Favorable (Unfavorable)
Collection System	Budget	Actual	
Salaries and wages	\$ 3,104,619	\$ 2,976,547	\$ 128,072
Medical and dental self-insured plan	851,437	1,088,100	(236,663)
Pension plan	574,090	512,501	61,589
Payroll taxes	237,503	208,939	28,564
Employee benefits	61,286	55,736	5,550
Credits charged to capital projects	(515,781)	(882,860)	367,079
Insurance and bond	406,467	446,838	(40,371)
Professional and contracted services	1,215,000	1,646,111	(431,111)
Postage	6,500	1,409	5,091
Office and operating supplies	10,000	17,094	(7,094)
Travel, training and certification	18,000	29,175	(11,175)
Subscriptions	500	2,444	(1,944)
Telephone and radio	25,357	25,939	(582)
Vehicle fuels	253,571	180,833	72,738
Auto and truck expense	268,487	296,180	(27,693)
Sludge and grit removal	30,000	24,396	5,604
Maintenance material - collection systems	325,168	293,466	31,702
Safety equipment expense	23,000	41,635	(18,635)
Total Collection System Expenses	6,895,204	6,964,483	(69,279)

(Continued to next page)

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2015

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Pump Stations/Field Tech			
Salaries and wages	\$ 743,483	\$ 687,231	\$ 56,252
Medical and dental self-insured plan	194,215	249,735	(55,520)
Pension plan	130,743	112,928	17,815
Payroll taxes	56,876	48,298	8,578
Employee benefits	15,991	14,705	1,286
Credits charged to capital projects	(105,000)	(76,536)	(28,464)
Insurance and bond	170,735	137,717	33,018
Professional and contracted services	80,000	75,479	4,521
Postage	500	2,329	(1,829)
Office and operating supplies	30,000	18,244	11,756
Travel, training and certification	10,000	8,969	1,031
Contract labor - building maintenance	500	-	500
Operating maintenance - building grounds	30,000	24,328	5,672
Subscriptions	200	-	200
Electric and gas	2,000,000	1,672,224	327,776
Chemicals	1,475,000	1,450,440	24,560
Fuel oil	25,000	10,432	14,568
Telephone and radio	55,000	54,241	759
Water	24,000	24,167	(167)
Vehicle fuels	40,000	40,199	(199)
Auto and truck expense	37,000	29,536	7,464
Sludge and grit removal	23,400	10,688	12,712
Operating Maintenance - pump stations	200,000	254,382	(54,382)
Safety equipment expense	12,000	8,005	3,995
SD 1 penalties and fines paid	-	57	(57)
Rental	45,000	40,727	4,273
Total Pump Stations/Field Tech Expenses	5,294,643	4,898,525	396,118

(Continued to next page)

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2015

Expenses			Variance Favorable (Unfavorable)
Operations	Budget	Actual	
Salaries and wages	\$ 380,378	\$ 355,960	\$ 24,418
Medical and dental self-insured plan	71,921	88,306	(16,385)
Pension plan	65,583	58,485	7,098
Payroll taxes	29,099	24,928	4,171
Employee benefits	4,157	5,562	(1,405)
Unemployment	-	1,312	(1,312)
Credits charged to capital projects	(10,962)	(9,379)	(1,583)
Insurance and bond	24,629	13,873	10,756
Professional and contracted services	10,400	760	9,640
Postage	25	27	(2)
Office and operating supplies	3,731	4,698	(967)
Travel, training and certification	5,800	5,366	434
Subscriptions	1,254	857	397
Telephone and radio	3,265	3,377	(112)
Vehicle fuels	6,300	4,955	1,345
Auto and truck expense	5,600	11,733	(6,133)
Safety equipment	-	319	(319)
Rental	500	-	500
Total Collection System Expenses	601,680	571,139	30,541

(Continued to next page)

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2015

Expenses			Variance Favorable (Unfavorable)
Engineering	Budget	Actual	
Salaries and wages	\$ 1,243,193	\$ 1,267,356	\$ (24,163)
Medical and dental self-insured plan	240,689	322,378	(81,689)
Pension plan	232,104	219,345	12,759
Payroll taxes	95,104	87,912	7,192
Employee benefits	17,415	15,974	1,441
Credits charged to capital projects	(691,785)	(849,332)	157,547
Insurance and bond	62,719	74,890	(12,171)
Professional and contracted services	419,102	408,461	10,641
Legal Services	31,000	15,716	15,284
Postage	150	376	(226)
Office and operating supplies	23,274	18,243	5,031
Training and certification	30,865	40,774	(9,909)
Subscriptions	51,598	51,024	574
Telephone and radio	13,822	15,258	(1,436)
Vehicle fuels	35,000	18,971	16,029
Auto and truck expense	16,000	6,839	9,161
Safety equipment expense	4,200	2,587	1,613
Inflow and infiltration removal program	25,000	26,933	(1,933)
Total Engineering Expenses	1,849,450	1,743,705	105,745

(Continued to next page)

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2015

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Storm Water Program			
Salaries and wages	\$ 2,805,004	\$ 2,754,053	\$ 50,951
Board of directors	5,660	5,564	96
Medical and dental self-insured plan	655,544	872,343	(216,799)
Pension plan	508,011	460,678	47,333
Payroll taxes	214,583	192,629	21,954
Employee benefits	48,016	41,448	6,568
Unemployment taxes	3,420	597	2,823
Credits charged to capital projects	(810,029)	(414,851)	(395,178)
Insurance and bond	46,054	24,503	21,551
Professional and contracted services	700,000	632,053	67,947
Legal services	123,700	33,094	90,606
Bank services	81,399	79,852	1,547
Auditing services	11,550	7,805	3,745
Collection agency services	13	-	13
Postage	81,153	87,586	(6,433)
Office and operating supplies	83,469	75,400	8,069
Training and certification	25,000	28,382	(3,382)
Operating maintenance - building grounds	99,306	58,582	40,724
Storm water program	55,000	36,707	18,293
Subscriptions	50,500	50,510	(10)
Communications	3,946	2,633	1,313
Legal advertising	2,500	-	2,500
Electric and gas	31,913	32,936	(1,023)
Telephone and radio	30,968	30,312	656
Water	4,235	3,435	800
Vehicle fuels	108,854	75,988	32,866
Auto and truck expense	100,713	110,541	(9,828)
Sludge and grit removal	-	-	-
Maintenance material - storm water	110,832	100,025	10,807
Storm water facilities and features	20,000	3,502	16,498
Safety equipment expense	2,000	3,241	(1,241)
Green initiative expense	50,000	-	50,000
Disconnect/Redirect/Infiltration Program	10,000	525	9,475
50/50 storm water projects	100,000	31,421	68,579
Total Storm Water Expenses	5,363,314	5,421,494	(58,180)

(Continued to next page)

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2015

Expenses			Variance Favorable (Unfavorable)
Administration	Budget	Actual	
Salaries and wages	\$ 2,734,131	\$ 2,708,907	\$ 25,224
Board of directors	23,740	23,336	404
Medical and dental self-insured plan	577,677	779,433	(201,756)
Pension plan	501,888	436,143	65,745
Payroll taxes	209,161	185,691	23,470
Employee benefits	48,604	36,265	12,339
Unemployment taxes	14,344	2,108	12,236
Credits charged to capital projects	(6,460)	(558)	(5,902)
Insurance and bond	311,157	176,112	135,045
Professional and contracted services	1,473,665	1,121,318	352,347
Legal services	250,000	139,510	110,490
Bank services	341,451	429,135	(87,684)
Auditing services	48,450	32,728	15,722
Collection agency services	52	411	(359)
Postage	340,000	366,464	(26,464)
Office and operating supplies	155,484	161,571	(6,087)
Training and certification	160,895	118,501	42,394
Operating maintenance - building grounds	114,544	122,135	(7,591)
Dues and subscriptions	72,191	80,804	(8,613)
Communications	16,554	11,036	5,518
Legal advertising	7,000	5,842	1,158
Electric and gas	117,088	131,576	(14,488)
Telephone and radio	47,450	48,091	(641)
Water	17,765	14,407	3,358
Vehicle fuels	5,200	3,102	2,098
Auto and truck expense	3,000	2,618	382
Safety equipment expense	8,950	10,728	(1,778)
SD 1 penalties and fines paid	-	22,562	(22,562)
Rental	21,400	20,081	1,319
Total Administration Expenses	<u>7,615,381</u>	<u>7,190,057</u>	<u>425,324</u>
Total Operation, Maintenance, and Administration Expenses	<u>\$ 39,934,875</u>	<u>\$ 38,897,696</u>	<u>\$ 1,037,179</u>

**Reconciliation of Budget to Actual to Statement
of Revenues, Expenses and Changes in Net Position**

General Revenues	\$ 94,462,113
Operation, Maintenance and Administration Expenses	(38,897,696)
Major Repair Expenses	(1,414,072)
Depreciation	<u>(40,859,784)</u>
Net Operating Income	<u>\$ 13,290,561</u>

SANITATION DISTRICT NO. 1 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2016
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<u>Federal Agency</u>	<u>Federal Grantor/Program Title/Project</u>	<u>Federal CFDA Number</u>	<u>Grant or Loan Number</u>	<u>Expenditures</u>
EPA	Capitalization Grants for clean water - State Revolving Funds - Passed through Commonwealth of Kentucky - Kentucky Infrastructure Authority	66.458	A15-103	\$ 378,364
DOT	Highway Planning and Construction grants - Passed through Commonwealth of Kentucky - Department of Transportation	20.205	06-158	739,258
HUD	Community Development Block Grant, State Administered Small Cities Program - Kenton County - New Buffington Road Sewer Project - Passed through the Office of the Governor, Department for Local Government, Administered by Northern Kentucky Area Development District	14.228	12-079	<u>288,206</u>
Total Federal Expenditures:				<u>\$ 1,405,828</u>

SANITATION DISTRICT NO. 1
NOTES TO THE SUPPLEMENTARY INFORMATION
June 30, 2016

NOTE 1 – SUPPLEMENTARY INFORMATION

The accompanying summary information of Sanitation District No. 1, as of and for the years ended June 30, 2016 and 2015, as listed in the table of contents is not a presentation in conformity with accounting principles generally accepted in the United States of America.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**Members of the Board of Directors
Sanitation District No.1**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Sanitation District No.1 (SD1), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements which collectively comprise Sanitation District No.1's financial statements, and have issued our report thereon dated November 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Sanitation District No.1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanitation District No.1's internal control. Accordingly, we do not express an opinion on the effectiveness of Sanitation District No.1's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitation District No.1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker & Co., Inc.
Erlanger, Kentucky
November 28, 2016

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**Members of the Board of Directors
Sanitation District No.1**

Report on Compliance for Each Major Federal Program

We have audited Sanitation District No.1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sanitation District No.1's major federal programs for the year ended June 30, 2016. Sanitation District No.1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sanitation District No.1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sanitation District No.1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Sanitation District No.1's compliance.

Opinion on Each Major Federal Program

In our opinion, Sanitation District No.1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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Report on Internal Control Over Compliance

Management of Sanitation District No.1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sanitation District No.1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sanitation District No.1's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker & Co., Inc.
Erlanger, Kentucky
November 28, 2016

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SANITATION DISTRICT NO. 1 SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2016

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified? Yes X None reported

Noncompliance material to financial statements noted Yes X No

Federal Awards

Internal Control Over Major Programs:

- Material weakness(es) identified? Yes X No
- Significant deficiencies identified? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200. 516(a) Yes X No

Identification of major programs:	CFDA No.
Federal Program or Cluster	-----
-----	-----
Highway Planning and Construction	20.205

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

II. FINDINGS - FINANCIAL STATEMENTS AUDIT

No matters were reported

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No matters were reported

SANITATION DISTRICT NO. 1
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2015

NONE

STATISTICAL SECTION

STATISTICAL SECTION

This section of Sanitation District No. 1's (SD1) comprehensive annual financial report presents detailed historical and economic information as a supplement to the information presented in the financial statements and note disclosures to assist readers in assessing SD1's overall financial health.

<u>CONTENTS:</u>	<u>PAGE</u>
<i>Financial Trends:</i>	86-92
These schedules contain trend information to help readers understand how SD1's financial performance and position have changed over time.	
<i>Revenue Capacity:</i>	93-98
These schedules contain information to help readers assess SD1's most significant revenue sources.	
<i>Debt Service Coverage:</i>	99-101
These schedules present information to help readers assess SD1's current level of outstanding debt and SD1's ability to issue additional debt in the future.	
<i>Demographic and Economic Information:</i>	102-106
These schedules provide information about the environment in which SD1 operates.	
<i>Operating Information:</i>	107-108
These schedules contain operating information related to SD1's infrastructure, assets and services provided.	

Sources: *Unless otherwise noted, the information in these statistical schedules is from the annual financial reports for the relevant years.*

Sanitation District No. 1
Statements of Net Position (Balance Sheets)
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assets and Deferred Outflow of Resources										
Assets										
Current Unrestricted Assets										
Cash and Cash Equivalents	\$ 3,964,704	\$ 18,636,359	\$ 10,266,444	\$ 9,692,641	\$ 7,352,683	\$ 9,464,525	\$ 19,058,529	\$ 32,688,855	\$ 38,748,815	\$ 45,131,172
Investments	6,002,125	6,256,876	8,965,396	6,607,843	6,693,573	-	-	-	-	-
Accounts Receivable										
Customers, net of allowance	6,416,545	7,470,754	8,152,236	7,242,816	8,201,544	10,108,461	11,031,115	10,257,908	9,952,571	10,138,377
Communities	28,297	29,806	15,278	22,653	13,728	20,731	24,631	12,068	14,484	14,450
KIA loan receivable	-	-	-	-	11,555,668	6,940,435	4,235,102	1,204,334	274,991	-
Others	654,758	819,442	1,946,388	5,432,371	4,269,523	3,834,336	3,741,641	4,004,172	4,011,851	3,750,928
Due from other fund	-	-	4,840,700	4,840,698	6,898,795	7,302,667	11,461,121	14,313,219	-	-
Accrued unbilled charges	7,503,691	8,478,996	8,359,200	7,725,400	8,698,483	9,615,400	9,190,400	9,344,329	9,800,840	9,615,950
Prepays and deposits	615,929	618,314	555,209	533,981	619,705	637,983	596,152	1,363,240	695,557	765,868
Accrued interest income	56,075	53,132	17,604	33,250	28,238	27,324	15,778	13,980	28,170	22,208
Total Current Unrestricted Assets	25,242,124	42,363,679	43,118,455	42,131,653	54,331,940	47,951,862	59,354,469	73,202,105	63,527,279	69,438,953
Current Restricted Assets										
Cash	9,785,123	64,677,847	25,451,995	52,780,640	51,090,511	32,583,239	19,577,365	11,596,453	7,099,462	3,633,285
Receivables										
Assessments	2,417,800	2,248,298	2,079,386	1,958,351	1,849,302	1,738,719	1,644,649	1,555,201	1,470,191	1,380,740
Improvement notes	1,773,759	821,522	20,530	5,524	5,525	5,443	5,130	5,130	5,130	5,130
Accrued interest	20,034	481,449	270,586	261,423	206,456	162,673	152,282	108,183	124,195	130,370
Prepaid items	73,303	123,803	233,390	233,390	59,708	98,519	49,354	188	-	-
Total Current Restricted Assets	14,070,019	68,352,919	28,055,887	55,239,328	53,211,502	34,588,593	21,428,780	13,265,155	8,698,978	5,149,525
Total Current Assets	39,312,143	110,716,598	71,174,342	97,370,981	107,543,442	82,540,455	80,783,249	86,467,260	72,226,257	74,588,478
Non Current Restricted Assets										
Investments	55,761,031	50,153,621	51,350,743	64,012,084	73,766,771	80,747,604	82,613,373	83,424,890	84,756,917	85,017,276
Capital Assets										
Land, building, system, equipment, and vehicles	545,718,594	578,928,587	644,722,698	949,282,454	1,106,520,240	1,377,882,062	1,435,999,064	1,489,052,302	1,507,786,801	1,532,044,997
Construction in progress	104,962,850	144,855,250	153,932,654	197,579,699	250,483,024	50,114,839	41,833,765	8,030,328	12,613,822	11,444,632
Less: accumulated depreciation	(148,109,679)	(161,769,836)	(185,336,930)	(206,333,999)	(241,595,496)	(278,159,842)	(316,596,851)	(352,824,204)	(392,735,214)	(432,189,270)
Total Capital Assets, Net	502,571,765	562,014,001	613,318,422	940,528,154	1,115,407,768	1,149,837,059	1,161,235,978	1,144,258,426	1,127,665,409	1,111,300,359
Total Assets	597,644,939	722,884,220	735,843,507	1,101,911,219	1,296,717,981	1,313,125,118	1,324,632,600	1,314,150,576	1,284,648,583	1,270,906,113
Deferred Outflow of Resources										
Deferred refunding costs on defeased bond debt	2,766,697	2,428,639	2,075,610	1,725,432	4,722,311	4,071,573	3,458,564	2,904,792	2,415,774	1,993,406
Deferred pension contributions								2,447,181	1,696,697	4,556,240
Total Deferred Outflow of Resources	2,766,697	2,428,639	2,075,610	1,725,432	4,722,311	4,071,573	3,458,564	5,351,973	4,112,471	6,549,646
Total Assets and Deferred Outflow of Resources	\$ 600,411,636	\$ 725,312,859	\$ 737,919,117	\$ 1,103,636,651	\$ 1,301,440,292	\$ 1,317,196,691	\$ 1,328,091,164	\$ 1,319,502,549	\$ 1,288,761,054	\$ 1,277,455,759

Sanitation District No. 1
Statements of Net Position (Balance Sheets)
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Liabilities and Deferred Inflow of Resources										
Liabilities										
Current Liabilities (payable from current assets)										
Customer deposits and other	\$ 290,815	\$ 406,823	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	9,353,468	11,919,292	12,583,179	16,425,404	9,944,360	11,676,772	8,518,879	6,208,453	5,798,257	4,622,689
Accrued payroll and benefits	1,309,617	1,496,580	1,761,005	1,957,480	1,426,119	1,490,786	1,747,898	1,825,208	1,784,857	1,844,672
Accrued taxes and pension	215,745	93,691	134,234	136	425	(104)	2,772	11,008	(24)	106
Due to other fund	-	-	4,840,700	4,840,698	6,898,795	7,302,667	11,461,121	14,313,219	-	-
Communities	27,361	16,651	18,187	2,033	346	733	156	47	47	47
Other accruals	-	-	56,154	79,060	78,201	67,578	45,183	31,076	74,923	167,307
Sales tax payable	176,993	1,114	330	155	(450)	-	47,590	61	102	(643)
Total Current Liabilities (payable from current assets)	11,373,999	13,934,151	19,393,789	23,304,966	18,347,796	20,538,432	21,823,599	22,389,072	7,658,162	6,634,178
Current Liabilities (payable from restricted assets)										
Current portion of long-term debt	3,775,000	6,792,025	7,164,762	8,537,838	12,386,658	12,981,517	18,438,249	18,147,235	19,298,744	18,642,823
Accounts payable	4,682,432	2,149,689	4,017,251	9,316,617	9,164,358	2,701,990	1,324,184	-	430,382	21,496
Accrued interest payable	2,633,826	4,763,067	4,578,388	6,473,959	8,671,851	8,350,350	8,230,475	8,095,295	7,927,725	7,730,150
Total Current Liabilities (payable from restricted assets)	11,091,258	13,704,781	15,760,401	24,328,414	30,222,867	24,033,857	27,992,908	26,242,530	27,656,851	26,394,469
Total Current Liabilities	22,465,257	27,638,932	35,154,190	47,633,380	48,570,663	44,572,289	49,816,507	48,631,602	35,315,013	33,028,647
Noncurrent Liabilities										
Notes payable	24,562,340	29,566,568	32,497,265	60,501,607	101,353,944	134,708,581	145,790,516	147,034,138	140,802,264	135,506,662
Bonds payable, net of amortization	132,314,216	233,107,525	226,802,468	347,290,647	400,125,967	388,323,266	379,143,277	366,369,937	353,243,540	341,023,207
Net pension liability	-	-	-	-	-	-	-	20,730,248	18,320,686	24,340,276
Total Noncurrent Liabilities	156,876,556	262,674,093	259,299,733	407,792,254	501,479,911	523,031,847	524,933,793	534,134,323	512,366,490	500,870,145
Total Liabilities	179,341,813	290,313,025	294,453,923	455,425,634	550,050,574	567,604,136	574,750,300	582,765,925	547,681,503	533,898,792
Deferred Inflow of Resources										
Deferred inflow pension costs	-	-	-	-	-	-	-	-	2,045,032	-
Total Liabilities and Deferred Inflow of Resources	179,341,813	290,313,025	294,453,923	455,425,634	550,050,574	567,604,136	574,750,300	582,765,925	549,726,535	533,898,792
Net Assets (Position)										
Net investment in capital assets	344,686,906	294,976,522	348,929,537	525,923,494	606,263,510	617,895,268	621,322,500	615,611,908	616,736,635	618,121,073
Restricted for:										
Debt service funds, net of current liabilities	14,475,785	22,320,625	23,195,488	33,253,562	40,827,224	40,763,723	41,001,136	41,238,145	42,525,692	43,140,184
Operations, infrastructure, & insurance reserves	23,480,278	24,657,722	23,935,102	24,622,294	24,849,919	31,882,577	33,582,825	34,202,584	34,427,560	34,277,222
Capital improvement/programs	20,355,537	61,544,608	21,199,647	42,456,320	40,588,632	28,946,225	17,739,539	10,657,785	5,731,504	2,662,174
Other purposes	4,203,192	3,070,829	2,480,754	3,128,660	2,876,289	2,691,332	2,163,994	2,499,433	2,413,032	2,335,575
Unrestricted	13,868,125	28,429,528	23,724,666	18,826,687	35,984,144	27,413,430	37,530,870	32,526,769	37,200,096	43,020,739
Total Net Assets (Position)	421,069,823	434,999,834	443,465,194	648,211,017	751,389,718	749,592,555	753,340,864	736,736,624	739,034,519	743,556,967
Total Liabilities and Net Position	\$ 600,411,636	\$ 725,312,859	\$ 737,919,117	\$ 1,103,636,651	\$ 1,301,440,292	\$ 1,317,196,691	\$ 1,328,091,164	\$ 1,319,502,549	\$ 1,288,761,054	\$ 1,277,455,759

Sanitation District No. 1
Statements of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating Revenues										
Sewer service charges	\$ 31,121,420	\$ 41,342,262	\$ 47,368,230	\$ 53,994,128	\$ 61,887,891	\$ 68,369,740	\$ 73,562,515	\$ 74,221,151	\$ 76,583,543	\$ 75,730,322
Storm water charges	10,268,746	9,739,148	10,301,534	10,810,291	11,091,977	11,388,734	11,751,183	11,899,106	12,405,055	12,745,499
Permits & tap-In fees	3,249,711	3,002,506	2,236,542	2,732,120	2,283,388	1,765,957	2,340,792	3,173,486	3,117,162	3,566,331
Sludge hauling	170,966	192,978	77,171	92,429	144,505	147,409	120,776	84,480	72,692	101,621
Inspections	123,689	70,004	52,456	34,878	33,416	69,300	69,682	74,348	177,073	217,454
Penalties and fines	675,850	897,070	1,179,262	1,292,685	1,332,674	1,431,386	1,581,774	1,573,674	1,619,161	1,502,174
Contractual services	106,341	94,831	87,600	103,219	137,694	141,038	125,689	128,752	132,614	136,592
Bad debt recoveries	6,720	6,124	12,964	49,938	35,355	19,097	35,392	21,873	70,916	138,003
Other revenues	128,362	99,850	44,190	119,992	7,017	69,044	50,993	33,287	230,623	297,083
Project reimbursements	1,602,282	1,370,247	310,899	165,830	1,442,406	549,579	68,321	1,450,000	53,274	-
Total Operating Revenues	47,454,087	56,815,019	61,670,848	69,395,510	78,396,323	83,951,284	89,707,117	92,660,157	94,462,113	94,435,079
Operating Expenses										
Operation, maintenance & administration										
Salary & wages	5,023,781	6,823,087	7,397,037	6,824,325	7,666,779	7,875,727	10,352,734	11,423,914	11,545,248	11,657,207
Employee benefit & incentive expenses	4,477,282	4,987,591	5,144,969	5,819,271	5,776,673	6,628,400	7,539,280	7,046,809	8,160,719	7,934,077
Professional & contractual services	1,495,273	1,614,396	1,758,011	2,779,872	3,063,454	3,778,654	5,216,695	4,918,068	6,090,769	6,142,324
Office administration expenses	965,059	1,200,378	1,347,218	1,743,401	1,434,543	1,742,980	1,903,439	1,759,589	1,895,657	1,777,837
Utilities, fuels oil & chemicals expense	5,929,618	6,595,898	6,551,357	7,198,145	7,316,763	7,362,096	7,685,268	7,311,989	7,403,662	6,999,416
Vehicle operation expenses	932,180	1,216,854	1,037,133	1,096,654	1,163,239	1,276,021	1,087,065	1,068,097	983,314	885,648
Infrastructure, equipment & other expenses	1,141,572	1,560,922	1,755,982	2,372,647	1,997,122	2,355,828	2,760,362	2,824,155	2,818,327	3,192,058
Supplemental/State environmental projects	-	30,051	82,951	283,029	202,182	61,218	-	1,924	-	-
Other expenses	421,591	7,831	-	-	-	-	-	-	-	-
Total operation, maintenance & administration	20,386,356	24,037,008	25,074,658	28,117,344	28,620,755	31,080,924	36,544,843	36,354,545	38,897,696	38,588,567
Major repairs and other	350,601	6,447,722	3,134,429	4,797,653	6,172,970	4,912,935	4,495,306	1,291,040	1,414,072	1,720,103
Depreciation	12,540,922	13,939,243	23,731,773	32,842,268	37,633,213	39,593,040	40,245,842	40,716,750	40,859,784	40,776,214
Total Operating Expenses	33,277,879	44,423,973	51,940,860	65,757,265	72,426,938	75,586,899	81,285,991	78,362,335	81,171,552	81,084,884
Operating Income	14,176,208	12,391,046	9,729,988	3,638,245	5,969,385	8,364,385	8,421,126	14,297,822	13,290,561	13,350,195

(Continue)

Sanitation District No. 1
Statements of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Non-Operating Income										
Interest income	\$ 3,339,413	\$ 5,280,998	\$ 2,064,125	\$ 1,693,641	\$ 1,272,736	\$ 723,911	\$ 831,632	\$ 567,152	\$ 686,943	\$ 906,611
Federal credits on Build America Bonds	-	-	-	561,428	3,853,736	3,805,832	3,590,813	3,530,769	3,435,087	3,406,317
Gain/(Loss) on sale of fixed assets	-	87,167	59,458	(4,646,167)	(2,411,613)	(2,392,458)	(1,810,778)	(1,105,803)	(323,186)	(407,480)
Net effect of change in share of pension expense									(385,954)	(1,115,015)
Net increase in fair market value of investment	548,083	(591,216)	342,379	104,496	(443,536)	286,941	(486,536)	165,073	68,787	287,462
Total Non-Operating Income (Expense)	3,887,496	4,776,949	2,465,962	(2,286,602)	2,271,323	2,424,226	2,125,131	3,157,191	3,481,677	3,077,895
Interest and Other Charges										
Interest on long-term debt	4,251,330	5,547,185	5,758,237	11,174,829	16,025,760	18,254,771	19,331,456	20,828,408	20,658,530	20,096,326
Amortization of bond discount & expense	175,057	192,465	258,885	186,054	255,805	395,549	43,097	44,515	46,031	47,182
Total Interest and Other Charges	4,426,387	5,739,650	6,017,122	11,360,883	16,281,565	18,650,320	19,374,553	20,872,923	20,704,561	20,143,508
Change in Net Position Before Capital Contributions	13,637,317	11,428,345	6,178,828	(10,009,240)	(8,040,857)	(7,861,709)	(8,828,296)	(3,417,910)	(3,932,323)	(3,715,418)
Capital Contributions	5,885,312	2,501,666	2,286,532	214,755,064	111,721,532	6,064,545	15,852,673	5,331,548	6,230,218	8,237,866
Change in Net Asset (Position)	\$ 19,522,629	\$ 13,930,011	\$ 8,465,360	\$ 204,745,824	\$ 103,680,675	\$ (1,797,164)	\$ 7,024,377	\$ 1,913,638	\$ 2,297,895	\$ 4,522,448

Sanitation District No. 1
Cash Flows
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Cash Flow from Operating Activities										
Received from customers	\$ 43,961,479	\$ 54,619,313	\$ 61,194,429	\$ 70,408,423	\$ 71,358,359	\$ 81,151,762	\$ 85,139,804	\$ 90,177,369	\$ 94,283,021	\$ 94,695,120
Paid to suppliers for goods and services	(4,637,551)	(11,677,247)	(15,782,607)	(17,039,076)	(25,862,095)	(19,991,822)	(22,699,507)	(20,071,035)	(20,919,150)	(22,866,427)
Paid to or on behalf of employees for services	(11,583,801)	(16,249,714)	(11,685,342)	(11,943,516)	(13,974,524)	(13,829,679)	(17,013,644)	(17,776,165)	(19,142,626)	(18,536,538)
Net Cash Provided by Operating Activities	27,740,127	26,692,352	33,726,480	41,425,831	31,521,740	47,330,261	45,426,653	52,330,169	54,221,245	53,292,155
Cash Flows from Investing Activities										
Investment Income	3,534,416	5,283,941	2,310,516	1,687,158	1,332,715	768,608	853,569	613,049	656,740	906,398
Net (increase) decrease on Investments	(21,124,165)	6,198,626	(3,563,263)	(10,199,292)	(10,283,953)	(319)	(2,352,305)	(646,444)	(1,263,240)	27,103
Net Cash Provided (Used) by Investing Activities	(17,589,749)	11,482,567	(1,252,747)	(8,512,134)	(8,951,238)	768,289	(1,498,736)	(33,395)	(606,500)	933,501
Cash Flows from Capital and Related Financing Activities										
Principal received on notes and bonds	51,056,706	108,697,194	3,017,121	154,921,293	139,316,551	39,963,916	20,938,245	10,003,959	2,513,642	2,355,212
Federal credits on Build America Bonds	-	-	-	561,428	3,853,736	3,805,832	3,590,813	3,530,769	3,452,910	3,406,316
Cash received from sale of assets	-	-	59,458	51,782	18,195	203,895	223,786	83,100	140,528	22,420
Bond issuance costs	(425,849)	(779,595)	-	-	-	-	-	-	-	-
Payment to bond refunding agent	-	-	-	-	-	-	-	-	-	-
Bond premium (discount)	(648,230)	5,217,175	-	-	-	-	-	-	-	-
Payments made on long term debt	(3,610,000)	(4,330,941)	(6,875,466)	(7,164,762)	(50,903,395)	(12,514,188)	(13,124,245)	(17,790,582)	(18,804,665)	(19,298,744)
Interest paid, net of capitalized interest	(3,215,575)	(3,417,944)	(6,226,401)	(9,969,117)	(15,293,072)	(19,008,783)	(19,907,475)	(21,457,672)	(21,369,509)	(20,872,047)
Acquisition and construction of capital assets, net of contributed capital	(64,880,626)	(70,592,005)	(72,749,661)	(149,994,886)	(103,723,075)	(70,554,138)	(37,826,653)	(19,596,553)	(18,500,262)	(16,603,198)
(Increase)/decrease in restricted funds	15,426,889	(3,404,424)	2,705,449	5,435,407	130,471	(6,390,514)	(1,234,258)	(1,185,570)	515,580	(319,435)
Net Cash Used by Capital and Related Financing Activities	(6,296,685)	31,389,460	(80,069,500)	(6,158,855)	(26,600,589)	(64,493,980)	(47,339,787)	(46,412,549)	(52,051,776)	(51,309,476)
Increase (Decrease) in Cash and Cash Equivalents	3,853,693	69,564,379	(47,595,767)	26,754,842	(4,030,087)	(16,395,430)	(3,411,870)	5,884,225	1,562,969	2,916,180
Cash and Cash Equivalents Beginning of Year	9,661,323	13,515,016	83,079,395	35,483,628	62,238,470	58,208,383	41,812,953	38,401,083	44,285,308	45,848,277
Cash and Cash Equivalents End of Year	\$ 13,515,016	\$ 83,079,395	\$ 35,483,628	\$ 62,238,470	\$ 58,208,383	\$ 41,812,953	\$ 38,401,083	\$ 44,285,308	\$ 45,848,277	\$ 48,764,457

Sanitation District No. 1
Net Capital Assets - Sanitation
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Capital Assets Not Depreciated										
Land/Easements	\$ 6,324,894	\$ 6,735,573	\$ 6,735,573	\$ 6,966,183	\$ 12,020,310	\$ 14,621,314	\$ 14,736,419	\$ 14,859,087	\$ 14,859,087	\$ 15,125,674
Construction in Progress	103,468,965	134,374,432	145,107,180	187,722,253	242,536,861	46,654,791	40,814,200	6,286,209	9,836,028	8,984,555
Total Capital Assets Not Depreciated	109,793,859	141,110,005	151,842,753	194,688,436	254,557,171	61,276,105	55,550,619	21,145,295	24,695,115	24,110,229
Capital Assets being depreciated										
Collection system	\$ 325,459,112	\$ 355,094,422	\$ 383,879,066	\$ 431,156,468	\$ 456,348,371	\$ 623,052,699	\$ 649,183,792	\$ 662,016,791	\$ 670,488,000	\$ 679,709,357
Pump stations	52,265,103	52,801,139	59,620,776	70,561,271	74,875,916	74,097,924	84,612,273	92,930,563	94,139,799	99,281,577
Treatment and disposal	85,139,253	85,603,751	95,306,157	124,459,262	133,317,055	220,973,373	222,942,924	248,129,034	249,052,897	249,265,825
General plant and equipment	59,265,243	61,428,713	63,509,248	63,959,835	64,748,014	66,300,159	67,428,575	68,499,850	68,991,739	69,327,856
Software model development	-	-	10,711,740	15,608,576	15,551,551	15,967,050	15,967,050	15,967,050	15,967,050	15,967,050
Total capital assets being depreciated	522,128,711	554,928,025	613,026,987	705,745,411	744,840,907	1,000,391,206	1,040,134,613	1,087,543,288	1,098,639,486	1,113,551,665
Total Capital Assets	\$ 631,922,570	\$ 696,038,030	\$ 764,869,740	\$ 900,433,847	\$ 999,398,078	\$ 1,061,667,311	\$ 1,095,685,232	\$ 1,108,688,583	\$ 1,123,334,601	\$ 1,137,661,894
Less accumulated depreciation										
Collection system	\$ (65,905,245)	\$ (73,520,035)	\$ (83,743,759)	\$ (93,300,798)	\$ (102,850,841)	\$ (113,355,140)	\$ (125,774,905)	\$ (138,496,498)	\$ (151,767,136)	\$ (165,176,208)
Pump stations	(21,854,881)	(23,704,006)	(25,833,234)	(26,616,322)	(28,889,689)	(30,201,496)	(33,034,085)	(35,079,060)	(39,391,858)	(43,460,164)
Treatment and disposal	(44,072,427)	(45,924,381)	(48,327,797)	(43,706,342)	(45,815,082)	(50,037,770)	(55,200,719)	(59,613,565)	(65,161,109)	(70,783,244)
General plant and equipment	(15,231,938)	(17,229,747)	(22,237,494)	(25,991,362)	(29,305,195)	(31,514,927)	(33,786,962)	(35,772,833)	(37,713,899)	(39,704,523)
Software model development	-	-	(1,780,399)	(6,164,140)	(11,312,346)	(14,799,048)	(15,757,880)	(15,897,673)	(15,967,049)	(15,967,048)
Total accumulated depreciation	(147,064,492)	(160,378,168)	(181,922,682)	(195,778,963)	(218,173,152)	(239,908,381)	(263,554,552)	(284,859,629)	(310,001,050)	(335,091,187)
Total Capital Assets, Net	\$ 484,858,078	\$ 535,659,862	\$ 582,947,058	\$ 704,654,884	\$ 781,224,927	\$ 821,758,929	\$ 832,130,680	\$ 823,828,954	\$ 813,333,551	\$ 802,570,707

Sanitation District No. 1
Net Capital Assets - Storm Water
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Capital Assets Not Depreciated										
Land/Easements	\$ -	\$ -	\$ -	\$ -	\$ 24,147	\$ 409,729	\$ 466,990	\$ 528,073	\$ 555,072	\$ 720,023
Construction in Progress	1,493,885	10,480,818	8,825,474	9,857,446	7,946,163	3,460,048	1,019,566	1,744,120	2,777,794	2,460,077
Total Capital Assets Not Depreciated	<u>1,493,885</u>	<u>10,480,818</u>	<u>8,825,474</u>	<u>9,857,446</u>	<u>7,970,310</u>	<u>3,869,777</u>	<u>1,486,556</u>	<u>2,272,192</u>	<u>3,332,866</u>	<u>3,180,100</u>
Capital Assets being depreciated										
Collection system	\$ 17,264,989	\$ 17,264,989	\$ 21,443,446	\$ 233,054,167	\$ 346,148,776	\$ 356,814,655	\$ 374,959,786	\$ 380,376,561	\$ 387,981,012	\$ 396,875,775
Equipment	-	-	-	-	-	-	56,096	47,634	54,485	74,201
Vehicles	-	-	-	-	-	-	-	52,500	52,499	52,499
Software model development	-	-	3,516,692	3,516,692	3,486,100	5,645,160	5,645,160	5,645,160	5,645,160	5,645,160
Total capital assets being depreciated	<u>17,264,989</u>	<u>17,264,989</u>	<u>24,960,139</u>	<u>236,570,860</u>	<u>349,634,876</u>	<u>362,459,814</u>	<u>380,661,042</u>	<u>386,121,855</u>	<u>393,733,156</u>	<u>402,647,635</u>
Total Capital Assets	<u>\$ 18,758,874</u>	<u>\$ 27,745,807</u>	<u>\$ 33,785,613</u>	<u>\$ 246,428,306</u>	<u>\$ 357,605,186</u>	<u>\$ 366,329,591</u>	<u>\$ 382,147,597</u>	<u>\$ 388,394,047</u>	<u>\$ 397,066,022</u>	<u>\$ 405,827,735</u>
Less accumulated depreciation										
Collection system	\$ (1,045,187)	\$ (1,391,668)	\$ (2,829,739)	\$ (8,798,295)	\$ (20,518,853)	\$ (34,404,861)	\$ (48,472,648)	\$ (62,664,243)	\$ (77,057,737)	\$ (91,404,691)
Equipment	-	-	-	-	-	-	(1,540)	(5,466)	(10,566)	(17,008)
Vehicles	-	-	-	-	-	-	(2,481)	(10,207)	(20,701)	(31,224)
Software model development	-	-	(584,510)	(1,756,740)	(2,903,491)	(3,846,600)	(4,565,630)	(5,284,660)	(5,645,160)	(5,645,160)
Total accumulated depreciation	<u>(1,045,187)</u>	<u>(1,391,668)</u>	<u>(3,414,248)</u>	<u>(10,555,035)</u>	<u>(23,422,344)</u>	<u>(38,251,461)</u>	<u>(53,042,299)</u>	<u>(67,964,575)</u>	<u>(82,734,164)</u>	<u>(97,098,083)</u>
Total Capital Assets, Net	<u>\$ 17,713,687</u>	<u>\$ 26,354,139</u>	<u>\$ 30,371,365</u>	<u>\$ 235,873,270</u>	<u>\$ 334,182,842</u>	<u>\$ 328,078,130</u>	<u>\$ 329,105,298</u>	<u>\$ 320,429,472</u>	<u>\$ 314,331,858</u>	<u>\$ 308,729,652</u>

Sanitation District No. 1
Schedule of Sanitary Sewer Rates, Rate Determination, and Percentage Change
Fiscal Years 2007-2009

	2007		2008		2009	
	Rate	%	Rate	%	Rate	%
<u>Water Usage</u>						
<u>in 100 Cubic Feet (HCF)</u>						
0-800	2.65	15%	3.18	20%	3.82	20%
801-5,000	2.50	15%	3.00	20%	3.60	20%
5,001-25,000	2.24	15%	2.69	20%	3.23	20%
25,001-100,000	1.91	15%	2.30	20%	2.76	20%
Over 100,0000	1.74	15%	2.09	20%	2.51	20%
Quarterly minimum bill	15.90	15%	19.08	20%	22.92	20%
<u>Unmetered Service</u>						
1 or 2 room house	23.82	15%	28.59	20%	34.31	20%
3 to 6 room house	39.11	15%	46.94	20%	56.33	20%
More than 6 rooms	51.74	15%	62.09	20%	74.51	20%

Source: SD1 accounting records

Sanitation District No. 1 Schedule of Sanitary Sewer Rates, Rate Determination, and Percentage Change Fiscal Years 2010-2016

	Fiscal Year													
	2010		2011		2012		2013		2014		2015		2016	
	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%
Non-Residential (1)														
Water Usage														
in 100 Cubic Feet (HCF)														
0-1,700	4.40	15%	5.06	15%	5.82	15%	6.69	15%	6.69	0%	7.02	5%	7.02	0%
1,701-8,400	3.95	15%	4.54	15%	5.22	15%	6.00	15%	6.00	0%	6.30	5%	6.30	0%
Over 8,400	3.05	15%	3.51	15%	4.04	15%	4.65	15%	4.65	0%	4.88	5%	4.88	0%
Monthly minimum bill	8.80	15%	10.12	15%	11.64	15%	13.38	15%	13.38	0%	14.04	5%	14.04	0%
Residential (2)														
Water Usage														
in 100 Cubic Feet (HCF)														
Flat rate per 100 Cubic Feet (HCF)	4.40	15%	5.06	15%	5.82	15%	6.69	15%	6.69	0%	7.02	5%	7.02	0%
Monthly minimum bill	8.80	15%	10.12	15%	11.64	15%	13.38	15%	13.38	0%	14.04	5%	14.04	0%
Unmetered Service														
1 or 2 room house	13.15	15%	15.12	15%	17.39	15%	20.00	15%	20.00	0%	21.00	5%	21.00	0%
3 to 6 room house	21.59	15%	24.83	15%	28.55	15%	32.84	15%	32.84	0%	34.48	5%	34.48	0%
More than 6 rooms	28.56	15%	32.84	15%	37.77	15%	43.43	15%	43.43	0%	45.60	5%	45.60	0%

Effective with Fiscal Year 2010 SD1 switched from a quarterly billing to a monthly billing.

(1) Based on monthly metered water usage

(2) **Winter Factor** billing - Based on metered water usage during the months of November through February only.

Source: SD1 accounting records

Sanitation District No. 1
Schedule of Storm Water Rates, Rate Determination, and Percentage Change
Last Ten Fiscal Years

	Fiscal Year									
	2007		2008		2009		2010		2011	
Monthly Rate Per ERU	4.02	2.8%	4.18	4.0%	4.30	2.9%	4.47	4.0%	4.44	-0.7%
Quarterly Rate Per ERU	12.06	2.8%	12.54	4.0%	12.90	2.9%	13.41	4.0%	13.32	-0.7%
	2012		2013		2014		2015		2016	
Monthly Rate Per ERU	4.54	2.3%	4.68	3.1%	4.80	2.6%	5.04	5.0%	5.04	0.0%
Quarterly Rate Per ERU	13.62	2.3%	14.04	3.1%	14.40	2.6%	15.12	5.0%	15.12	0.0%

Equivalent Residential Unit (ERU) =2,600 square feet

All residential properties are based on one ERU

Non-residential properties are based on total amount of impervious area.

Source: SD1 accounting records

Sanitation District No. 1 Sewer & Storm Water Revenues Breakdown By Billing Class Fiscal Year 2007 through Fiscal Year 2009
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<u>Account Name</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Sewer Service Revenues			
All Classes	\$ 31,681,784	\$ 41,059,987	\$ 46,476,573
Less: Special Meter Refunds	<u>(438,478)</u>	<u>(1,364,225)</u>	<u>(704,227)</u>
Total Sewer Revenues	<u>\$ 31,243,306</u>	<u>\$ 39,695,762</u>	<u>\$ 45,772,346</u>
Sewer Service Penalties			
All Classes	\$ 517,734	\$ 716,836	\$ 983,034
Total Sewer Service Penalties	<u>\$ 517,734</u>	<u>\$ 716,836</u>	<u>\$ 983,034</u>
Total Sewer Service Write Offs	\$ (387,441)	\$ (788,702)	\$ (829,792)
Percentage of Write Off's to Revenues & Penalties Billed	1.22%	1.95%	1.77%
Net Sewer Service Revenues	<u>\$ 31,373,599</u>	<u>\$ 39,623,896</u>	<u>\$ 45,925,588</u>
Storm Water Revenues			
All Classes	\$ 8,992,486	\$ 9,876,767	\$ 10,435,851
Total Storm Water Revenues	<u>\$ 8,992,486</u>	<u>\$ 9,876,767</u>	<u>\$ 10,435,851</u>
Storm Water Service Penalties			
All Classes	\$ 121,837	\$ 141,579	\$ 180,306
Total Sewer Service Penalties	<u>\$ 121,837</u>	<u>\$ 141,579</u>	<u>\$ 180,306</u>
Total Storm Water Write Offs	\$ (61,670)	\$ (137,619)	\$ (134,317)
Percentage of Write Off's to Revenues & Penalties Billed	0.68%	1.37%	1.27%
Net Storm Water Revenues	<u>\$ 9,052,653</u>	<u>\$ 9,880,727</u>	<u>\$ 10,481,840</u>
Customer Accounts			
Sewer Service Accounts Estimates			
All Classes	\$ 100,802	\$ 101,753	\$ 102,377
Total Sewer Accounts	<u>\$ 100,802</u>	<u>\$ 101,753</u>	<u>\$ 102,377</u>
Storm Water Accounts Estimates			
All Classes	\$ 93,102	\$ 95,202	\$ 95,242
Total Storm Water Accounts	<u>\$ 93,102</u>	<u>\$ 95,202</u>	<u>\$ 95,242</u>

Source: SD1 billing registers

Sanitation District No. 1
Sewer & Storm Water Revenues Breakdown By Billing Class
Fiscal Year 2010 through Fiscal Year 2016

<u>Account Name</u>	<u>Fiscal Year</u>						
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Sewer Service Revenues							
Residential Class	\$ 32,011,985	\$ 33,987,557	\$ 38,916,405	\$ 40,985,970	\$ 41,300,498	\$ 43,019,252	\$ 42,189,429
Non-Residential Class	19,788,357	25,182,674	28,057,913	31,467,481	31,042,184	32,419,163	32,478,944
Less: Special Meter Refunds	<u>(355,601)</u>	<u>(364,411)</u>	<u>(465,147)</u>	<u>(750,438)</u>	<u>(449,965)</u>	<u>(558,031)</u>	<u>(549,176)</u>
Total Sewer Revenues	\$ 51,444,741	\$ 58,805,820	\$ 66,509,171	\$ 71,703,013	\$ 71,892,717	\$ 74,880,384	\$ 74,119,197
Sewer Service Penalties							
Residential Class	\$ 899,148	\$ 851,939	\$ 979,052	\$ 1,066,267	\$ 1,099,704	\$ 1,163,565	\$ 1,076,486
Non-Residential Class	206,748	300,463	270,058	310,258	275,121	258,129	230,315
Total Sewer Service Penalties	\$ 1,105,896	\$ 1,152,402	\$ 1,249,110	\$ 1,376,525	\$ 1,374,825	\$ 1,421,694	\$ 1,306,801
Total Sewer Service Write Offs	\$ (721,412)	\$ (1,175,977)	\$ (1,100,084)	\$ (1,286,550)	\$ (1,408,117)	\$ (1,386,469)	\$ (1,213,562)
Percentage of Write Off's to Revenues & Penalties Billed	1.37%	1.96%	1.62%	1.76%	1.92%	1.82%	1.61%
Net Sewer Service Revenues	\$ 51,829,225	\$ 58,782,245	\$ 66,658,197	\$ 71,792,988	\$ 71,859,425	\$ 74,915,609	\$ 74,212,436
Storm Water Revenues							
Residential Class	\$ 4,743,013	\$ 4,605,646	\$ 4,728,292	\$ 4,873,021	\$ 4,974,835	\$ 5,214,488	\$ 5,239,075
Non-Residential Class	6,183,085	6,589,598	6,780,700	7,027,579	7,148,676	7,482,093	7,643,149
Total Storm Water Revenues	\$ 10,926,098	\$ 11,195,244	\$ 11,508,992	\$ 11,900,600	\$ 12,123,511	\$ 12,696,581	\$ 12,882,224
Storm Water Service Penalties							
Residential Class	\$ 107,583	\$ 91,001	\$ 96,906	\$ 106,411	\$ 102,955	\$ 110,868	\$ 107,938
Non-Residential Class	68,419	79,470	71,120	81,675	73,648	76,849	72,686
Total Sewer Service Penalties	\$ 176,002	\$ 170,471	\$ 168,026	\$ 188,086	\$ 176,603	\$ 187,717	\$ 180,624
Total Storm Water Write Offs	\$ (115,806)	\$ (103,267)	\$ (120,258)	\$ (149,417)	\$ (224,405)	\$ (291,526)	\$ (136,726)
Percentage of Write Off's to Revenues & Penalties Billed	1.04%	0.91%	1.03%	1.24%	1.82%	2.26%	1.05%
Net Storm Water Revenues	\$ 10,986,294	\$ 11,262,448	\$ 11,556,760	\$ 11,939,269	\$ 12,075,709	\$ 12,592,772	\$ 12,926,122
Customer Accounts							
Sewer Service Accounts Estimates							
Residential Class	90,646	91,920	92,374	92,924	93,366	94,021	94,821
Non-Residential Class	9,891	10,076	9,752	9,489	9,481	9,551	9,679
Total Sewer Accounts	100,537	101,996	102,126	102,413	102,847	103,572	104,500
Storm Water Accounts Estimates							
Residential Class	85,726	86,143	86,579	87,092	86,576	86,634	87,100
Non-Residential Class	8,162	8,283	7,921	7,674	7,594	7,567	7,559
Total Storm Water Accounts	93,888	94,426	94,500	94,766	94,170	94,201	94,659

Source: SD1 billing registers

**Sanitation District No. 1
Top Significant Industrial Users (SIU's)
Last Ten Fiscal Years**

Account Name	2007		2008		2009		2010		2011		2012		2013		2014		2015		2016	
	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount
Lyons-Magnus	13	\$ 78,116	11	\$ 174,313	3	\$ 566,913	1	\$ 843,285	7	\$ 546,871	3	\$ 1,019,216	2	\$ 1,182,776	1	\$ 1,538,917	2	\$ 1,204,321	1	\$ 1,615,030
Club Chef	4	338,572	4	448,424	5	455,894	4	623,082	1	1,251,689	2	1,069,091	1	1,311,655	2	1,372,054	1	1,372,423	2	1,088,042
Louis Trauth Dairy	1	401,552	2	558,643	1	623,668	3	747,035	2	1,172,055	7	509,831	NR	-	NR	-	NR	-	NR	-
Sara Lee Foods	NR	-	6	260,304	2	617,663	2	791,861	3	895,635	4	723,700	4	782,726	4	825,285	3	903,273	3	972,766
Tastemaker	5	262,249	5	399,840	6	430,054	5	587,362	4	837,632	1	1,157,417	3	1,028,552	3	1,146,195	4	822,642	4	958,373
Kenton County Airport	2	392,897	3	467,683	7	429,853	8	393,043	8	435,974	5	552,602	8	394,268	6	522,655	8	502,826	5	608,236
Globel Supply Chain	7	202,834	9	245,553	8	329,698	10	377,462	5	702,878	6	523,358	5	614,053	5	549,175	6	509,262	6	497,523
Northern KY University	10	109,851	12	161,981	11	223,303	11	228,095	10	269,716	9	299,722	9	353,675	11	343,137	11	377,734	7	475,052
L'Oreal USA Florence	3	360,847	1	611,822	4	527,940	6	549,274	6	637,404	10	280,710	7	420,436	12	340,063	9	499,568	8	419,843
Messier Bugatti / A. Carb, LLC	NR	-	NR	-	13	168,843	26	21,619	17	129,319	17	98,778	12	223,102	10	379,003	5	607,446	9	361,952
Wild Flavors, Inc.	8	135,691	8	251,089	10	260,151	7	411,851	12	238,096	12	244,354	11	242,264	9	421,525	12	259,187	10	349,419
St. Elizabeth Medical Center	9	127,531	10	211,334	9	263,175	9	379,980	9	389,315	8	451,730	6	446,716	8	482,879	7	508,252	11	226,020
A.O. Smith	14	38,184	15	81,010	16	106,431	16	114,038	14	152,804	15	115,562	14	140,546	13	160,667	14	145,003	12	160,920
Bluegrass Quality Meats	12	99,903	14	113,344	17	102,710	12	173,946	16	130,240	13	198,196	13	171,155	16	119,736	17	100,049	13	159,854
White Castle Distributing, Inc.	15	31,612	16	53,623	19	49,936	15	119,507	15	148,151	16	109,605	16	98,080	15	126,327	15	144,594	14	148,104
Camco Chemical Company	25	8,105	23	29,287	18	56,396	18	57,255	13	170,993	18	94,871	15	132,931	14	127,565	13	170,205	15	146,778
Aristech Acrylics LLC	NR	-	20	33,327	14	159,129	13	167,111	20	85,342	19	79,541	18	84,969	18	87,439	16	103,218	16	118,494
Signode Plastic Recycling	11	105,732	13	156,499	15	129,451	14	140,662	11	253,423	11	264,883	10	346,203	7	507,622	10	426,273	17	112,122
Van Melle USA, Inc.	18	20,818	17	45,046	25	15,625	28	15,576	26	31,162	21	66,437	21	54,612	20	65,541	20	70,274	18	88,321
Amer/Pride-WPS Energy Service	17	24,424	21	32,123	22	37,754	21	43,468	21	53,490	22	63,856	19	76,559	17	89,950	18	95,567	19	86,217
Emerald Industries, Inc.	20	19,909	19	37,714	21	46,552	20	47,654	18	105,251	20	67,987	20	73,309	21	64,365	23	56,222	20	63,396
Northern KY Water District	6	210,567	7	259,957	12	174,294	17	107,123	19	91,264	14	156,749	17	88,530	24	34,940	22	65,537	21	53,282
IOFINA Chemical Inc.	23	11,548	24	23,356	27	12,659	23	27,000	25	31,800	24	31,097	25	30,206	27	29,886	24	51,695	22	49,986
Environmental Services Inc. (Ultra Er	29	2,133	34	1,137	28	12,244	25	22,065	27	30,466	25	25,848	24	33,490	22	58,276	25	48,577	23	45,696
Duro Paper Bag	16	29,920	18	41,762	20	47,494	19	48,558	23	41,278	27	23,581	22	48,402	19	77,187	21	68,451	24	44,801
Boge Rubber & Plastics	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	26	26,014	25	41,811
Turfway Park	19	19,971	22	30,353	23	34,894	22	32,497	22	42,440	23	41,769	23	41,622	23	51,378	19	82,742	26	40,804
Savannah Foods & Industries	27	7,018	25	18,249	29	9,312	31	8,840	33	7,726	29	15,980	27	22,168	25	32,642	27	25,843	27	22,482
Highway Transport Chemical LLC	21	14,911	26	14,364	26	13,327	27	17,820	28	17,030	28	17,981	29	15,506	28	19,519	28	24,638	28	17,279
The David J. Joseph	28	6,230	28	7,279	31	6,691	29	11,592	32	10,826	31	4,066	31	10,993	31	11,513	30	12,496	29	11,807
Domino's National Comm.	NR	-	NR	-	34	1,297	24	24,538	24	32,864	26	24,318	26	27,592	26	30,558	29	24,191	30	10,702

Note: Amounts based on Sewer Charges and/or Surcharges billed to the Companies. All invoiced amounts for the companies listed are considered Special Billings and are billed quarterly outside the Utility Billing System.

Company Name	Type of Business	Company Name	Type of Business
A. Camacho Inc.	Porcini and olive packaging plan. No longer in business locally.	L'Oreal USA Florence	Produces shampoos, conditioners & styling products
A.O. Smith	Protective coatings for appliances, automotive and metallurgical markets division.	Louis Trauth Dairy	Full line dairy processor. No longer in business locally.
Amer/Pride-WPS Energy Service	Uniforms, towels and linen sales, rentals and services. Restroom and floor care products.	Lyons-Magnus	Develops and markets quality juices and food products.
Aristech Acrylics LLC	Produces continuous cast acrylic sheet products for solid surface bath, marine and funeral industry.	Messier Bugatti / A. Carb, LLC	Aircraft wheels and carbon brakes facility.
Boge Rubber & Plastics	Lightweight Auto Components Producer.	Northern KY University	Metropolitan State University with more than 16,000 Students
Bluegrass Quality Meats	Dei meats and packaged meats plant.	Northern KY Water District	Water supply Utility for Kenton and Campbell Counties.
Cabot Industrial Prop LLP	Immudyne - Biotechnology company specializing in scientifically formulated dietary supplements and skin care products.	Sara Lee Foods	Meat and meat products processor.
Camco Chemical Company	Contract packaging and chemical manufacturer.	Savannah Foods & Industries	Bulk sugar refinery.
Club Chef	Producer of fresh cut produce.	Signode Plastic Recycling	Manufacturer and distributor of protective packaging systems.
Domino's National Comm.	Domino's pizza dough distribution center.	St. Elizabeth Medical Center	General medicine and surgical hospital.
Duro Paper Bag	Largest paper bag manufacturer in the world/	Tastemaker	Givaudan Flavors - Swiss manufacturer of flavorings and fragrances.
Emerald Industries, Inc.	Kellogg's - Cookie and cracker manufacturer.	Tressa Inc.	Hair care product manufacturing including shampoos.
Environmental Services Inc.	Ultra Environmental Service Inc. - Liquid waste collection and disposal.	Turfway Park	Thoroughbred horse racing track.
Globel Supply Chain	Schwans - Produces Freshcetta pizza products.	Van Melle USA, Inc.	Perfetti Van Melle-Manufactures variety of confectionery items including flavored gums and Airheads brand fruit chews
Highway Transport Chemical LLC	Tanker truck washing facility.	White Castle Distributing, Inc.	Markets and distributes frozen and microwavable hamburgers.
IOFINA Chemical Inc.	Production of iodine, iodine specialty chemical derivatives, produced water and natural gas.	Wild Flavors, Inc.	Produces natural flavors and ingredients for the beverage industry.
Kenton County Airport	Greater Cincinnati Northern Kentucky International Airport (CVG)		

Sanitation District No. 1
Debt Service Coverage
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
System Revenues										
Total Operating Revenues	\$ 47,454,087	\$ 56,815,019	\$ 61,670,848	\$ 69,395,510	\$ 78,396,323	\$ 83,951,284	\$ 89,707,117	\$ 92,660,157	\$ 94,462,113	\$ 94,435,079
Total Non-Operating Revenues	3,887,496	4,776,949	2,465,962	(2,286,602)	2,271,323	2,424,226	2,125,131	3,157,191	3,481,677	3,077,895
Total System Revenues	\$ 51,341,583	\$ 61,591,968	\$ 64,136,810	\$ 67,108,908	\$ 80,667,646	\$ 86,375,510	\$ 91,832,248	\$ 95,817,348	\$ 97,943,790	\$ 97,512,974
Operating Expenses										
Operation, Maintenance & Administration										
Salary Expense	\$ 5,023,781	\$ 6,823,087	\$ 7,397,037	\$ 6,824,325	\$ 7,666,779	\$ 7,875,727	\$ 10,352,734	\$ 11,423,914	\$ 11,545,248	11,657,207
Employee Benefit & Incentive Expenses	4,477,282	4,987,591	5,144,969	5,819,271	5,776,673	6,628,400	7,539,280	7,046,809	8,160,719	7,934,077
Professional & Contractual Services	1,495,273	1,614,396	1,758,011	2,779,872	3,063,454	3,778,654	5,216,695	4,918,068	6,090,769	6,142,324
Office Administration Expenses	965,059	1,200,378	1,347,218	1,743,401	1,434,543	1,742,980	1,903,439	1,759,589	1,895,657	1,777,837
Utilities, Fuel Oil & Chemical Expenses	5,929,618	6,595,898	6,551,357	7,198,145	7,316,763	7,362,096	7,685,268	7,311,989	7,403,662	6,999,416
Vehicle Operation Expenses	932,180	1,216,854	1,037,133	1,096,654	1,163,239	1,276,021	1,087,065	1,068,097	983,314	885,648
Infrastructure, Equipment & Other Expenses	1,141,572	1,560,922	1,755,982	2,372,647	1,997,122	2,355,828	2,760,362	2,824,155	2,818,327	3,192,058
Supplemental / State Environmental Projects	-	30,051	82,951	283,029	202,182	61,218	-	1,924	-	-
Other Expenses	421,591	7,831	-	-	-	-	-	-	-	-
Total Operation, Maintenance & Administration	\$ 20,386,356	\$ 24,037,008	\$ 25,074,658	\$ 28,117,344	\$ 28,620,755	\$ 31,080,924	\$ 36,544,843	\$ 36,354,545	\$ 38,897,696	\$ 38,588,567
Major Repairs and Other Expenses	\$ 350,601	\$ 6,447,722	\$ 3,134,429	\$ 4,797,653	\$ 6,172,970	\$ 4,912,935	\$ 4,495,306	\$ 1,291,040	\$ 1,414,072	\$ 1,720,103
Net System Revenues	\$ 30,604,626	\$ 31,107,238	\$ 35,927,723	\$ 34,193,911	\$ 45,873,921	\$ 50,381,651	\$ 50,792,099	\$ 58,171,763	\$ 57,632,022	\$ 57,204,304
Revenue Bonds (Senior Debt) - Principal & Interest Due										
Series 1998A - (Revenue Bonds)	\$ 2,656,638	\$ 2,656,806	\$ 2,651,513	-	-	-	-	-	-	-
Series 2001A - (Revenue Bonds)	3,413,938	3,407,363	3,398,988	\$ 3,393,700	\$ 2,335,025	\$ 1,271,000	-	-	-	-
Series 2005A - (Refunding Bonds)	1,647,500	1,647,900	1,647,900	4,205,300	4,198,100	4,196,300	\$ 4,194,600	\$ 4,187,900	\$ 4,186,000	\$ 4,183,600
Series 2006A - (Revenue Bonds)	721,318	2,163,954	3,025,034	3,021,441	3,021,236	3,019,311	3,015,666	3,010,301	3,008,109	3,008,874
Series 2007A - (Revenue Bonds)	-	837,458	5,843,050	5,946,850	5,956,850	5,969,750	5,980,450	6,003,650	6,019,150	6,025,375
Series 2009A - (Build America Bonds)	-	-	-	1,649,911	4,375,599	4,368,726	4,359,976	4,348,839	4,329,816	4,314,924
Series 2010A - (Build America Bonds)	-	-	-	-	2,821,606	5,459,545	5,452,139	5,439,214	5,428,479	5,409,567
Series 2010B - (Refunding Bonds)	-	-	-	-	522,196	1,770,625	3,031,725	3,019,825	3,012,475	3,005,425
Series 2010C - (Build America Bonds)	-	-	-	-	56,819	1,984,364	1,976,149	1,973,859	1,965,253	1,953,390
Series 2010D - (Recovery Zone Economic Dev. Bonds)	-	-	-	-	226,225	2,467,913	2,467,913	2,467,913	2,467,913	2,467,913
Total Principal & Interest on Revenue Bonds	\$ 8,439,394	\$ 10,713,481	\$ 16,566,485	\$ 18,217,202	\$ 23,513,656	\$ 30,507,534	\$ 30,478,618	\$ 30,451,500	\$ 30,417,194	\$ 30,369,068
Debt Service Coverage Ratio - Bonds (Senior Debt)										
* Calculated	363%	290%	217%	188%	195%	165%	167%	191%	189%	188%
** Required	125%	125%	125%	125%	125%	125%	125%	125%	125%	125%

* Bond Debt Service Coverage Calculation = Total Net System Revenues divided by Total Current Portion of Principal & Interest on Bonds

** The SD1 1998 Trust Indenture Securing Sanitation District Revenue Bonds and its supplements require SD1 to maintain net revenues of at least 1.25 (125%) times coverage of annual debt service requirements on all bond

Sanitation District No. 1
Debt Service Coverage
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
KIA & Other Notes (Subordinate Debt) Principal & Interest Due										
Melbourne	\$ 345,785	-	-	-	-	-	-	-	-	-
A04-09 Eastern Regional Water Reclamation Facility	481,952	\$ 1,437,283	\$ 2,226,866	\$ 2,229,761	\$ 2,227,222	\$ 2,224,607	\$ 2,221,913	\$ 2,216,315	\$ 2,208,243	\$ 2,205,308
A08-04 Western Regional Water Reclamation Facility Construction Project	-	-	-	122,229	397,353	612,243	696,509	3,974,631	3,968,312	3,961,931
A09-04 Dry Creek WWTP Clarifier Project	-	-	-	-	18,742	175,650	309,015	309,102	308,683	308,255
A09-05 Sunnybrook Sewer Project	-	-	-	-	167,114	343,158	342,702	342,238	341,763	341,280
A09-06 South Fork / Gunpowder Interceptor Construction Project	-	-	-	-	-	98,453	245,559	800,930	799,877	798,803
A09-07 Frogtown Interceptor	-	-	-	-	-	30,258	187,232	297,079	296,685	296,282
A09-08 Turkeyfoot Rd / Industrial Rd. Force Main Project	-	-	-	-	8,674	14,234	32,496	135,410	134,996	134,815
A09-09 Narrows Road Diversion Pump Station Construction Project	-	-	-	-	-	54,142	146,658	507,838	506,806	506,126
A10-11 Dry Creek Headworks Construction Project	-	-	-	-	-	-	112,407	269,750	1,003,396	1,004,284
A11-13 - Church St, Lakeview, & KY Aire Pump Station Replacement	-	-	-	-	-	-	-	114,300	174,829	202,912
A11-14 Lakeside Park & Vernon Lane Projects	-	-	-	-	-	-	-	9,195	21,538	23,245
A12-02 Wolpert Pump station Rehab & Force Main Replacement	-	-	-	-	-	-	26,903	53,539	53,468	53,395
A15-103 Patton & 8th Street Wet Well Rehab	-	-	-	-	-	-	-	-	-	12,525
A209-01 ARRA Banklick Creek Sewer Project	-	-	-	-	5,155	11,891	11,876	11,860	11,843	11,826
A209-02 ARRA Banklick Creek Wetlands Project	-	-	-	-	343	19,424	41,385	41,299	41,243	41,187
A209-03 ARRA Regional Bioretention Project	-	-	-	-	-	26,510	45,050	44,989	44,928	44,865
A209-04 ARRA Terraced Reforestation Project	-	-	-	-	-	2,496	23,455	25,098	25,065	25,030
Total KIA & Other Notes Principal & Interest	\$ 827,737	\$ 1,437,283	\$ 2,226,866	\$ 2,351,990	\$ 2,824,603	\$ 3,613,066	\$ 4,443,161	\$ 9,153,571	\$ 9,941,675	\$ 9,972,069
All Bonds & Notes-Annual Principal and Interest Payments	\$ 9,267,131	\$ 12,150,763	\$ 18,793,351	\$ 20,569,192	\$ 26,338,260	\$ 34,120,600	\$ 34,921,779	\$ 39,605,071	\$ 40,358,870	\$ 40,341,137
All Debt Service Coverage Ratio										
*** Calculated	330%	256%	191%	166%	174%	148%	145%	147%	143%	142%

*** All Debt Service Coverage Calculation = Total Net System Revenues divided by Total Current Portion of All Principal & Interest on Bonds & Notes

Sanitation District No. 1
Ratios of Outstanding Debt
Last Ten Fiscal Years

Fiscal Year	Revenue Bonds	Notes Payable	Total Outstanding Debt	Sewer Service Accounts (1)	Outstanding Debt per Sewer Service Account	Total Assets	Debt to Assets Ratio
2007	\$137,975,000	\$ -	\$137,975,000	100,802	\$ 1,369	\$ 597,644,939	23.1%
2008	236,200,000	30,703,593	266,903,593	101,753	2,623	722,884,220	36.9%
2009	230,545,000	33,757,027	264,302,027	102,377	2,582	735,843,507	35.9%
2010	354,520,000	60,501,607	415,021,607	100,537	4,128	1,101,911,219	37.7%
2011	407,845,000	102,925,602	510,770,602	101,996	5,008	1,296,717,981	39.4%
2012	397,030,000	136,575,098	533,605,098	102,126	5,225	1,313,125,118	40.6%
2013	385,915,000	152,798,766	538,713,766	102,413	5,260	1,324,632,600	40.7%
2014	374,485,000	153,411,373	527,896,373	102,847	5,133	1,314,150,576	40.2%
2015	362,715,000	147,961,008	510,676,008	103,572	4,931	1,284,648,583	39.8%
2016	350,575,000	142,882,485	493,457,485	104,500	4,722	1,270,906,113	38.8%

(1) Source: SD1 billing registers

Sanitation District No. 1
Northern Kentucky Demographic and Census Information
Ten Years

<u>NORTHERN KY COUNTIES</u>	<u>2006 (ACS)</u>				<u>2007 (ACS 3-Year Estimates)</u>				<u>2008 (ACS 3-Year Estimates)</u>			
	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>
POPULATION												
Total Population	110,080	86,866	154,911	351,857	109,075	86,899	155,104	351,078	112,096	86,862	156,414	355,372
Median Age (years)	33.0	37.2	36.6	n/a	34.2	37.7	36.1	n/a	34.2	38.1	36.7	n/a
HOUSEHOLDS												
Total Households	40,063	35,038	61,572	136,673	39,646	35,156	61,452	136,254	40,769	35,255	63,064	139,088
Average Household Size	2.74	2.44	2.47	2.54	2.73	2.40	2.48	2.53	2.73	2.35	2.44	2.50
Populations in Households	109,639	85,447	152,382	347,468	108,085	84,311	152,683	345,079	111,292	82,976	154,130	348,398
Population 25 years and older	69,936	57,048	102,221	229,205	69,497	57,221	101,854	228,572	77,489	61,841	110,320	249,650
HOUSING OCCUPANCY												
Total Housing Units	43,263	38,648	69,497	151,408	43,089	38,645	69,376	151,110	44,168	38,921	70,244	153,333
Occupied Housing Units	40,063	35,038	61,572	136,673	39,646	35,156	61,452	136,254	40,769	35,255	63,064	139,088
Owner-Occupied Units	28,894	25,413	42,991	97,298	28,841	25,731	43,191	97,763	30,700	25,638	43,337	99,675
Renter-Occupied Units	11,169	9,625	18,581	39,375	10,805	9,425	18,261	38,491	10,069	9,617	19,727	39,413
Vacant Housing Units	3,200	3,610	7,925	14,735	3,443	3,489	7,924	14,856	3,399	3,666	7,180	14,245
Vacant Housing Rate	7.4%	9.3%	11.4%	9.7%	8.0%	9.0%	11.4%	9.8%	7.7%	9.4%	10.2%	9.3%
Median (Value)	\$ 175,800	\$ 141,500	\$ 140,900	n/a	\$ 171,900	\$ 137,300	\$ 139,800	n/a	\$ 177,700	\$ 142,900	\$ 146,200	n/a
EMPLOYMENT STATUS												
Population 16 years and older	83,680	68,030	119,804	271,514	82,069	68,300	119,786	270,155	84,660	68,579	120,424	273,663
Population in Civilian Labor Force	63,212	46,083	84,153	193,448	62,098	46,077	82,591	190,766	64,266	46,308	84,219	194,793
Employed	59,425	43,037	81,018	183,480	59,322	43,546	78,096	180,964	61,637	43,735	80,294	185,666
Employed Percentage	71.0%	63.3%	67.6%	67.6%	72.3%	63.8%	65.2%	67.0%	72.8%	63.8%	66.7%	67.8%
Unemployed	3,787	3,046	3,135	9,968	2,776	2,531	4,495	9,802	2,570	2,573	3,925	9,068
Unemployed Percentage	4.5%	4.5%	2.6%	3.7%	3.4%	3.7%	3.8%	3.6%	3.0%	3.8%	3.3%	3.3%
INCOME												
Median Household Income	\$ 56,477	\$ 46,020	\$ 53,978	n/a	\$ 62,334	\$ 50,084	\$ 52,600	n/a	\$ 65,979	\$ 50,830	\$ 53,872	n/a
Mean Household Income	\$ 71,079	\$ 62,052	\$ 65,191	\$ 66,112	\$ 73,342	\$ 64,549	\$ 65,322	\$ 67,456	\$ 76,889	\$ 67,908	\$ 68,609	\$ 70,858
Per Capita Income	\$ 26,728	\$ 26,005	\$ 26,166	\$ 26,304	\$ 27,400	\$ 26,590	\$ 26,059	\$ 26,609	\$ 28,526	\$ 27,700	\$ 27,485	\$ 27,869
POVERTY LEVEL												
Percentage whose Income in the past 12-months is below Poverty Level.												
All Families	5.9%	11.4%	6.5%	7.5%	5.7%	8.1%	7.8%	7.2%	4.2%	7.9%	8.2%	6.8%
All People	8.2%	13.8%	8.7%	9.8%	6.9%	10.7%	10.7%	9.5%	5.8%	11.1%	10.4%	9.1%
Under 18 Years	9.6%	21.0%	11.0%	n/a	9.6%	15.3%	14.4%	n/a	6.5%	16.6%	14.4%	n/a
65 Years and Older	11.5%	13.4%	11.0%	n/a	8.0%	9.1%	8.1%	n/a	7.7%	10.9%	8.4%	n/a

Source: factfinder2.census.gov/

Sanitation District No. 1
Northern Kentucky Demographic and Census Information
Ten Years

NORTHERN KY COUNTIES	2009 (ACS 5-Year Estimates)				2010 (ACS 5-Year Estimates)				2011 (ACS 5-Year Estimates)			
	BOONE	CAMPBELL	KENTON	COMBINED	BOONE	CAMPBELL	KENTON	COMBINED	BOONE	CAMPBELL	KENTON	COMBINED
POPULATION												
Total Population	112,514	87,509	156,399	356,422	114,723	89,016	158,034	361,773	117,216	89,598	159,008	365,822
Median Age (years)	35.0	37.1	35.5	n/a	35.1	37.2	36.0	n/a	35.4	37.0	36.0	n/a
HOUSEHOLDS												
Total Households	40,722	35,185	63,276	139,183	41,612	35,300	61,912	138,824	41,843	35,258	62,054	139,155
Average Household Size	2.74	2.38	2.44	2.51	2.74	2.41	2.52	2.56	2.78	2.47	2.52	2.59
Populations in Households	111,699	83,569	154,415	349,683	114,026	84,982	155,997	355,005	116,487	86,930	156,402	359,819
Population 21 years and older	77,848	63,072	111,613	252,533	78,519	63,859	112,276	254,654	80,378	64,499	113,339	258,216
Population 65 years and older	10,205	11,168	16,913	38,286	10,431	11,369	17,618	39,418	11,024	11,475	17,745	40,244
HOUSING OCCUPANCY												
Total Housing Units	43,933	38,961	70,043	152,937	45,053	39,185	68,768	153,006	45,694	39,385	68,901	153,980
Occupied Housing Units	40,722	35,185	63,276	139,183	41,612	35,300	61,912	138,824	41,843	35,258	62,054	139,155
Owner-Occupied Units	30,931	25,691	43,983	100,605	31,777	25,516	42,867	100,160	32,316	25,201	42,640	100,157
Renter-Occupied Units	9,791	9,494	19,293	38,578	9,835	9,784	19,045	38,664	9,527	10,057	19,414	38,998
Vacant Housing Units	3,211	3,776	6,767	13,754	3,441	3,885	6,856	14,182	3,851	4,127	6,847	14,825
Vacant Housing Rate	7.3%	9.7%	9.7%	9.0%	7.6%	9.9%	10.0%	9.3%	8.4%	10.5%	9.9%	9.6%
Median (Value) Owner-occupied units	\$ 173,800	\$ 141,300	\$ 142,700	n/a	\$ 175,900	\$ 146,300	\$ 145,200	n/a	\$ 175,200	\$ 145,500	\$ 146,700	n/a
EMPLOYMENT STATUS												
Population 16 years and older	84,532	69,611	121,683	275,826	85,506	71,034	122,683	279,223	87,382	71,593	123,695	282,670
Population in Civilian Labor Force	62,676	47,081	84,983	194,740	63,072	48,127	85,333	196,532	63,267	49,150	84,808	197,225
Employed	59,337	44,305	79,911	183,553	59,510	44,793	79,683	183,986	59,801	45,535	78,617	183,953
Employed Percentage	70.2%	63.6%	65.7%	66.5%	69.6%	63.1%	65.0%	65.9%	68.4%	63.6%	63.6%	65.1%
Unemployed	3,339	2,776	5,072	11,187	3,562	3,334	5,650	12,546	3,466	3,615	6,191	13,272
Unemployed Percentage	3.9%	4.0%	4.2%	4.1%	4.2%	4.7%	4.6%	4.5%	4.0%	5.0%	5.0%	4.7%
INCOME												
Median Household Income	\$ 65,964	\$ 51,890	\$ 53,219	n/a	\$ 66,549	\$ 51,482	\$ 53,213	n/a	\$ 68,087	\$ 53,018	\$ 53,375	n/a
Mean Household Income	\$ 76,035	\$ 66,448	\$ 67,358	\$ 69,667	\$ 77,789	\$ 66,869	\$ 68,247	\$ 70,757	\$ 79,126	\$ 67,773	\$ 69,117	\$ 71,786
Per Capita Income	\$ 28,112	\$ 27,138	\$ 27,305	\$ 27,523	\$ 28,520	\$ 27,096	\$ 27,205	\$ 27,601	\$ 28,630	\$ 27,501	\$ 27,484	\$ 27,859
POVERTY LEVEL												
Percentage whose Income in the past 12-months is below Poverty Level.												
All Families	5.0%	7.5%	8.7%	7.0%	5.8%	8.8%	8.4%	7.3%	5.5%	8.6%	9.5%	8.0%
All People	6.6%	10.4%	10.9%	9.4%	7.5%	11.3%	11.4%	10.1%	7.2%	11.3%	12.6%	10.5%
Under 18 Years	8.8%	15.2%	16.0%	13.4%	9.2%	16.5%	16.5%	13.9%	8.5%	15.8%	18.6%	14.4%
65 Years and Older	6.7%	8.4%	7.6%	7.6%	8.5%	8.2%	7.5%	8.0%	7.8%	7.4%	7.2%	7.4%

Source: factfinder2.census.gov/

Sanitation District No. 1
Northern Kentucky Demographic and Census Information
Ten Years

NORTHERN KY COUNTIES	2012 (ACS 5-Year Estimates)				2013 (ACS 5-Year Estimates)				2014 (ACS 5-Year Estimates)			
	BOONE	CAMPBELL	KENTON	COMBINED	BOONE	CAMPBELL	KENTON	COMBINED	BOONE	CAMPBELL	KENTON	COMBINED
POPULATION												
Total Population	119,406	90,119	159,926	369,451	121,214	90,606	160,828	372,648	123,030	91,268	161,915	376,213
Median Age (years)	35.7	36.9	36.2	n/a	36.0	37.0	36.4	n/a	36.1	37.0	36.3	n/a
HOUSEHOLDS												
Total Households	42,617	35,235	62,260	140,112	43,255	35,203	61,800	140,258	43,903	35,478	61,962	141,343
Average Household Size	2.78	2.48	2.53	2.59	2.78	2.49	2.56	2.61	2.78	2.49	2.57	2.62
Populations in Households	118,644	87,391	157,383	363,418	120,390	87,830	158,303	366,523	122,141	88,307	159,438	369,886
Population 21 years and older	82,033	65,184	114,494	261,711	83,378	65,772	115,346	264,496	84,911	66,322	116,400	267,633
Population 65 years and older	11,539	11,680	18,098	41,317	12,107	11,856	18,552	42,515	12,724	12,004	19,225	43,953
HOUSING OCCUPANCY												
Total Housing Units	46,196	39,497	69,053	154,746	46,635	39,560	69,081	155,276	47,052	39,705	69,242	155,999
Occupied Housing Units	42,617	35,235	62,260	140,112	43,255	35,203	61,800	140,258	43,903	35,478	61,962	141,343
Owner-Occupied Units	32,362	24,857	42,361	99,580	32,649	24,643	42,038	99,330	32,561	24,417	41,536	98,514
Renter-Occupied Units	10,255	10,378	19,899	40,532	10,606	10,560	19,762	40,928	11,342	11,061	20,426	42,829
Vacant Housing Units	3,579	4,262	6,793	14,634	3,380	4,357	7,281	15,018	3,149	4,227	7,280	14,656
Vacant Housing Rate	7.7%	10.8%	9.8%	9.5%	7.2%	11.0%	10.5%	9.7%	6.7%	10.6%	10.5%	9.4%
Median (Value) Owner-occupied units	\$ 173,000	\$ 147,600	\$ 146,200	n/a	\$ 172,700	\$ 146,300	\$ 144,300	n/a	\$ 174,200	\$ 147,700	\$ 143,900	n/a
EMPLOYMENT STATUS												
Population 16 years and older	89,053	72,133	124,387	285,573	90,433	72,430	125,242	288,105	92,145	73,165	126,093	291,403
Population in Civilian Labor Force	63,730	49,122	84,991	197,843	64,347	49,548	85,459	199,354	65,546	49,526	85,229	200,301
Employed	59,622	45,175	78,089	182,886	59,917	45,336	77,880	183,133	61,454	45,481	78,082	185,017
Employed Percentage	67.0%	62.6%	62.8%	64.0%	66.3%	62.6%	62.2%	63.6%	66.7%	62.2%	61.9%	63.5%
Unemployed	4,108	3,947	6,902	14,957	4,430	4,212	7,579	16,221	4,092	4,045	7,147	15,284
Unemployed Percentage	4.6%	5.5%	5.5%	5.2%	4.9%	5.8%	6.1%	5.6%	4.4%	5.5%	5.7%	5.2%
INCOME												
Median Household Income	\$ 67,125	\$ 53,580	\$ 53,900	n/a	\$ 67,225	\$ 54,306	\$ 54,270	n/a	\$ 67,286	\$ 54,482	\$ 54,817	n/a
Mean Household Income	\$ 78,904	\$ 67,013	\$ 69,366	\$ 71,675	\$ 80,339	\$ 67,244	\$ 69,687	\$ 72,359	\$ 81,417	\$ 68,553	\$ 70,126	\$ 73,238
Per Capita Income	\$ 28,640	\$ 27,063	\$ 27,669	\$ 27,840	\$ 29,235	\$ 26,945	\$ 27,704	\$ 28,025	\$ 29,656	\$ 27,479	\$ 27,788	\$ 28,331
POVERTY LEVEL												
Percentage whose Income in the past 12-months is below Poverty Level.												
All Families	6.4%	9.5%	10.1%	8.7%	7.4%	10.0%	10.5%	9.3%	7.1%	10.4%	11.1%	9.6%
All People	8.3%	12.4%	13.2%	11.4%	9.0%	13.0%	13.7%	12.0%	8.7%	14.0%	14.3%	12.4%
Under 18 Years	10.6%	17.2%	19.8%	15.9%	12.2%	17.5%	20.8%	17.0%	11.7%	19.2%	21.8%	17.6%
65 Years and Older	8.0%	6.5%	7.5%	7.4%	6.9%	8.0%	8.3%	7.8%	8.2%	8.0%	8.8%	8.4%

Source: factfinder2.census.gov/

Sanitation District No. 1 Northern Kentucky Demographic and Census Information Ten Years

<u>NORTHERN KY COUNTIES</u>	<u>2015 (ACS 1-Year Estimates)</u>			
	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>
POPULATION				
Total Population	127,712	92,066	165,012	384,790
Median Age (years)	36.6	38.1	36.5	n/a
HOUSEHOLDS				
Total Households	45,831	35,682	63,060	144,573
Average Household Size	2.76	2.49	2.58	2.61
Populations in Households	126,641	88,672	162,506	377,819
Population 21 years and older	88,641	67,840	119,864	276,345
Population 65 years and older	14,349	13,135	21,809	49,293
HOUSING OCCUPANCY				
Total Housing Units	48,243	39,950	69,706	157,899
Occupied Housing Units	45,831	35,682	63,060	144,573
Owner-Occupied Units	31,944	23,794	39,327	95,065
Renter-Occupied Units	13,887	11,888	23,733	49,508
Vacant Housing Units	2,412	4,268	6,646	13,326
Vacant Housing Rate	5.0%	10.7%	9.5%	8.4%
Median (Value) Owner-occupied units	\$ 185,700	\$ 164,100	\$ 148,000	n/a
EMPLOYMENT STATUS				
Population 16 years and older	96,701	75,247	129,643	301,591
Population in Civilian Labor Force	69,011	48,632	87,539	205,182
Employed	65,245	46,781	82,722	194,748
Employed Percentage	67.5%	62.2%	63.8%	64.6%
Unemployed	3,766	1,851	4,817	10,434
Unemployed Percentage	3.9%	2.5%	3.7%	3.5%
INCOME				
Median Household Income	\$ 67,047	\$ 51,208	\$ 52,043	n/a
Mean Household Income	\$ 88,538	\$ 74,290	\$ 70,839	\$ 77,301
Per Capita Income	\$ 32,297	\$ 29,540	\$ 28,259	\$ 29,913
POVERTY LEVEL				
Percentage whose Income in the past 12-months is below Poverty Level.				
All Families	6.8%	10.6%	10.0%	9.0%
All People	8.4%	16.1%	12.9%	12.1%
Under 18 Years	10.3%	20.4%	20.0%	16.5%
65 Years and Older	2.7%	16.2%	8.3%	8.8%

Source: factfinder2.census.gov/

Sanitation District No. 1
Northern Kentucky Top Ten Employers
2016 & 2007

Top Ten Employers in Northern Kentucky - 2016 (Ranked by Local Employees)		
Company	Employees	Percentage of Employed Work Force
St. Elizabeth Healthcare	7,479	3.6%
Fidelity Investments	4,000	1.9%
Kroger Co.	3,646	1.8%
Boone County Schools	3,615	1.8%
Internal Revenue Service	3,611	1.8%
Amazon.com LLC	3,000	1.5%
Citi	2,541	1.2%
DHL	2,200	1.1%
Kenton County Schools	2,200	1.1%
Northern Kentucky University	2,100	1.0%
Totals:	34,392	16.8%
Source: Cincinnati Business Courier 2015/2016		

Top Ten Manufacturing Employers in Northern Kentucky - 2007 (Ranked by Local Employees)		
Company	Employees	Percentage of Employed Work Force
Schwan's Food Mfg., Inc.	1,050	0.6%
Duro Bag Mfg. Co.	863	0.5%
Sara Lee Foods	600	0.3%
Mazak, Inc.	550	0.3%
Mubea	518	0.3%
ZF Sachs Automotive	500	0.3%
Cincinnati Machine	490	0.3%
R.A. Jone & Co.	389	0.2%
ZF Boga Elastmetal	360	0.2%
KECO Industries	360	0.2%
Totals:	5,680	3.0%
Source: NKY Tri-Ed, NKY Chamber of Commerce, Business Courier Book of Lists, 2007		

Sanitation District No. 1
Miscellaneous Operating Statistics
Last Ten Fiscal Years

	Design Capacity MGD	Fiscal Year									
		Average Daily Wastewater Flow (MGD)									
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Treatment Plant Flow (1)											
Dry Creek	46.5	34.6	34.1	31.4	35.9	35.7	35.9	27.3	26.4	20.7	27.4
Eastern Regional WRF*	4.0		1.4	0.9	1.0	0.9	0.8	0.8	0.94	1.05	1.03
Western Regional WRF**	20.0						3.4	7.6	8.43	7.77	8.12
	<u>70.5</u>	<u>34.6</u>	<u>35.5</u>	<u>32.3</u>	<u>36.9</u>	<u>36.6</u>	<u>40.1</u>	<u>35.7</u>	<u>35.8</u>	<u>29.5</u>	<u>36.6</u>
Staffing Levels (2)											
Administration		39	43	46	48	51	61	62	58	59	58.5
Engineering/Operations		48	46	49	42	38	27	27	27	27	26
Storm Water		0	0	0	0	0	18	14	15.5	15.5	16.5
Collection System		67	79	78	84	88	83	89	88	88	84
Field Tech (Pump Stations)		12	13	13	18	14	14	13	15	15	15
Eastern Regional and Small Plants		0	6	6	11	13	10	9	10.5	10.5	10.5
Western Regional Plant						0	13	13	12	13	13
Dry Creek and Lab		59	55	57	51	54	46	49	47.5	46.5	45.5
Total Employees		<u>225</u>	<u>242</u>	<u>249</u>	<u>254</u>	<u>258</u>	<u>272</u>	<u>276</u>	<u>273.5</u>	<u>274.5</u>	<u>269.0</u>

(1) Source: SD1 Laboratory Information Management Records (Labworks)

(2) Source: SD1 budget documents

* Eastern Regional Water Reclamation Facility went online 10/2007

** Western Regional Water Reclamation Facility went online 4/2012

Sanitation District No. 1
Capital Asset Statistics
Last Ten Fiscal Years

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Miles of Sanitary Sewers	1,422	1,422	1,520	1,520	1,514	1,514	1,522	1,524	1,524	1,543
Force Mains	78	78	80	80	86	86	78	76	76	77
Regional Wastewater Treatment Plants	1	2	2	2	2	2	3	3	3	3
Small Wastewater Treatment Plants										
Owned and operated	8	4	4	4	4	4	4	4	4	4
Operated but not owned	3	3	3	3	4	4	4	4	4	2
Pump Stations										
Owned and operated	130	131	129	133	131	131	133	121	121	121
Operated but not owned	2	2	2	13	13	13	13	14	14	3
Flood Stations	15	15	15	15	15	15	15	15	15	15
Storm Structures				18,896	28,883	29,165	31,669	32,062	32,541	32,820
Miles of Separate Storm Sewers				255	407	417	440	442	447	447

Source: SD1 GIS records