

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2014

Sanitation District No. 1
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SANITATION DISTRICT NO. 1
COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the Years Ended June 30, 2014 and 2013

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, 2014 and 2013</p>
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INTRODUCTORY SECTION



December 4, 2014

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, 2014. 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, 2014 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, 2014 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 290,000 residents throughout Boone, Campbell and Kenton Counties.

SD1 maintains more than 1,600 miles of sanitary sewer system pipeline, 135 wastewater pumping stations, 15 flood pump stations, eight package treatment plants, three major wastewater treatment plants, approximately 443 miles of storm sewer system and more than 32,000 storm sewer structures.

In Fiscal Year 2014, SD1 served a sanitary sewer customer base of 102,813 accounts and a storm water customer base of 94,170 accounts. SD1's storm water customer base has experienced a 0.629 percent decrease primarily due to the City of Cold Spring opting out of SD1's storm water program this past year.

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 Courts 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 Courts approval, and two are appointed by the Boone County Judge Executive with the Boone County Fiscal Courts 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 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. 2013 Census, Northern Kentucky's population was 375,727. 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 Chamber of Commerce in its *Economic Outlook 2014*, the area economy continues on a slow path toward recovery. Uncertainty in the government and regulatory environment, banking policies and unemployment are concerns that hinder the larger and longer term business investments that are critical to the economy, further continuing the slow moving growth of the last few years.

The 2014 unemployment rate in the Cincinnati MSA is estimated to be 6.7 percent. Although this is lower than 2010 when the unemployment rate peaked at 9.6 percent, it still remains above the 2007 rate of just 5 percent. The regional unemployment rate is still lower than the 2014 national projected rate of 6.9 percent.

The housing industry continues to show signs of improvement. In Northern Kentucky, home sales have increased and home prices have slightly improved. Although these are encouraging trends, the housing market still faces challenges including tight lending conditions, slow economic growth, and relatively high unemployment.

Long Term Financial Planning

Many factors affect the funding and management of our wastewater and storm water utility, the most prominent of which are SD1's federal mandate to reduce wastewater pollution of the region's waterways 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 peak flow periods. During a heavy storm, these pipes can become overloaded and overflow, releasing sewage on to the ground in the adjoining area. An estimated \$1.2 billion investment, estimated in 2009 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 working with state and federal officials to renegotiate and extend the deadline to make 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 debt outstanding of \$527,896,373. Outstanding bonds of SD1 are rated Aa2 by Moody's and AA/Stable by Standard & Poor's rating agencies. For fiscal year ended June 30, 2014, net revenues covered debt service on both revenue bonds and Kentucky Infrastructure Authority (KIA) notes by 1.47 times. Unrestricted cash was at a level representing at least 319 days' cash which equated to \$32.9 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 recently completed a new strategic business plan to help prioritize competing community needs. The plan concentrates on addressing issues that are of strategic importance to the entire region and outlines the long-term goals and strategies we plan to implement over time. Our commitment to this plan will ensure 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: an assessment of our Customer Contact Center and enterprise phone system, the use of robotic camera technology to assess our sewer system, the use of a stream assessment tool to better plan projects in our community and a new Headworks building at our Dry Creek Wastewater Treatment Plant to improve operations and reduce operating costs.

Assessment of Customer Care Center and Enterprise Phone System

With an ultimate goal of enhancing the delivery of our customer service, SD1's Customer Care Center has started the process of assessing their current information technology infrastructure and associated technologies, as well as their business processes and operations management. This assessment will also evaluate the phone systems used throughout SD1. This assessment will help meet our customers' expectations of easy, convenient and accurate services that can be offered by today's advanced technologies. Improvements in the efficiency and effectiveness of the Customer Care Center's operations will also help to ensure that timely, prompt, courteous and knowledgeable customer service is provided in a fiscally responsible manner.

Robotic Camera Inspection Technology

SD1's Collections Systems Department now utilizes robotic camera technology to capture digital video footage needed to process condition assessment reports of our sewer system. Unlike the traditional inspection method, this new equipment is portable, able to operate independent of a specialty vehicle and does not require an operator to score the condition of our pipes in the field. By investing in this type of technology, more feet of sewer lines can be inspected on a daily basis with less labor costs versus the traditional method. There is an anticipated cost savings in the first year of operation of \$250,000. In addition, more staff time can be dedicated to performing system maintenance and making improvements and less time on evaluation.

Stream Assessment Tool

SD1's Integrated Watershed Management Department has performed water chemistry, biology, habitat and stream stability assessments on approximately 75 stream locations in SD1's service area. Collected data from the assessments helped establish a tool used to identify the overall condition of a stream, which is valuable information to have for project prioritization and future planning of our region. By performing stream assessments, staff can be equipped with accurate and reliable data to better plan projects and make decisions that help maintain or improve water quality in Northern Kentucky now and for future generations.

Dry Creek Wastewater Treatment Plant Headworks Improvement Project

Heavy precipitation can greatly increase the amount of flow being pumped to the Dry Creek Wastewater Treatment Plant, which can overwhelm the system and decrease treatment effectiveness. A second Headworks facility, which is used for preliminary treatment, was built to accept flow from the Lakeview Pump Station. This project increases treatment capacity and alleviates stress on the existing Headworks facility. The additional Headworks facility allows more flow from combined sewers to be treated at the plant rather than overflowing into local waterways, protecting public health and the environment. SD1 will also see lower long-term operation and maintenance costs through the use of chemical-free odor treatment and energy efficient technology and equipment.

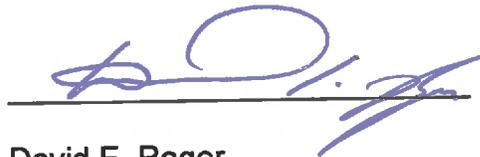
Awards and Acknowledgements

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 first comprehensive annual financial report for the fiscal year ended June 30, 2013. 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.

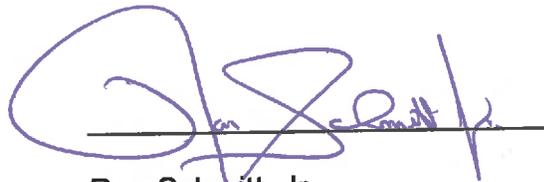
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,



David E. Rager
Executive Director



Ron Schmitt, Jr.
Director of Finance

SANITATION DISTRICT NO. 1
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
For the Years Ended June 30, 2014 and 2013

Board of Directors

Jay Weber, President
Kenton County

Greg Schrand, Vice-President
Boone County

Garth Kuhnhein, Treasurer
Kenton County

Jeffrey Schlosser, Secretary
Campbell County

Chuck Heilman
Campbell County

J.J. Miller
Boone County

Bob Schroder
Kenton County

Rick Wessels
Kenton County

Management

David E. Rager
Executive Director



Government Finance Officers Association

**Certificate of
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Presented to

**Sanitation District No. 1
Kentucky**

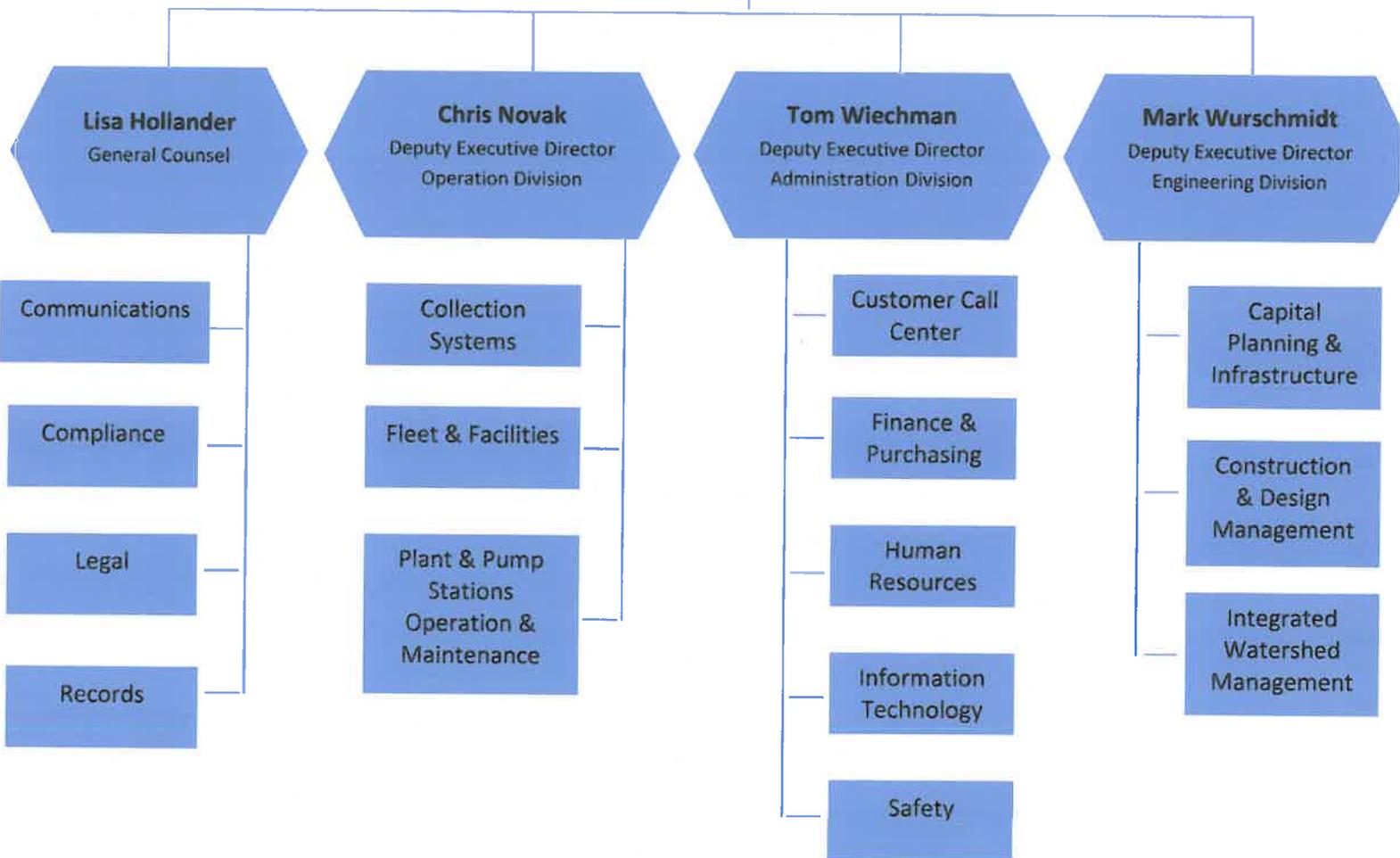
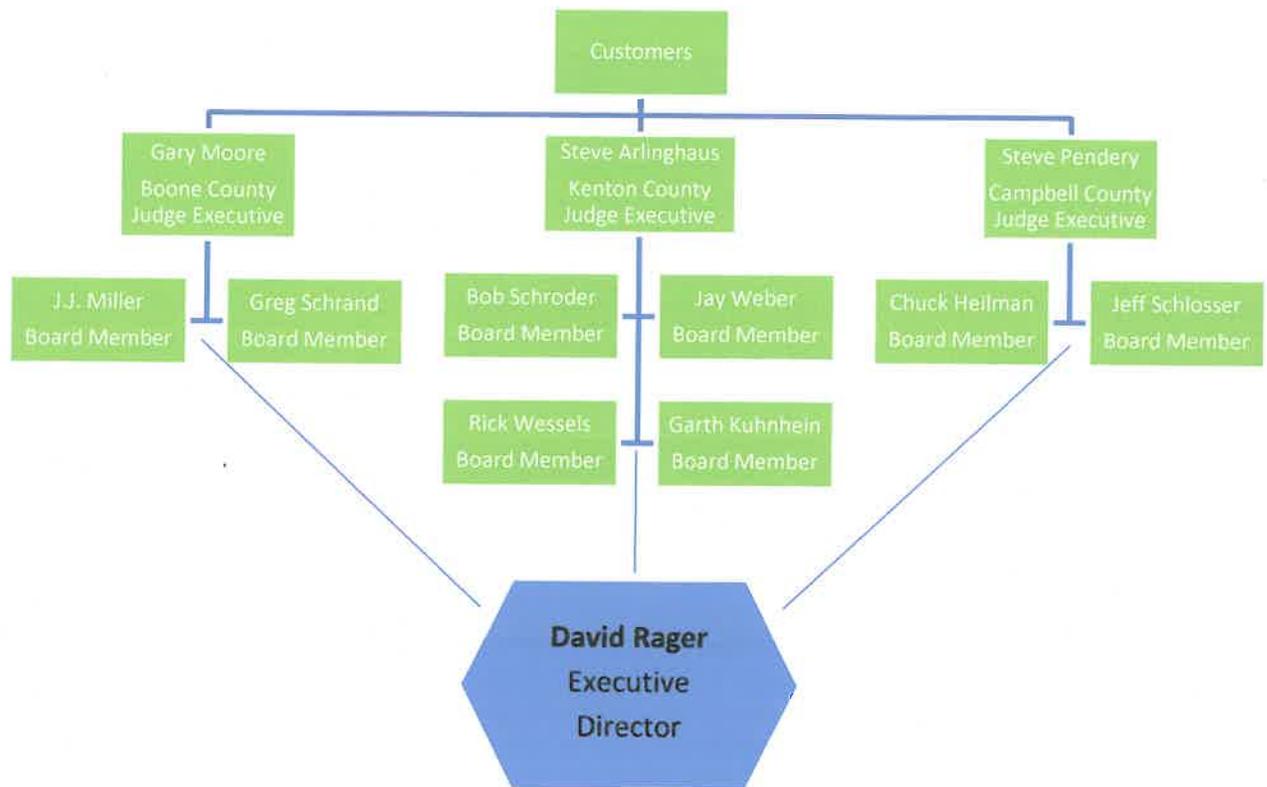
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Sanitation District No. 1 for its comprehensive annual financial report for the fiscal year ended June 30, 2013. In order to be awarded a Certificate of Achievement, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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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, 2014 and 2013, 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, 2014 and 2013 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* 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 Statistical Section, and the Schedule of Expenditures of Federal Awards 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 December 4, 2014 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
December 4, 2014

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**Sanitation District No. 1
Management's Discussion and Analysis**

Following is a narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2014. 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

- The assets of SD1 exceeded its liabilities at the close of the most recent year by \$755 million.
- SD1's total net position increased \$1.9 million in 2014. This represents a 0.25% change from the 2013 balance.
- The operating revenues of SD1 increased by \$2.9 million to \$92.7 million at the close of the current fiscal year.
- The operating expenses excluding depreciation decreased by \$3.4 million to \$37.6 million at the close of the current fiscal year.
- SD1's total outstanding debt decreased by \$10.8 million or 2.01% during the current fiscal year.

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 46 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 47 to 65 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, 2014 and 2013.

Table 1
Net Position

	June 30,	
	2014	2013
Current Assets	\$ 73,436,916	\$ 59,354,469
Restricted Assets	96,690,045	104,042,153
Capital Assets, Net	1,144,258,426	1,161,235,978
Total Assets	<u>1,314,385,387</u>	<u>1,324,632,600</u>
Deferred Outflow of Resources	<u>2,904,792</u>	<u>3,458,564</u>
Current Liabilities	22,389,072	21,823,599
Liabilities from Restricted Assets	26,242,530	27,992,908
Non-current Liabilities	513,404,075	524,933,793
Total Liabilities	<u>562,035,677</u>	<u>574,750,300</u>
Net Position		
Invested in Capital Assets, Net of Related Debt	612,707,116	617,863,936
Restricted for:		
Debt service funds, net of current liabilities	44,139,740	44,459,698
Operations, infrastructure & insurance reserves	34,202,584	33,582,825
Capital improvement/programs	10,657,785	17,739,540
Other purposes	2,499,433	2,163,997
Unrestricted	51,047,844	37,530,868
Total Net Position	<u>\$ 755,254,502</u>	<u>\$ 753,340,864</u>

Total assets decreased by approximately \$10.2 million in 2014. This overall decrease can be attributed primarily to a slowdown in capital improvement projects and an increase in accumulated depreciation. Total liabilities decreased by \$12.7 million. This decrease was primarily a result of not issuing any new bonds and continuing to pay on the existing debt. Overall, net position of SD1 increased 0.25% to \$755,254,502 in 2014 from \$753,340,864 in 2013. The largest portion of SD1's net position \$612 million (81.1%) 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 remaining balance \$51.0 million represents unrestricted net position and may be used to meet SD1's ongoing obligations to customers and creditors.

Table 2 shows the changes in net position for 2014, as well as the revenue and expense comparisons to 2013.

**Table 2
Changes in Net Position**

	For the Years Ended June 30,	
	2014	2013
Operating Revenues:		
Sewer service charges	\$ 74,221,151	\$ 73,562,515
Storm water charges	11,899,106	11,751,183
Permits and tap in fees	3,173,486	2,340,792
Sludge hauling	84,480	120,776
Inspections	74,348	69,682
Penalties	1,573,674	1,581,774
Contractual services	128,752	125,689
Bad debt recoveries	21,873	35,392
Other revenues	33,287	50,993
Project reimbursements	1,450,000	68,321
Total Operating Revenues	92,660,157	89,707,117
Operating Expenses		
Operations, maintenance, and administration	36,354,545	36,544,843
Major repairs and other expenses	1,291,040	4,495,306
Depreciation	40,716,750	40,245,842
Total Operating Expenses	78,362,335	81,285,991
Operating Income	14,297,822	8,421,126
Non-Operating Revenues	3,157,191	2,125,131
Interest and Other Charges	(20,872,923)	(19,374,553)
Change in Net Assets Before Capital Contributions	(3,417,910)	(8,828,296)
Capital Contributions	5,331,548	15,852,673
Change in Net Position	1,913,638	7,024,377
Net Position - Beginning	753,340,864	746,316,487
Net Position - Ending	\$ 755,254,502	\$ 753,340,864

In fiscal year 2014, SD1's operating revenues increased 3.29% over the previous year which was primarily a result of increases in industrial surcharges, an increase in the number of capacity connection fees and a one-time Kentucky Infrastructure Authority Reimbursement Grant of \$1.36 million that was received in 2014. Operations, Maintenance and Administration costs decreased by 0.5% over the prior period due to cost containment and the elimination of certain programs and services. The Major Repairs and Other Expense line item consists of projects which are reclassified out of Construction in Progress (CIP) and expensed. SD1 management has made a concerted effort to eliminate repair and maintenance expenses from the CIP account. As a part of this process, management teams from accounting, operations and engineering have begun forecasting whether projects will be repair and maintenance projects before the start of the project, thereby not including these expenses in the CIP account. As fewer project expenses are now required to be reclassified from CIP to the Major Repairs and Other Expenses line item, this account has been significantly reduced. These factors resulted in an operating income of \$14,297,822 compared to \$8,421,126 in 2013, an increase of \$5,876,696 or 69.7%.

After the effects of non-operating revenues, interest charges, and capital contributions SD1 reported an increase in net position for the year of \$1,913,637 compared to 7,024,377 in fiscal year 2013. The significant difference between the two years was due to capital contributions of storm water assets from the City of Fort Wright of \$12.4 million made in fiscal year 2013.

Capital Assets

At June 30, 2014 total capital assets reported was \$1,497,082,631 including land, buildings, sewer systems, equipment, and vehicles. This represents a net increase of \$19,249,802, or 1.30% over 2013. This increase is due to SD1's investment in sewer projects, such as the Dry Creek Headworks and Hydraulics Facility, vehicles, equipment and storm water assets.

These assets are summarized in table 3 below.

Table 3
Capital Assets, Net of Depreciation

Asset Type	June 30,	
	2014	2013
Collection system	\$ 662,016,791	\$ 649,183,792
Pump stations	93,396,147	85,077,857
Treatment and disposal	253,057,500	227,871,390
General plant and equipment	77,964,886	76,770,943
Sanitation software model	15,967,050	15,967,050
Storm water land	528,073	466,989
Storm water vehicles	52,500	25,027
Storm water equipment	47,634	31,068
Storm water collection	380,376,561	374,959,787
Storm water software model	5,645,160	5,645,160
Construction in progress		
Sanitation	6,286,209	40,814,200
Storm water	1,744,120	1,019,566
Subtotal	<u>1,497,082,631</u>	<u>1,477,832,829</u>
Less: accumulated depreciation	<u>(352,824,204)</u>	<u>(316,596,851)</u>
Total Capital Assets, Net	<u>\$ 1,144,258,427</u>	<u>\$ 1,161,235,978</u>

Debt and Capital Asset Administration

At year end, SD1 had \$527,896,373 in outstanding bonds and notes compared to \$538,713,765 in 2013, a decrease of 2.01% as shown in Table 4. SD1 did not add any new bonds in 2014, but added \$612,608 to the notes payable. These funds were utilized to help fund the necessary capital improvement projects.

Table 4 summarizes SD1 outstanding debt at June 30, 2014 and 2013.

**Table 4
Debt Summary**

	June 30,	
	2014	2013
Bonds Payable Obligations (Backed by User Fee Revenues)	\$ 374,485,000	\$ 385,915,000
Notes Payable (Backed by User Fee Revenues)	153,411,373	152,798,765
Totals	\$ 527,896,373	\$ 538,713,765

Operational Budget vs. Actual Revenues and Expenses

During the fiscal year 2014, SD1's actual revenues exceeded budgeted revenues by \$4,054,657 which primarily was a result of higher than anticipated non-residential consumption, higher than anticipated capacity connection fees, and the unanticipated receipt of a one-time Kentucky Infrastructure Authority reimbursement grant. Actual expenditures were below budget by \$3,770,259 which primarily was a result of employee positions remaining vacant throughout the fiscal year; a delay in anticipated assistance from third parties for assessments and other services; and reduced energy and chemical cost that were a result of favorable weather and adjustments that were made as a result of an energy audit.

The budget to actual results for each operating area for fiscal years 2014 and 2013 is summarized in tables 5 and 6 below.

**Table 5
Operations Budget versus Actual, 2014
For the Year Ended June 30, 2014**

	Budget	Actual	Variance
General Revenues	\$ 88,605,500	\$ 92,660,157	\$ 4,054,657
Dry Creek Treatment Plant	8,475,395	7,437,244	1,038,151
Eastern Regional WRF	1,366,156	1,305,365	60,791
Western Regional WRF	3,032,432	2,847,144	185,288
Collection System	7,109,229	6,808,265	300,964
Field Tech/Pump Stations	5,414,562	4,631,746	782,816
Operations	622,165	631,516	(9,351)
Engineering	1,849,332	1,436,385	412,947
Storm Water	5,235,689	4,650,995	584,694
Administration	7,019,844	6,605,885	413,959
	40,124,804	36,354,545	3,770,259
Excess of revenues over general expenses	\$ 48,480,696	\$ 56,305,612	\$ 7,824,916

Table 6
Operations Budget versus Actual, 2013
For the Year Ended June 30, 2013

	Budget	Actual	Variance
General Revenues	\$ 89,198,000	\$ 89,707,117	\$ 509,117
Dry Creek Treatment Plant	8,692,336	7,521,686	1,170,650
Eastern Regional WRF	1,744,212	1,186,211	558,001
Western Regional WRF	2,631,089	2,777,256	(146,167)
Collection System	5,495,233	6,690,371	(1,195,138)
Field Tech/Pump Stations	4,881,259	4,910,199	(28,940)
Engineering	2,518,777	2,307,176	211,601
Storm Water	5,275,391	4,600,017	675,374
Administration	7,000,439	6,551,927	448,512
	<u>38,238,736</u>	<u>36,544,843</u>	<u>1,693,893</u>
Excess of revenues over general expenses	<u>\$ 50,959,264</u>	<u>\$ 53,162,274</u>	<u>\$ 2,203,010</u>

Economic Factor's and Next Year's Budget

In June 2014, SD1's Board of Directors and the Judges Executive of Boone, Campbell and Kenton counties approved the fiscal year 2015 Operating & Maintenance (O&M) and Capital budgets. The 2015 O&M budget was approved for \$42.1 million which reflects a 0.57% decrease compared to the 2014 budget. The 2015 Capital budget was approved for \$31.1 million which reflects an 11.4% increase over the 2014 capital budget.

The revenue budget calls for a 5% rate increase to sanitary sewer and storm water rates in fiscal year 2015. The impact to revenue is an estimated increase of \$2.09 million over 2014 actual sewer service revenue and \$585 thousand over 2014 actual storm water service revenue.

In preparing the 2015 operating budget, the key focuses were to maintain the current operating services and assets while assuming no increase in staffing levels; to protect SD1's credit rating by maintaining required cash reserves and debt coverage ratios; and to reduce operating costs and improve efficiencies by capitalizing on the results of the initiatives started in fiscal year 2014 that included a Continuous Sewer Improvement Program, an energy audit, an IT optimization study and a Fleet Management Program.

The 2015 Capital budget consist of eight new sanitary and storm water projects for a total of \$2.9 million; 13 existing on-going sanitary and storm water projects for a total of \$11.6 million; \$15.5 million in reactive projects which includes ramping up efforts to repair and replace storm water assets and address system bottle necks and \$1.1 million in capital asset purchases. The 2015 capital budget does not include funding for expansion of the system to serve new areas.

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 2014, there was a balance remaining of \$8.9 million of bond funds, \$6.1 million left to draw from the Commonwealth of Kentucky's Revolving Loan Funds, and \$1.4 million of grant funds to be used for capital projects in FY15. SD1 is not anticipating issuing any new revenue bonds in this fiscal year. The remaining funds needed for funding the capital budget will be provided from cash reserves and net revenues.

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.

SANITATION DISTRICT NO. 1
BALANCE SHEET
June 30, 2014

ASSETS AND DEFERRED OUTFLOW OF RESOURCES

ASSETS

	Sanitation	Stormwater	Total
Current Assets			
Cash and cash equivalents	\$ 32,923,666	\$ -	\$ 32,923,666
Accounts receivable			
Customers, net of allowance	7,933,090	2,324,818	10,257,908
Communities	12,068	-	12,068
KIA loan receivable	1,204,334	-	1,204,334
Others	4,004,172	-	4,004,172
Due from other fund	-	14,313,219	14,313,219
Accrued unbilled charges	7,895,729	1,448,600	9,344,329
Prepays and deposits	1,363,240	-	1,363,240
Accrued interest income	12,163	1,817	13,980
Total Current Assets	55,348,462	18,088,454	73,436,916
Restricted Assets			
Cash	11,596,453	-	11,596,453
Investments	82,082,988	1,341,902	83,424,890
Receivables			
Assessments	1,555,201	-	1,555,201
Improvement notes	5,130	-	5,130
Accrued interest	108,183	-	108,183
Prepaid items	188	-	188
Total Restricted Assets	95,348,143	1,341,902	96,690,045
Capital Assets			
Land, building, system, equipment, and vehicles	1,102,402,374	386,649,928	1,489,052,302
Construction in progress	6,286,208	1,744,120	8,030,328
Less: accumulated depreciation	(284,859,629)	(67,964,575)	(352,824,204)
Total Capital Assets, Net	823,828,953	320,429,473	1,144,258,426
TOTAL ASSETS	974,525,558	339,859,829	1,314,385,387
DEFERRED OUTFLOW OF RESOURCES			
Deferred refunding costs on defeased bond debt	2,904,792	-	2,904,792
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 977,430,350	\$ 339,859,829	\$ 1,317,290,179

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

SANITATION DISTRICT NO. 1
BALANCE SHEET (Continued)
June 30, 2014

LIABILITIES

	Sanitation	Stormwater	Total
Current Liabilities			
Accounts payable	\$ 4,505,654	\$ 1,702,799	\$ 6,208,453
Accrued payroll and benefits	1,538,858	286,350	1,825,208
Accrued taxes and pension	11,008	-	11,008
Due to other fund	14,313,219	-	14,313,219
Communities	47	-	47
Other accruals	31,076	-	31,076
Sales tax payable	61	-	61
Total Current Liabilities	<u>20,399,923</u>	<u>1,989,149</u>	<u>22,389,072</u>
Liabilities Payable From Restricted Assets			
Current portion of long-term debt	18,063,059	84,176	18,147,235
Accrued interest payable	8,092,098	3,197	8,095,295
Total Liabilities Payable From Restricted Assets	<u>26,155,157</u>	<u>87,373</u>	<u>26,242,530</u>
Noncurrent Liabilities			
Notes payable	145,374,286	1,659,852	147,034,138
Bonds payable, net of amortization	366,369,937	-	366,369,937
Total Noncurrent Liabilities	<u>511,744,223</u>	<u>1,659,852</u>	<u>513,404,075</u>
TOTAL LIABILITIES	<u>558,299,303</u>	<u>3,736,374</u>	<u>562,035,677</u>
NET POSITION			
Invested in capital assets, net of related debt	294,021,671	318,685,445	612,707,116
Restricted for:			
Debt service funds, net of current liabilities	44,142,937	(3,197)	44,139,740
Operations, infrastructure, & insurance reserves	32,860,682	1,341,902	34,202,584
Capital improvement/programs	10,657,785	-	10,657,785
Other purposes	2,499,433	-	2,499,433
Unrestricted	34,948,539	16,099,305	51,047,844
TOTAL NET POSITION	<u>419,131,047</u>	<u>336,123,455</u>	<u>755,254,502</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 977,430,350</u>	<u>\$ 339,859,829</u>	<u>\$ 1,317,290,179</u>

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

SANITATION DISTRICT NO. 1
BALANCE SHEET
June 30, 2013

ASSETS AND DEFERRED OUTFLOW OF RESOURCES

ASSETS	<i>Restated</i>		Total
	Sanitation	Stormwater	
Current Assets			
Cash and cash equivalents	\$ 19,058,529	\$ -	\$ 19,058,529
Accounts receivable			
Customers, net of allowance	8,634,124	2,396,991	11,031,115
Communities	24,631	-	24,631
KIA loan receivable	4,235,102	-	4,235,102
Others	3,741,641	-	3,741,641
Due from other fund	-	11,461,121	11,461,121
Accrued unbilled charges	7,731,700	1,458,700	9,190,400
Prepays and deposits	583,402	12,750	596,152
Accrued interest income	13,569	2,209	15,778
Total Current Assets	44,022,698	15,331,771	59,354,469
Restricted Assets			
Cash	19,577,365	-	19,577,365
Investments	81,293,124	1,320,249	82,613,373
Receivables			
Assessments	1,644,649	-	1,644,649
Improvement note	5,130	-	5,130
Accrued interest	152,282	-	152,282
Prepaid items	49,354	-	49,354
Total Restricted Assets	102,721,904	1,320,249	104,042,153
Capital Assets			
Land, building, system, equipment, and vehicles	1,054,871,033	381,128,031	1,435,999,064
Construction in progress	40,814,199	1,019,566	41,833,765
Less: accumulated depreciation	(263,554,552)	(53,042,299)	(316,596,851)
Total Capital Assets, Net	832,130,680	329,105,298	1,161,235,978
TOTAL ASSETS	978,875,282	345,757,318	1,324,632,600
DEFERRED OUTFLOW OF RESOURCES			
Deferred refunding costs on defeased bond debt	3,458,564	-	3,458,564
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 982,333,846	\$ 345,757,318	\$ 1,328,091,164

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

SANITATION DISTRICT NO. 1
BALANCE SHEET (Continued)
June 30, 2013

LIABILITIES	<i>Restated</i>		
	Sanitation	Stormwater	Total
Current Liabilities			
Accounts payable	\$ 7,430,908	\$ 1,087,971	\$ 8,518,879
Accrued payroll and benefits	1,435,858	312,040	1,747,898
Accrued taxes and pension	2,772	-	2,772
Due to other fund	11,461,121	-	11,461,121
Communities	156	-	156
Other accruals	45,183	-	45,183
Sales tax payable	47,590	-	47,590
Total Current Liabilities	20,423,588	1,400,011	21,823,599
Liabilities Payable From Restricted Assets			
Accounts payable	1,272,339	51,845	1,324,184
Current portion of long-term debt	18,354,751	83,498	18,438,249
Accrued interest payable	8,227,124	3,351	8,230,475
Total Liabilities Payable From Restricted Assets	27,854,214	138,694	27,992,908
Noncurrent Liabilities			
Notes payable	144,046,488	1,744,028	145,790,516
Bonds payable, net of amortization	379,143,277	-	379,143,277
Total Noncurrent Liabilities	523,189,765	1,744,028	524,933,793
TOTAL LIABILITIES	571,467,567	3,282,733	574,750,300
NET POSITION			
Invested in capital assets, net of related debt	290,586,164	327,277,772	617,863,936
Restricted for:			
Debt service funds, net of current liabilities	44,463,049	(3,351)	44,459,698
Operations, infrastructure, & insurance reserves	32,262,576	1,320,249	33,582,825
Capital improvement/programs	17,791,385	(51,845)	17,739,540
Other purposes	2,163,997	-	2,163,997
Unrestricted	23,599,108	13,931,760	37,530,868
TOTAL NET POSITION	410,866,279	342,474,585	753,340,864
TOTAL LIABILITIES AND NET POSITION	\$ 982,333,846	\$ 345,757,318	\$ 1,328,091,164

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, 2014

	Sanitation	Stormwater	Total
OPERATING REVENUES			
Sewer service charges	\$ 74,221,151	\$ -	\$ 74,221,151
Storm water charges	-	11,899,106	11,899,106
Permits and tap-in fees	3,122,741	50,745	3,173,486
Sludge hauling	84,480	-	84,480
Inspections	46,952	27,396	74,348
Penalties and fines	1,395,071	178,603	1,573,674
Contractual services	128,752	-	128,752
Bad debt recoveries	19,250	2,623	21,873
Other revenues	33,287	-	33,287
Project reimbursements	1,450,000	-	1,450,000
TOTAL OPERATING REVENUES	80,501,684	12,158,473	92,660,157
OPERATING EXPENSES			
Operation, maintenance and administration	31,703,550	4,650,995	36,354,545
Major repairs and other	1,004,374	286,666	1,291,040
Depreciation	25,600,187	15,116,563	40,716,750
TOTAL OPERATING EXPENSES	58,308,111	20,054,224	78,362,335
OPERATING INCOME	22,193,573	(7,895,751)	14,297,822
NON-OPERATING INCOME			
Interest income	559,583	7,569	567,152
Gain/(Loss) on sale of fixed assets	(596,419)	(509,384)	(1,105,803)
Federal credits on Build America Bonds	3,530,769	-	3,530,769
Unrealized appreciation in fair market value of investments	160,867	4,206	165,073
TOTAL NON-OPERATING INCOME	3,654,800	(497,609)	3,157,191
INTEREST AND OTHER CHARGES			
Interest on long-term debt	20,788,812	39,596	20,828,408
Amortization of bond discount and expense	44,515	-	44,515
TOTAL INTEREST AND OTHER CHARGES	20,833,327	39,596	20,872,923
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	5,015,046	(8,432,956)	(3,417,910)
CAPITAL CONTRIBUTIONS	3,249,722	2,081,826	5,331,548
CHANGE IN NET POSITION	8,264,768	(6,351,130)	1,913,638
NET POSITION, JULY 1, 2013	410,866,279	342,474,585	753,340,864
NET POSITION, JUNE 30, 2014	\$ 419,131,047	\$ 336,123,455	\$ 755,254,502

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, 2013

	Sanitation	Stormwater	Total
OPERATING REVENUES			
Sewer service charges	\$ 73,562,515	\$ -	\$ 73,562,515
Storm water charges	-	11,751,183	11,751,183
Permits and tap-in fees	2,299,707	41,085	2,340,792
Sludge hauling	120,776	-	120,776
Inspections	49,132	20,550	69,682
Penalties and fines	1,393,688	188,086	1,581,774
Contractual services	125,689	-	125,689
Bad debt recoveries	33,185	2,207	35,392
Other revenues	30,993	20,000	50,993
Project reimbursements	68,321	-	68,321
TOTAL OPERATING REVENUES	77,684,006	12,023,111	89,707,117
OPERATING EXPENSES			
Operation, maintenance and administration	31,944,826	4,600,017	36,544,843
Major repairs and other	3,463,909	1,031,397	4,495,306
Depreciation	25,360,290	14,885,552	40,245,842
TOTAL OPERATING EXPENSES	60,769,025	20,516,966	81,285,991
OPERATING INCOME	16,914,981	(8,493,855)	8,421,126
NON-OPERATING INCOME			
Interest income	822,390	9,242	831,632
Transfers (to)/from other fund	-	-	-
Gain/(Loss) on sale of fixed assets	(1,086,892)	(723,886)	(1,810,778)
Federal credits on Build America Bonds	3,590,813	-	3,590,813
Unrealized appreciation in fair market value of investments	(483,404)	(3,132)	(486,536)
TOTAL NON-OPERATING INCOME	2,842,907	(717,776)	2,125,131
INTEREST AND OTHER CHARGES			
Interest on long-term debt	19,290,678	40,778	19,331,456
Amortization of bond discount and expense	43,097	-	43,097
TOTAL INTEREST AND OTHER CHARGES	19,333,775	40,778	19,374,553
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	424,113	(9,252,409)	(8,828,296)
CAPITAL CONTRIBUTIONS	1,033,708	14,818,965	15,852,673
CHANGE IN NET POSITION	1,457,821	5,566,556	7,024,377
NET POSITION, JULY 1, 2012	409,408,458	336,908,029	746,316,487
NET POSITION, JUNE 30, 2013	\$ 410,866,279	\$ 342,474,585	\$ 753,340,864

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, 2014

	<u>Sanitation</u>	<u>Stormwater</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 80,788,721	\$ 9,388,648	\$ 90,177,369
Paid to suppliers for goods and services	(18,657,778)	(1,413,257)	(20,071,035)
Paid to or on behalf of employees for services	(14,853,649)	(2,922,516)	(17,776,165)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>47,277,294</u>	<u>5,052,875</u>	<u>52,330,169</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	605,088	7,961	613,049
Net (increase) decrease on investments	(628,997)	(17,447)	(646,444)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(23,909)</u>	<u>(9,486)</u>	<u>(33,395)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal received on notes and bonds	10,003,959	-	10,003,959
Federal credits on Build America Bonds	3,530,769	-	3,530,769
Cash received from sale of asset	83,100	-	83,100
Payments made on long term debt	(17,707,085)	(83,497)	(17,790,582)
Interest paid, net of capitalized interest	(21,417,922)	(39,750)	(21,457,672)
Acquisition and construction of fixed assets, net of contributed capital	(14,728,256)	(4,868,297)	(19,596,553)
(Increase) decrease in restricted funds	(1,133,725)	(51,845)	(1,185,570)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(41,369,160)</u>	<u>(5,043,389)</u>	<u>(46,412,549)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	5,884,225	-	5,884,225
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	38,635,894	-	38,635,894
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 44,520,119</u>	<u>\$ -</u>	<u>\$ 44,520,119</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 22,193,573	\$ (7,895,751)	\$ 14,297,822
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	25,600,187	15,116,563	40,716,750
Change in operating assets and liabilities			
Decrease (Increase) in receivables	713,597	(2,779,925)	(2,066,328)
Decrease (Increase) in accrued unbilled charges	(164,029)	10,100	(153,929)
Decrease (Increase) in assessments receivable	(262,531)	-	(262,531)
Decrease (Increase) in prepaid assets	(779,838)	12,750	(767,088)
Increase (Decrease) in communities payable	(109)	-	(109)
Increase (Decrease) in accounts payable	(73,156)	614,828	541,672
Increase (Decrease) in accrued payroll and taxes	111,236	(25,690)	85,546
Increase (Decrease) in other liabilities	(61,636)	-	(61,636)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 47,277,294</u>	<u>\$ 5,052,875</u>	<u>\$ 52,330,169</u>
Non-Cash Capital and Related Financing Activities:			
Capital assets contributed to the District	<u>\$ 3,249,722</u>	<u>\$ 2,081,826</u>	<u>\$ 5,331,548</u>
Supplemental Information			
Interest expensed	\$ 20,788,812	\$ 39,596	\$ 20,828,408
Interest capitalized	509,794	-	509,794
Total	<u>\$ 21,298,606</u>	<u>\$ 39,596</u>	<u>\$ 21,338,202</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, 2013

	<i>Restated</i>		
	Sanitation	Stormwater	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 77,544,598	\$ 7,595,206	\$ 85,139,804
Paid to suppliers for goods and services	(21,113,193)	(1,586,314)	(22,699,507)
Paid to or on behalf of employees for services	(14,095,503)	(2,818,141)	(17,013,644)
NET CASH PROVIDED BY OPERATING ACTIVITIES	42,335,902	3,090,751	45,426,653
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	846,536	7,033	853,569
Net (increase) decrease on investments	(1,028,924)	(1,323,381)	(2,352,305)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(182,388)	(1,316,348)	(1,498,736)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal received on notes and bonds	20,722,931	215,314	20,938,245
Federal credits on Build America Bonds	3,590,813	-	3,590,813
Cash received from sale of asset	223,786	-	223,786
Payments made on long term debt	(13,042,392)	(81,853)	(13,124,245)
Interest paid, net of capitalized interest	(19,867,563)	(39,912)	(19,907,475)
Acquisition and construction of fixed assets, net of contributed capital	(36,009,012)	(1,817,641)	(37,826,653)
(increase) decrease in restricted funds	(1,183,947)	(50,311)	(1,234,258)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(45,565,384)	(1,774,403)	(47,339,787)
INCREASE IN CASH AND CASH EQUIVALENTS	(3,411,870)	-	(3,411,870)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	42,047,764	-	42,047,764
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 38,635,894	\$ -	\$ 38,635,894
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 16,914,981	\$ (8,493,855)	\$ 8,421,126
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	25,360,290	14,885,552	40,245,842
Change in operating assets and liabilities			
Decrease (Increase) in receivables	(664,003)	(4,421,005)	(5,085,008)
Decrease (Increase) in accrued unbilled charges	431,900	(6,900)	425,000
Decrease (Increase) in assessments receivable	92,695	-	92,695
Decrease (Increase) in prepaid assets	41,931	(100)	41,831
Increase (Decrease) in communities payable	(577)	-	(577)
Increase (Decrease) in accounts payable	(81,472)	1,082,033	1,000,561
Increase (Decrease) in accrued payroll and taxes	214,962	45,026	259,988
Increase (Decrease) in other liabilities	25,195	-	25,195
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 42,335,902	\$ 3,090,751	\$ 45,426,653
Non-Cash Capital and Related Financing Activities:			
Capital assets contributed to the District	\$ 1,033,708	\$ 14,818,965	\$ 15,852,673
Supplemental information			
Interest expensed	\$ 19,290,678	\$ 40,778	\$ 19,331,456
Interest capitalized	1,957,098	-	1,957,098
Total	\$ 21,247,776	\$ 40,778	\$ 21,288,554

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

SANITATION DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2013

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 66 through 70, and related interpretations issued through June 30, 2014.

Statement No. 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees – This statement is not currently applicable to SD1.

Statement No. 69 – Government Combinations and Disposals of Government Operations – This statement is not currently applicable to SD1.

Statement No. 68 – Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27 – Requires SD1 to report their representative share of the unfunded pension liability of the Kentucky County Employee Retirement System (CERS) on SD1's Balance Sheet. This statement will be in effect for fiscal periods beginning after June 15, 2014.

Statement No. 67 – Financial Reporting for Pension Plans; an amendment of GASB Statement No. 25 – This statement is not currently applicable to SD1

SANITATION DISTRICT NO. 1
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Statement No. 66 – Technical Corrections – 2012; an amendment of GASB Statements no. 10 and 62 – This statement improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54 and No. 62.

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 "invested in capital assets, net of related liabilities"; "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
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.

SANITATION DISTRICT NO. 1
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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 with the presentation of the current year financial statements.

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

SANITATION DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2013

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 2014 or 2013.

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>2014</u>	<u>June 30,</u> <u>2013</u>
Expensed	\$ 20,828,408	\$ 19,331,456
Capitalized	509,794	1,957,098
Total	\$ 21,338,202	\$ 21,288,554

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, 2014 and 2013, 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 For an investment, this is the 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, 2014 and 2013 of \$83,424,890 and \$82,613,373 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.

SANITATION DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
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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 \$9,344,329 and \$9,190,400 as of June 30, 2014 and 2013, 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, 2014 and 2013 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.

The depreciable life for each asset type is as follows:

<u>Asset Type</u>	<u>Depreciable Life (Years)</u>
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

SANITATION DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
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The following tables provide a summary of capital asset balances, additions, and retirements for the year ended June 30, 2014 for both the Sanitation and the Storm Water funds:

<u>Sanitation Fund</u>	Balance at			Balance at
Asset Type	June 30, 2013	Additions	Retirements	June 30, 2014
Collection system	\$ 649,183,792	\$ 13,578,478	\$ (745,478)	\$ 662,016,792
Pumping system	85,077,857	10,399,848	(2,081,559)	93,396,146
Treatment and disposal	227,871,390	26,871,072	(1,684,962)	253,057,500
General plant and equipment	76,770,943	1,656,997	(463,054)	77,964,886
Software model development	15,967,050	-	-	15,967,050
Construction in progress - sanitation	40,814,200	14,527,480	(49,055,472)	6,286,208
Subtotal	1,095,685,232	67,033,875	(54,030,525)	1,108,688,582
Less: accumulated depreciation	(263,554,552)	(25,600,187)	4,295,110	(284,859,629)
Capital Assets, Net	<u>\$ 832,130,680</u>	<u>\$ 41,433,688</u>	<u>\$ (49,735,415)</u>	<u>\$ 823,828,953</u>

<u>Storm Water Fund</u>	Balance at			Balance at
Asset Type	June 30, 2013	Additions	Retirements	June 30, 2014
Land	\$ 466,989	\$ 61,083	\$ -	\$ 528,072
Vehicles	25,027	27,473	-	52,500
Equipment	31,068	16,566	-	47,634
Storm water collection system	374,959,787	6,129,275	(712,500)	380,376,562
Software model development	5,645,160	-	-	5,645,160
Construction in progress - storm water	1,019,566	5,118,350	(4,393,796)	1,744,120
Subtotal	382,147,597	11,352,747	(5,106,296)	388,394,048
Less: accumulated depreciation	(53,042,299)	(15,116,563)	194,287	(67,964,575)
Capital Assets, Net	<u>\$ 329,105,298</u>	<u>\$ (3,763,816)</u>	<u>\$ (4,912,009)</u>	<u>\$ 320,429,473</u>

Compensated Absences

Employees of SD1 are entitled to paid vacation depending on length of service and other factors. The amounts recorded for accumulated vacation for the year ended June 30, 2014 and 2013 was \$952,469 and \$953,824, respectively. 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 Incentive dated April 1, 1998, the balance of accounts restricted for specific purposes have been segregated as restricted net assets.

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2014 and 2013

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 homeowners to recover the cost of construction. The following is a schedule of assessments and improvements outstanding to SD1 at June 30, 2014 and 2013, respectively.

	<u>2014</u>	<u>2013</u>
Assessments	\$ 1,555,201	\$ 1,644,649
Improvement notes	5,130	5,130
Total	<u>\$ 1,560,331</u>	<u>\$ 1,649,779</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, 2014 and 2013 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, 2014 and 2013 were \$15,465,000 and \$16,855,000, 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

SANITATION DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
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and adopted by the Board of Directors of Sanitation District No. 1. Balances outstanding as of June 30, 2014 and 2013 were \$38,815,000 and \$40,420,000, 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.

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, 2014 and 2013 were \$70,090,000 and \$71,745,000, 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, 2014 and 2013 were \$50,430,000 and \$51,575,000, 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, 2014 and 2013 were \$95,745,000 and \$96,950,000, 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.

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2014 and 2013

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, 2014 and 2013 were \$44,145,000 and \$45,220,000, 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.

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, 2014 and 2013 were \$18,890,000 and \$22,245,000, 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, 2014 were:

Bond Series	Balance at June 30, 2013	Additions	Payments	Balance at June 30, 2014
2005A	\$ 22,245,000	\$ -	\$ (3,355,000)	\$ 18,890,000
2006	45,220,000	-	(1,075,000)	44,145,000
2007	96,950,000	-	(1,205,000)	95,745,000
2009	51,575,000	-	(1,145,000)	50,430,000
2010A	71,745,000	-	(1,655,000)	70,090,000
2010B	40,420,000	-	(1,605,000)	38,815,000
2010C	16,855,000	-	(1,390,000)	15,465,000
2010D	40,905,000	-	-	40,905,000
Totals	\$ 385,915,000	\$ -	\$ (11,430,000)	\$ 374,485,000

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

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2014 and 2013

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

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 11,770,000	\$ 18,647,194	\$ 30,417,194
2016	12,140,000	18,229,067	30,369,067
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
2020-2024	59,535,000	75,683,608	135,218,608
2025-2029	72,990,000	59,688,723	132,678,723
2030-2034	83,600,000	39,085,540	122,685,540
2035-2039	78,275,000	16,041,209	94,316,209
2040-2041	17,205,000	1,002,036	18,207,036
Total	<u>\$ 374,485,000</u>	<u>\$ 280,161,414</u>	<u>\$ 654,646,414</u>

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

NOTE 5 – NOTES PAYABLE

Eastern 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, 2014 and 2013 were \$23,847,061 and \$25,352,943, 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, 2014 and 2013 were \$66,252,349 and \$69,403,567, 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, 2014 and 2013 were \$4,410,802 and \$4,619,419, respectively.

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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, 2014 and 2013 were \$4,654,327 and \$4,890,270, 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, 2014 and 2013 were \$12,211,636 and \$12,735,256, 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, 2014 and 2013 were \$4,433,847 and \$4,630,138, 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, 2014 and 2013 were \$2,060,973 and \$2,149,345, respectively.

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, 2014 and 2013 were \$7,737,355 and \$8,069,123, 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, 2014 and 2013 were \$15,989,713 and \$12,962,624, 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, 2014 and 2013 were \$8,166,202 and \$5,242,802, 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

SANITATION DISTRICT NO. 1
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Loan Fund and carry a 2.0% interest rate and 20 year maturity. The outstanding loan balances at June 30, 2014 and 2013 were \$1,104,022 and \$81,320, 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, 2014 and 2013 were \$799,057 and \$834,432, 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, 2014 and 2013 were \$1,744,029 and \$1,827,526, respectively. The changes in outstanding Kentucky Infrastructure Authority debt for the year ended June 30, 2014 were as follows:

Project	Balance at June 30, 2013	Additions	Payments	Balance at June 30, 2014
Eastern Regional Wastewater Facility	\$ 25,352,943	\$ -	\$ (1,505,882)	\$ 23,847,061
Western Regional Wastewater Facility	69,403,567	-	(3,151,218)	66,252,349
Dry Creek Clarifier	4,619,419	-	(208,617)	4,410,802
Sunnybrook Sewer	4,890,270	-	(235,943)	4,654,327
South Fork Gunpowder Creek	12,735,256	-	(523,620)	12,211,636
Frogtown Interceptor	4,630,138	-	(196,291)	4,433,847
Turkeyfoot - Industrial Road	2,149,345	-	(88,372)	2,060,973
Narrows Road Diverter	8,069,123	-	(331,768)	7,737,355
Dry Creek Headworks/Hydraulics	12,962,624	3,027,089	-	15,989,713
Lakeview, Kentucky Aire, Church Street	5,242,802	2,923,400	-	8,166,202
Lakeside Park, Vernon Lane	81,320	1,022,702	-	1,104,022
Wolpert Force Main	834,432	-	(35,375)	799,057
Banklick Wetlands	617,205	-	(27,873)	589,332
Regional Bio-Retention Facility	657,687	-	(30,688)	626,999
Banklick Creek Stabilization	169,463	-	(8,176)	161,287
Terraced Right of Way	383,171	-	(16,760)	366,411
Totals	\$ 152,798,765	\$ 6,973,191	\$ (6,360,583)	\$ 153,411,373

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2014 and 2013

The debt service to maturities for the sixteen KIA Notes Payable, with drawn balances outstanding at June 30, 2014 only, is as follows:

Year ending June 30,	Principal	Interest & Fees	Total
2015	\$ 7,322,366	\$ 2,987,128	\$ 10,309,494
2016	7,541,953	2,754,841	10,296,794
2017	7,677,589	2,606,284	10,283,873
2018	7,816,115	2,454,611	10,270,726
2019	7,957,597	2,299,753	10,257,350
2020-2024	42,018,818	9,058,867	51,077,685
2025-20289	42,739,859	4,715,440	47,455,299
2030-2034	30,337,076	1,247,532	31,584,608
Totals	<u>\$ 153,411,373</u>	<u>\$ 28,124,456</u>	<u>\$ 181,535,829</u>

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

NOTE 6 – INTERFUND BALANCES

The stormwater fund transferred \$0 and \$0 to the sanitation fund during the fiscal years ended June 30, 2014 and 2013, respectively. The sanitation owed the stormwater fund \$14,313,219 and \$11,461,121 at June 30, 2014 and 2013, respectively.

NOTE 7 – PENSION PLAN

SD1 employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS. The plan issues separate financial statements, which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description – CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the system. An entity that elects to participate in CERS may not voluntarily withdraw from the system. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living adjustments (COLA) are provided at the discretion of the state legislature.

Non-hazardous Contributions – For the year ended June 30, 2014, plan members were required to contribute 5% of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. The actuarially determined rate set by the Board for the years ended June 30, 2014 and 2013 was 18.89% and 19.55% respectively of

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2014 and 2013

creditable compensation. Administrative costs of CERS are financed through employer contributions and investment earnings.

SD1 has no Hazardous duty contributors.

The required contribution and the actual percentage contributed by SD1 for the current and previous six years is as follows:

Year ending June 30,	Required Contribution	Percentage Contributed
2014	\$ 2,310,707	100%
2013	2,503,650	100%
2012	2,248,219	100%
2011	1,922,390	100%
2010	1,848,372	100%
2009	1,546,901	100%
2008	1,683,721	100%

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
2015	\$ 132,614
2016	136,592
2017	140,689
Totals	<u>\$ 409,895</u>

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 10 additional projects approved for funding in the amount of \$577,446 as of June 30, 2014 compared to 10 additional projects approved for funding in the amount of \$570,008 as of June 30, 2013.

SD1 has also partnered with communities, organizations, and businesses to increase the utilization of "green infrastructure". Through Green Initiative Project Partnerships (GrIPP), SD1 expended \$98,058 and \$53,540 in the years ended June 30, 2014 and 2013, respectively.

SANITATION DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2013

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 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 \$489,022 and \$466,886 have been recorded in the accompanying financial statements which are management's estimate of the unspent balances as of June 30, 2014 and 2013, respectively, that is likely to be paid in future periods.

In August 2013, SD1 entered into a new contract for banking and retail lockbox services with the Bank of Kentucky, transferring this service from Huntington Bank, which had been SD1's banking partner for over 20 years. Upon transferring funds from Huntington Bank, a discrepancy in the amount of \$234,810.77 was discovered between SD1's seven sub accounts and Huntington's concentration account (where all sub account funds were swept into on a daily basis) ending balance. After extensive research and review of available banking records, SD1 confirmed that all daily transactions had been accounted for, and agreed with the balances reported on the daily liquidity report provided by Huntington Bank as far back as July 1, 2004. SD1 and Huntington Bank are in agreement the discrepancy occurred prior to July 1, 2004. Given the statute of limitation on records retention, neither SD1 nor Huntington Bank has banking records before 2004.

SD1 intends to defend its position that Huntington Bank owes SD1 \$234,810.77, and is pursuing several actions in order to collect the dispute amount. Depending on the outcome, it is reasonably possible that SD1 may have to reduce its cash position. SD1 has not accrued a liability for this potential loss in the year ended June 30, 2014 nor has it included a write off for this amount in the fiscal year 2015 budget.

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

SANITATION DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014 and 2013

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 \$1.2 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 is the defendant in 17 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 wrongful termination suit where petitioner has made claims of retaliatory constructive discharge, intentional infliction of emotional distress, and violation of the Kentucky Whistleblower Act. The court has ruled in favor of SD1 and the case is currently under appeal.

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 case is now pending review by the Kentucky Supreme Court.

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 are vigorously defending the Secretary's Final Order before the court of appeals. If Petitioners prevail, additional treatment processes could be required to be installed and operated at the WRWRF, which could cost over \$50 million.

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 precedent set by a judgment against SD1 in this case could potentially result in significant financial contingencies against SD1 in the future.

SANITATION DISTRICT NO. 1 NOTES TO THE FINANCIAL STATEMENTS June 30, 2014 and 2013

NOTE 13 – INSURANCE IN FORCE

SD1 has the following insurance policies in force during fiscal years 2014 and 2013:

Type of Coverage	Amount of Coverage	
	2014	2013
Property- Buildings, pump stations, machinery	\$ 304,664,438	\$ 293,426,015
Earthquake	50,000,000	50,000,000
Equipment breakdown	50,000,000	50,000,000
General liability, aggregate	26,000,000	26,000,000
Public entity management liability	26,000,000	26,000,000
Vehicles	26,000,000	26,000,000
Environmental impairment	25,000,000	25,000,000
Scheduled equipment	5,952,741	5,463,413
Flood	5,000,000	5,000,000
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	2,648,944	2,172,801
EDP-hardware, software	1,350,000	1,350,000
Telecommunications-equipment	444,714	231,000
Telecommunications-tower	80,000	80,000
Electronic vandalism	100,000	50,000
Public official bonds (per board member)	50,000	50,000

NOTE 14 – RECLASSIFICATION IN PRIOR YEAR STATEMENTS

SD1 management has reclassified the position of several accounts on the 2013 Balance Sheet due a change in way several accounts are reported. This change will ensure accurate comparisons between fiscal years. This reclassification has a zero net effect on the ending balances of the Balance Sheet.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated events through December 4, 2014, the date on which the financial statements were available for issue. Sanitation District No. 1 did not have any events subsequent to June 30, 2013 through December 4, 2014 to disclose.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
GENERAL REVENUES
For the Year Ended June 30, 2014

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Sewer service	\$ 69,400,000	\$ 70,484,601	\$ 1,084,601
Storm water charges	11,990,000	11,899,106	(90,894)
Surcharges	2,902,500	3,736,550	834,050
Capacity connection fees	1,950,000	2,810,180	860,180
Penalties	1,535,000	1,551,428	16,428
Fines	15,000	22,246	7,246
Inspections	70,000	74,348	4,348
Permits	335,000	363,306	28,306
Project reimbursements	50,000	1,450,000	1,400,000
Contractual services	135,000	128,752	(6,248)
Sludge hauling	135,000	84,480	(50,520)
Bad debt recoveries	33,000	21,873	(11,127)
Other revenues	55,000	33,287	(21,713)
Total General Revenue	<u>\$ 88,605,500</u>	<u>\$ 92,660,157</u>	<u>\$ 4,054,657</u>

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
GENERAL REVENUES
For the Year Ended June 30, 2013

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Sewer service	\$ 71,270,000	\$ 70,416,460	\$ (853,540)
Storm water charges	11,590,000	11,751,183	161,183
Surcharges	2,515,000	3,146,055	631,055
Capacity connection fees	1,500,000	2,015,177	515,177
Penalties	1,525,000	1,564,611	39,611
Fines	16,000	17,163	1,163
Inspections	52,000	69,682	17,682
Permits	190,000	325,615	135,615
Project reimbursements	50,000	68,321	18,321
Contractual services	150,000	125,689	(24,311)
Sludge hauling	200,000	120,776	(79,224)
Bad debt recoveries	20,000	35,392	15,392
Other income	120,000	50,993	(69,007)
Total General Revenue	<u>\$ 89,198,000</u>	<u>\$ 89,707,117</u>	<u>\$ 509,117</u>

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2014

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Dry Creek Treatment Plant Operations			
Salaries and wages	\$ 2,412,718	\$ 2,193,667	\$ 219,051
Medical and dental self-insured plan	582,543	604,214	(21,671)
Pension plan	439,064	373,532	65,532
Payroll taxes	184,573	154,969	29,604
Employee benefits	45,115	42,747	2,368
Credits charged to capital projects	(110,000)	(98,455)	(11,545)
Insurance and bond	147,357	135,403	11,954
Professional and contracted services	190,000	144,846	45,154
Insurance claim	5,000	-	5,000
Postage	5,000	2,556	2,444
Office and operating supplies	170,000	176,669	(6,669)
Travel, training and certification	30,000	18,005	11,995
Contract labor - building maintenance	5,000	2,990	2,010
Operating maintenance - building grounds	82,000	98,760	(16,760)
Subscriptions	1,000	1,101	(101)
Electric and gas	1,250,000	1,332,840	(82,840)
Chemicals	1,800,000	940,142	859,858
Fuel oil	72,000	87,468	(15,468)
Telephone and radio	32,000	29,689	2,311
Water	64,000	43,649	20,351
Vehicle fuels	120,000	97,976	22,024
Auto and truck expense	80,000	55,530	24,470
Maintenance material - plant equipment	200,000	275,988	(75,988)
Sludge and grit removal	638,025	699,245	(61,220)
Safety equipment expense	20,000	14,747	5,253
Rental	10,000	8,966	1,034
Total Dry Creek Treatment Plant Expenses	8,475,395	7,437,244	1,038,151

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SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2014

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Eastern Regional Reclamation Facility			
Salaries and wages	\$ 467,332	\$ 530,112	\$ (62,780)
Medical and dental self-insured plan	95,764	135,090	(39,326)
Pension plan	88,279	89,085	(806)
Payroll taxes	35,751	37,078	(1,327)
Employee benefits	8,494	9,075	(581)
Credits charged to capital projects	(255,000)	(306,495)	51,495
Insurance and bond	32,386	32,074	312
Professional and contracted services	47,250	40,741	6,509
Insurance claims	5,000	-	5,000
Postage	200	-	200
Office and operating supplies	24,000	29,861	(5,861)
Travel, training and certification	10,000	5,461	4,539
Operating maintenance - building grounds	15,000	16,034	(1,034)
Subscriptions	200	233	(33)
Electric and gas	340,000	319,838	20,162
Chemicals	110,000	78,144	31,856
Fuel oil	10,000	3,636	6,364
Telephone and radio	38,000	30,681	7,319
Water	7,000	4,137	2,863
Vehicle fuels	35,000	31,318	3,682
Auto and truck expense	45,000	22,876	22,124
Maintenance material - plant equipment	90,000	93,561	(3,561)
Sludge and grit removal	110,000	97,380	12,620
Safety equipment expense	5,000	5,445	(445)
Rental	1,500	-	1,500
Total Eastern Regional Facility Expenses	1,366,156	1,305,365	60,791

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SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2014

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Western Regional Reclamation Facility			
Salaries and wages	\$ 628,206	\$ 612,700	\$ 15,506
Medical and dental self-insured plan	154,993	139,030	15,963
Pension plan	117,520	105,977	11,543
Payroll taxes	48,058	42,872	5,186
Employee benefits	12,113	9,906	2,207
Credits charged to capital projects	(5,000)	(1,577)	(3,423)
Insurance and bond	73,242	67,523	5,719
Professional and contracted services	65,000	52,677	12,323
Insurance claims	5,000	-	5,000
Postage	500	11	489
Office and operating supplies	52,000	50,892	1,108
Travel, training and certification	5,000	2,651	2,349
Operating maintenance - building grounds	35,000	33,768	1,232
Subscriptions	300	374	(74)
Contract labor - building maintenance	2,000	-	2,000
Electric and gas	925,000	911,466	13,534
Chemicals	105,000	54,147	50,853
Fuel oil	6,000	3,578	2,422
Telephone and radio	47,500	20,214	27,286
Water	6,000	2,499	3,501
Vehicle fuels	8,000	3,606	4,394
Auto and truck expense	8,000	7,751	249
Maintenance material - plant equipment	90,000	94,620	(4,620)
Sludge and grit removal	625,000	620,105	4,895
Safety equipment expense	15,000	10,756	4,244
Rental	3,000	1,598	1,402
Total Western Regional Facility Expenses	3,032,432	2,847,144	185,288

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SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2014

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Collection System			
Salaries and wages	\$ 3,575,296	\$ 3,512,367	\$ 62,929
Medical and dental self-insured plan	932,894	905,726	27,168
Pension plan	667,953	610,193	57,760
Payroll taxes	273,511	247,891	25,620
Employee benefits	71,824	65,401	6,423
Unemployment taxes	-	-	-
Credits charged to capital projects	(787,444)	(917,234)	129,790
Insurance and bond	227,178	197,075	30,103
Insurance claims	55,000	8,756	46,244
Professional and contracted services	1,000,000	1,057,174	(57,174)
Postage	2,500	3,726	(1,226)
Office and operating supplies	6,143	5,009	1,134
Travel, training and certification	18,000	16,642	1,358
Operating maintenance - building grounds	-	225	(225)
Subscriptions	500	221	279
Telephone and radio	34,224	43,518	(9,294)
Vehicle fuels	309,329	304,766	4,563
Auto and truck expense	315,910	288,102	27,808
Sludge and grit removal	35,500	23,977	11,523
Maintenance material - collection systems	351,011	391,210	(40,199)
Safety equipment expense	19,900	36,140	(16,240)
Rental	-	7,380	(7,380)
Private lateral 50/50 program	-	-	-
Total Collection System Expenses	7,109,229	6,808,265	300,964

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SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2014

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Pump Stations/Field Tech			
Salaries and wages	\$ 685,059	\$ 676,578	\$ 8,481
Medical and dental self-insured plan	155,443	182,489	(27,046)
Pension plan	121,247	107,183	14,064
Payroll taxes	52,407	47,964	4,443
Employee benefits	13,937	13,238	699
Unemployment taxes	-	-	-
Credits charged to capital projects	(77,000)	(69,920)	(7,080)
Insurance and bond	108,769	101,507	7,262
Insurance claims	5,000	-	5,000
Professional and contracted services	55,000	63,530	(8,530)
Postage	1,000	256	744
Office and operating supplies	20,000	31,231	(11,231)
Travel, training and certification	10,000	7,357	2,643
Contract labor - building maintenance	500	-	500
Operating maintenance - building grounds	24,000	25,262	(1,262)
Subscriptions	200	-	200
Electric and gas	2,130,000	1,828,914	301,086
Chemicals	1,677,000	1,189,229	487,771
Fuel oil	25,000	19,114	5,886
Telephone and radio	55,000	58,634	(3,634)
Water	28,000	25,886	2,114
Vehicle fuels	37,000	55,122	(18,122)
Auto and truck expense	37,000	31,015	5,985
Sludge and grit removal	5,000	16,797	(11,797)
Operating Maintenance - pump stations	200,000	179,918	20,082
Safety equipment expense	10,000	5,671	4,329
Rental	35,000	34,771	229
Total Pump Stations/Field Tech Expenses	5,414,562	4,631,746	782,816

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<p>SANITATION DISTRICT NO. 1 BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL - OPERATION, MAINTENANCE, AND ADMINISTRATION For the Year Ended June 30, 2014</p>
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Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Operations			
Salaries and wages	\$ 412,316	\$ 422,645	\$ (10,329)
Medical and dental self-insured plan	77,414	107,554	(30,140)
Pension plan	75,697	65,975	9,722
Payroll taxes	31,542	29,780	1,762
Employee benefits	5,056	5,250	(194)
Credits charged to capital projects	(34,314)	(39,592)	5,278
Insurance and bond	14,862	12,897	1,965
Insurance claims	1,000	-	1,000
Legal services	2,750	-	2,750
Professional and contracted services	-	588	(588)
Postage	50	-	50
Office and operating supplies	2,670	1,140	1,530
Travel, training and certification	6,200	2,434	3,766
Operating maintenance - building grounds	-	1,450	(1,450)
Subscriptions	858	390	468
Telephone and radio	7,614	3,472	4,142
Vehicle fuels	5,250	6,874	(1,624)
Auto and truck expense	13,200	10,659	2,541
Total Collection System Expenses	622,165	631,516	(9,351)

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SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2014

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Engineering			
Salaries and wages	\$ 1,244,435	\$ 1,185,550	\$ 58,885
Medical and dental self-insured plan	229,335	214,364	14,971
Pension plan	235,074	198,628	36,446
Payroll taxes	95,199	83,082	12,117
Employee benefits	17,450	16,940	510
Credits charged to capital projects	(717,945)	(824,833)	106,888
Insurance and bond	36,296	31,805	4,491
Insurance claims	4,000	2,200	1,800
Professional and contracted services	396,952	346,420	50,532
Legal Services	8,250	2,726	5,524
Postage	150	593	(443)
Office and operating supplies	31,664	35,738	(4,074)
Training and certification	35,780	25,623	10,157
Subscriptions	64,249	53,931	10,318
Telephone and radio	13,093	12,640	453
Vehicle fuels	36,750	27,709	9,041
Auto and truck expense	14,400	6,088	8,312
Safety equipment expense	4,200	3,072	1,128
Rental	-	-	-
Inflow and infiltration removal program	100,000	14,109	85,891
Total Engineering Expenses	1,849,332	1,436,385	412,947

(Continued to next page)

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2014

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Storm Water Program			
Salaries and wages	\$ 2,139,189	\$ 2,126,766	\$ 12,423
Board of directors	6,154	6,156	(2)
Medical and dental self-insured plan	454,005	586,709	(132,704)
Pension plan	392,126	343,604	48,522
Payroll taxes	163,648	150,476	13,172
Employee benefits	34,764	32,772	1,992
Unemployment taxes	1,570	892	678
Credits charged to capital projects	(233,951)	(199,181)	(34,770)
Insurance and bond	20,914	20,801	113
Professional and contracted services	998,200	731,299	266,901
Legal services	147,500	48,746	98,754
Bank services	82,787	92,347	(9,560)
Auditing services	7,745	16,582	(8,837)
Insurance claims	5,000	-	5,000
Postage	104,161	81,014	23,147
Office and operating supplies	105,761	90,481	15,280
Training and certification	21,000	24,547	(3,547)
Operating maintenance - building grounds	40,190	62,422	(22,232)
Storm water program	70,000	43,304	26,696
Subscriptions	61,850	50,046	11,804
Communications	3,558	882	2,676
Legal advertising	2,000	-	2,000
Electric and gas	33,358	38,759	(5,401)
Telephone and radio	25,333	28,466	(3,133)
Water	3,977	4,104	(127)
Vehicle fuels	64,171	63,932	239
Auto and truck expense	49,690	47,963	1,727
Sludge and grit removal	10,000	-	10,000
Maintenance material - storm water	48,989	54,612	(5,623)
Storm water facilities and features	15,000	1,731	13,269
Safety equipment expense	2,000	271	1,729
Green initiative expense	200,000	98,058	101,942
Disconnect/Redirect/Infiltration Program (DRIP)	5,000	2,434	2,566
50/50 storm water projects	150,000	-	150,000
Total Storm Water Expenses	5,235,689	4,650,995	584,694

(Continued to next page)

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2014

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Administration			
Salaries and wages	\$ 2,593,899	\$ 2,590,397	\$ 3,502
Board of directors	23,246	23,244	2
Medical and dental self-insured plan	513,098	653,638	(140,540)
Pension plan	476,047	416,530	59,517
Payroll taxes	198,433	180,340	18,093
Employee benefits	46,112	33,245	12,867
Unemployment taxes	5,930	3,368	2,562
Credits charged to capital projects	(6,325)	1,018	(7,343)
Insurance and bond	161,096	157,677	3,419
Insurance claims	55,000	78,091	(23,091)
Professional and contracted services	1,216,546	974,788	241,758
Legal services	239,400	97,081	142,319
Bank services	312,713	340,069	(27,356)
Auditing services	29,255	62,647	(33,392)
Postage	393,074	305,699	87,375
Office and operating supplies	165,682	163,153	2,529
Training and certification	160,430	78,310	82,120
Operating maintenance - building grounds	125,370	130,602	(5,232)
Dues and subscriptions	72,115	71,333	782
Communications	13,442	3,323	10,119
Legal advertising	8,000	4,516	3,484
Sales tax expense	-	(638)	638
Electric and gas	106,742	132,823	(26,081)
Telephone and radio	35,746	48,799	(13,053)
Water	15,023	15,503	(480)
Vehicle fuels	5,200	3,639	1,561
Auto and truck expense	3,000	3,171	(171)
Safety equipment expense	9,750	6,977	2,773
Rental	9,900	24,618	(14,718)
Supplemental state environmental projects	31,920	1,924	29,996
Total Administration Expenses	<u>7,019,844</u>	<u>6,605,885</u>	<u>413,959</u>
Total Operation, Maintenance, and Administration Expenses	<u>\$ 40,124,804</u>	<u>\$ 36,354,545</u>	<u>\$ 3,770,259</u>

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

General Revenues	\$ 92,660,157
Operation, Maintenance and Administration Expenses	(36,354,545)
Major Repair Expenses	(1,291,040)
Depreciation	<u>(40,716,750)</u>
Net Operating Income	<u>\$ 14,297,822</u>

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2013

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Dry Creek Treatment Plant Operations			
Salaries and wages	\$ 2,258,870	\$ 2,286,578	\$ (27,708)
Medical and dental self-insured plan	516,072	687,950	(171,878)
Pension plan	441,609	413,173	28,436
Payroll taxes	172,804	162,689	10,115
Employee benefits	49,740	40,929	8,811
Credits charged to capital projects	(400,000)	(76,876)	(323,124)
Insurance and bond	127,455	117,385	10,070
Professional and contracted services	150,000	120,297	29,703
Postage	5,000	3,487	1,513
Office and operating supplies	163,620	170,998	(7,378)
Travel, training and certification	21,785	19,653	2,132
Contract labor - building maintenance	5,000	19,904	(14,904)
Operating maintenance - building grounds	72,000	71,772	228
Subscriptions	1,000	1,857	(857)
Electric and gas	1,200,000	1,026,405	173,595
Chemicals	2,391,480	1,215,987	1,175,493
Fuel oil	73,200	98,224	(25,024)
Telephone and radio	40,000	25,023	14,977
Water	64,000	54,675	9,325
Vehicle fuels	160,000	112,809	47,191
Auto and truck expense	100,000	55,032	44,968
Maintenance material - plant equipment	200,000	218,143	(18,143)
Sludge and grit removal	850,701	656,070	194,631
Safety equipment expense	20,000	13,267	6,733
Rental	8,000	6,255	1,745
Total Dry Creek Treatment Plant Expenses	8,692,336	7,521,686	1,170,650

(Continued to next page)

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2013

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Eastern Regional Reclamation Facility			
Salaries and wages	\$ 505,570	\$ 420,969	\$ 84,601
Medical and dental self-insured plan	113,971	151,667	(37,696)
Pension plan	98,839	79,490	19,349
Payroll taxes	38,676	30,010	8,666
Employee benefits	11,715	8,191	3,524
Credits charged to capital projects	(5,000)	(306,527)	301,527
Insurance and bond	42,415	41,781	634
Professional and contracted services	47,250	33,877	13,373
Postage	200	-	200
Office and operating supplies	24,060	30,566	(6,506)
Travel, training and certification	5,000	1,850	3,150
Operating maintenance - building grounds	15,000	10,915	4,085
Subscriptions	200	163	37
Electric and gas	360,000	340,996	19,004
Chemicals	110,000	95,794	14,206
Fuel oil	10,000	-	10,000
Telephone and radio	46,000	29,287	16,713
Water	8,000	4,774	3,226
Vehicle fuels	35,000	31,647	3,353
Auto and truck expense	45,000	25,739	19,261
Maintenance material - plant equipment	90,000	60,966	29,034
Sludge and grit removal	134,316	91,184	43,132
Safety equipment expense	5,000	2,872	2,128
Rental	3,000	-	3,000
Total Eastern Regional Facility Expenses	1,744,212	1,186,211	558,001

(Continued to next page)

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2013

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Western Regional Reclamation Facility			
Salaries and wages	\$ 570,315	\$ 612,800	\$ (42,485)
Medical and dental self-insured plan	147,742	190,376	(42,634)
Pension plan	111,497	116,341	(4,844)
Payroll taxes	43,629	43,306	323
Employee benefits	13,693	10,944	2,749
Credits charged to capital projects	(30,000)	-	(30,000)
Insurance and bond	66,929	56,261	10,668
Professional and contracted services	65,000	37,456	27,544
Postage	500	447	53
Office and operating supplies	56,500	44,088	12,412
Travel, training and certification	5,000	2,327	2,673
Operating maintenance - building grounds	35,000	35,807	(807)
Subscriptions	300	273	27
Contract labor - building maintenance	2,000	-	2,000
Electric and gas	972,627	945,690	26,937
Chemicals	114,800	77,330	37,470
Fuel oil	2,000	2,269	(269)
Telephone and radio	47,500	24,742	22,758
Water	8,000	1,704	6,296
Vehicle fuels	25,000	3,531	21,469
Auto and truck expense	25,000	4,233	20,767
Maintenance material - plant equipment	90,000	96,742	(6,742)
Sludge and grit removal	235,057	453,816	(218,759)
Safety equipment expense	20,000	16,357	3,643
Rental	3,000	416	2,584
Total Western Regional Facility Expenses	2,631,089	2,777,256	(146,167)

(Continued to next page)

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2013

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Collection System			
Salaries and wages	\$ 3,167,855	\$ 3,170,217	\$ (2,362)
Medical and dental self-insured plan	789,843	1,046,193	(256,350)
Pension plan	619,316	606,474	12,842
Payroll taxes	242,341	224,878	17,463
Employee benefits	73,535	56,326	17,209
Unemployment taxes	-	465	(465)
Credits charged to capital projects	(1,843,278)	(1,308,823)	(534,455)
Insurance and bond	218,001	207,921	10,080
Insurance claims	37,500	13,647	23,853
Professional and contracted services	1,072,970	1,221,826	(148,856)
Postage	4,800	4,086	714
Office and operating supplies	21,690	39,733	(18,043)
Travel, training and certification	27,700	32,265	(4,565)
Operating maintenance - building grounds	-	175	(175)
Subscriptions	500	459	41
Telephone and radio	40,376	28,444	11,932
Vehicle fuels	300,800	365,879	(65,079)
Auto and truck expense	325,200	314,929	10,271
Sludge and grit removal	45,000	46,354	(1,354)
Maintenance material - collection systems	283,634	572,745	(289,111)
Safety equipment expense	12,450	37,691	(25,241)
Rental	5,000	5,987	(987)
Private lateral 50/50 program	50,000	2,500	47,500
Total Collection System Expenses	5,495,233	6,690,371	(1,195,138)

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SANITATION DISTRICT NO. 1 BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL - OPERATION, MAINTENANCE, AND ADMINISTRATION For the Year Ended June 30, 2013

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Pump Stations/Field Tech			
Salaries and wages	\$ 663,170	\$ 685,220	\$ (22,050)
Medical and dental self-insured plan	169,142	203,872	(34,730)
Pension plan	129,650	125,659	3,991
Payroll taxes	50,733	48,947	1,786
Employee benefits	17,465	13,225	4,240
Unemployment taxes	7,500	-	7,500
Credits charged to capital projects	(80,000)	(72,085)	(7,915)
Insurance and bond	121,237	108,702	12,535
Professional and contracted services	72,305	76,427	(4,122)
Postage	1,000	485	515
Office and operating supplies	28,440	24,046	4,394
Travel, training and certification	10,000	6,224	3,776
Contract labor - building maintenance	500	-	500
Operating maintenance - building grounds	25,000	17,456	7,544
Subscriptions	200	-	200
Electric and gas	1,900,000	1,682,596	217,404
Chemicals	1,333,277	1,622,295	(289,018)
Fuel oil	20,000	20,155	(155)
Telephone and radio	53,640	48,388	5,252
Water	22,000	21,754	246
Vehicle fuels	35,000	37,003	(2,003)
Auto and truck expense	35,000	32,374	2,626
Sludge and grit removal	9,000	3,472	5,528
Operating Maintenance - pump stations	200,000	161,018	38,982
Safety equipment expense	12,000	8,963	3,037
Rental	45,000	34,003	10,997
Total Pump Stations/Field Tech Expenses	4,881,259	4,910,199	(28,940)

(Continued to next page)

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2013

Expenses			Variance
Engineering	Budget	Actual	Favorable
			(Unfavorable)
Salaries and wages	\$ 1,563,087	\$ 1,672,966	\$ (109,879)
Medical and dental self-insured plan	277,212	348,211	(70,999)
Pension plan	305,583	319,103	(13,520)
Payroll taxes	119,576	117,045	2,531
Employee benefits	24,840	22,783	2,057
Credits charged to capital projects	(1,009,524)	(981,283)	(28,241)
Insurance and bond	50,270	47,221	3,049
Insurance claims	-	10,174	(10,174)
Professional and contracted services	767,500	571,476	196,024
Legal Services	6,300	7,090	(790)
Postage	200	555	(355)
Office and operating supplies	86,604	31,515	55,089
Training and certification	31,450	26,614	4,836
Subscriptions	56,050	24,943	31,107
Telephone and radio	51,429	16,037	35,392
Vehicle fuels	60,000	39,847	20,153
Auto and truck expense	24,000	18,860	5,140
Safety equipment expense	4,200	3,250	950
Rental	-	220	(220)
Inflow and infiltration removal program	100,000	10,549	89,451
Total Engineering Expenses	2,518,777	2,307,176	211,601

(Continued to next page)

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2013

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Storm Water Program			
Salaries and wages	\$ 2,559,276	\$ 2,280,563	\$ 278,713
Board of directors	6,544	6,084	460
Medical and dental self-insured plan	534,835	675,718	(140,883)
Pension plan	500,338	414,160	86,178
Payroll taxes	196,285	161,983	34,302
Employee benefits	49,539	47,418	2,121
Unemployment taxes	1,669	3,501	(1,832)
Credits charged to capital projects	(725,824)	(460,776)	(265,048)
Insurance and bond	27,865	27,612	253
Professional and contracted services	855,950	576,554	279,396
Legal services	114,650	48,610	66,040
Bank services	81,787	91,467	(9,680)
Auditing services	9,348	6,366	2,982
Postage	105,190	103,471	1,719
Office and operating supplies	133,009	107,290	25,719
Training and certification	16,600	15,410	1,190
Operating maintenance - building grounds	65,860	42,043	23,817
Storm water program	85,000	60,808	24,192
Subscriptions	52,800	23,098	29,702
Communications	5,565	2,848	2,717
Legal advertising	1,000	722	278
Electric and gas	34,961	39,145	(4,184)
Telephone and radio	31,917	39,339	(7,422)
Water	3,561	4,259	(698)
Vehicle fuels	34,300	17,183	17,117
Auto and truck expense	25,000	21,331	3,669
Sludge and grit removal	30,000	-	30,000
Maintenance material - storm water	56,366	113,836	(57,470)
Storm water facilities and features	15,000	4,775	10,225
Safety equipment expense	2,000	665	1,335
Green initiative expense	250,000	53,540	196,460
Disconnect/Redirect/Infiltration Program (DRIP)	40,000	1,025	38,975
50/50 storm water projects	75,000	69,969	5,031
Total Storm Water Expenses	5,275,391	4,600,017	675,374

(Continued to next page)

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -
OPERATION, MAINTENANCE, AND ADMINISTRATION
For the Year Ended June 30, 2013

Expenses	Budget	Actual	Variance Favorable (Unfavorable)
Administration			
Salaries and wages	\$ 2,536,082	\$ 2,406,597	\$ 129,485
Board of directors	22,856	21,259	1,597
Medical and dental self-insured plan	486,432	499,790	(13,358)
Pension plan	495,804	429,249	66,555
Payroll taxes	195,759	169,047	26,712
Employee benefits	51,380	58,266	(6,886)
Unemployment taxes	5,831	11,901	(6,070)
Credits charged to capital projects	(7,774)	(4,149)	(3,625)
Insurance and bond	152,391	154,863	(2,472)
Insurance claims	87,500	142,304	(54,804)
Professional and contracted services	1,192,595	991,383	201,212
Legal services	290,900	173,058	117,842
Bank services	285,663	310,702	(25,039)
Auditing services	32,652	22,234	10,418
Postage	364,610	360,570	4,040
Office and operating supplies	157,622	215,200	(57,578)
Training and certification	159,725	113,515	46,210
Operating maintenance - building grounds	177,640	138,205	39,435
Dues and subscriptions	70,530	67,918	2,612
Communications	19,435	9,945	9,490
Legal advertising	3,750	8,575	(4,825)
Sales tax expense	-	11,157	(11,157)
Electric and gas	108,839	126,239	(17,400)
Telephone and radio	36,228	78,848	(42,620)
Water	12,439	14,871	(2,432)
Vehicle fuels	6,150	3,581	2,569
Auto and truck expense	3,300	3,088	212
Safety equipment expense	12,100	7,624	4,476
Rental	10,000	6,087	3,913
Supplemental state environmental projects	30,000	-	30,000
Total Administration Expenses	<u>7,000,439</u>	<u>6,551,927</u>	<u>448,512</u>
Total Operation, Maintenance, and Administration Expenses	<u>\$ 38,238,736</u>	<u>\$ 36,544,843</u>	<u>\$ 1,693,893</u>

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

General Revenues	\$ 89,707,117
Operation, Maintenance and Administration Expenses	(36,544,843)
Major Repair Expenses	(4,495,306)
Depreciation	<u>(40,245,842)</u>
Net Operating Income	<u>\$ 8,421,126</u>

SANITATION DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

<u>Federal Agency</u>	<u>Federal Grantor/Program Title/Project</u>	<u>Federal CFDA Number</u>	<u>Loan Number</u>	<u>Expenditures</u>
EPA	Capitalization Grants for clean water - State Revolving Funds - Passed through Commonwealth of Kentucky - Kentucky Infrastructure Authority			
	Dry Creek Headworks / Hydraulics	66.458	A10-11	\$ 531,846
	Lakeview, Kentucky Aire, Church St.		A11-13	1,427,870
	Lakeside Park, Vernon Lane		A11-14	115,203
Total Federal Expenditures:				<u>\$ 2,074,919</u>

SANITATION DISTRICT NO. 1
NOTES TO THE SUPPLEMENTARY INFORMATION
June 30, 2014

NOTE 1 – SUPPLEMENTARY INFORMATION

The accompanying summary information of Sanitation District No. 1, as of and for the years ended June 30, 2014 and 2013, as listed in the table of contents is not a presentation in conformity with accounting principles generally accepted in the United States of America.

NOTE 2 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The basis of presentation of the Schedule of Expenditures of Federal Awards is the modified accrual basis of accounting.

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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, 2014 and 2013, 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 December 4, 2014.

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.
Erlanger, Kentucky
December 4, 2014

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

**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 Circular A-133 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, 2014. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2014.

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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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Van Gorder, Walker & Co., Inc.

Van Gorder, Walker & Co., inc.
Erlanger, Kentucky
December 4, 2014

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SANITATION DISTRICT NO. 1 SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2014

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: 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 Section 510(a) of OMB Circular A-133: Yes X No

Identification of major programs:

Federal Program or Cluster	CFDA No.
-----	-----
Capitalization Grants for Clean Water	66.458

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

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, 2014

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>	80-85
These schedules contain trend information to help readers understand how SD1's financial performance and position have changed over time.	
<i>Revenue Capacity:</i>	86-91
These schedules contain information to help readers assess SD1's most significant revenue sources.	
<i>Debt Service Coverage:</i>	92-94
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>	95-99
These schedules provide information about the environment in which SD1 operates.	
<i>Operating Information:</i>	100-101
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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
ASSETS										
Current Assets										
Cash and Cash Equivalents	\$ 2,244,528	\$ 8,092,974	\$ 3,964,704	\$ 18,636,359	\$ 10,266,444	\$ 9,692,841	\$ 7,352,663	\$ 9,464,525	\$ 19,058,529	\$ 32,923,666
Investments	5,499,532	5,708,368	6,002,125	6,256,876	8,965,396	6,607,843	6,693,573	-	-	-
Accounts Receivable	4,713,486	4,922,679	6,416,545	7,470,754	8,152,236	7,242,816	8,201,544	10,108,461	11,031,115	10,257,908
Customers, Net Allowance	46,523	28,234	28,297	29,806	15,278	22,653	13,728	20,731	24,631	12,068
Communities							11,555,668	6,940,435	4,235,102	1,204,334
KIA Loan Receivable							4,269,523	3,834,336	3,741,641	4,004,172
Others	592,307	811,043	654,758	819,442	1,946,388	5,432,371	6,898,795	7,302,667	11,461,121	14,313,219
Due from other Fund	5,315,148	5,703,617	7,503,691	8,478,996	8,359,200	7,725,400	8,698,483	9,615,400	9,190,400	9,344,329
Accrued Unbilled Charges	415,088	674,291	615,929	618,314	555,209	533,981	619,705	637,963	596,152	1,363,240
Prepays and Deposits	10,501	1,960	56,075	53,132	17,604	33,250	28,238	27,324	15,778	13,980
Accrued Interest Income										
Total Current Assets	18,837,113	25,943,164	25,242,124	42,363,679	43,118,455	42,131,653	54,331,940	47,951,862	59,354,469	73,436,916
Restricted Assets										
Cash	7,749,767	1,803,160	9,785,123	64,677,847	25,451,995	52,780,640	51,090,511	32,563,239	19,577,365	11,596,453
Investments	46,312,461	34,362,542	55,761,031	50,153,621	51,350,743	64,012,084	73,766,771	80,747,604	82,613,373	83,424,890
Receivables										
Assessments	1,026,896	2,062,910	2,417,800	2,248,298	2,079,366	1,958,351	1,849,302	1,738,719	1,644,649	1,555,201
Improvement Note	3,714,776	2,830,465	1,773,759	821,522	20,530	5,524	5,525	5,443	5,130	5,130
Accrued Interest	169,649	269,152	20,034	481,449	270,586	261,423	206,456	162,673	152,282	108,193
Prepaid Items	-	123,341	73,303	123,803	233,390	233,390	59,708	98,519	49,354	188
Total Restricted Assets	58,973,549	41,471,570	69,831,050	118,506,540	79,406,630	119,251,412	126,978,273	115,336,197	104,042,153	96,690,045
Capital Assets										
Land, Building, System, Equipment, and Vehicles	476,169,551	521,466,916	545,718,594	578,928,567	644,722,698	949,282,454	1,106,520,240	1,377,882,062	1,435,999,064	1,489,052,302
Construction in Progress	50,241,163	58,533,869	104,962,850	144,855,250	153,932,654	197,579,699	250,483,024	50,114,839	41,833,765	8,030,328
Less: Accumulated Depreciation	(122,793,697)	(135,654,036)	(148,109,679)	(161,769,836)	(185,336,930)	(206,333,999)	(241,595,496)	(278,159,842)	(316,596,851)	(352,824,204)
Total Capital Assets, Net	403,617,017	444,346,747	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
TOTAL ASSETS	483,427,679	511,761,481	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	1,314,385,387
DEFERRED OUTFLOW OF RESOURCES										
Deferred refunding costs on defeased bonds	-	3,090,425	2,766,697	2,428,639	2,075,610	1,725,432	4,722,311	4,071,573	3,458,564	2,904,792
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	\$ 483,427,679	\$ 514,851,906	\$ 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	\$ 1,317,290,179

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
LIABILITIES										
Current Liabilities										
Customer Deposits and Other	\$ 26,746	\$ 290,739	\$ 290,815	\$ 406,823	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	4,436,404	5,780,088	9,353,468	11,919,292	12,563,179	16,425,404	9,944,360	11,676,772	8,518,879	6,208,453
Accrued Payroll and Benefits	703,919	850,281	1,309,817	1,496,580	1,781,005	1,957,480	1,426,119	1,490,786	1,747,898	1,825,208
Accrued Taxes and Pension	127,188	181,544	215,745	93,691	134,234	136	425	(104)	2,772	11,008
Due to other Fund	-	-	-	-	4,840,700	4,840,698	6,898,795	7,302,667	11,461,121	14,313,219
Communities	44,794	27,473	27,361	16,651	18,187	2,033	346	733	156	47
Other Accruals	37,394	120,828	176,993	-	56,154	79,060	78,201	67,578	45,183	31,076
Salas Tax Payable	-	-	-	1,114	330	155	(450)	-	47,590	61
Total Current Liabilities	5,376,445	7,250,953	11,373,999	13,934,151	19,393,789	23,304,966	18,347,796	20,538,432	21,823,599	22,389,072
Liabilities Payable From Restricted Assets										
Current Portion of Long-Term Debt	3,230,000	3,610,000	3,775,000	6,792,025	7,164,762	8,537,838	12,386,658	12,981,517	18,438,249	18,147,235
Accounts Payable	109,943	4,398,273	4,682,432	2,149,689	4,017,251	9,316,617	9,164,358	2,701,990	1,324,184	-
Bank Overdraft	-	-	-	-	-	-	-	-	-	-
Accrued Interest Payable	1,933,855	1,768,207	2,633,826	4,763,067	4,578,388	6,473,959	8,671,851	8,350,350	8,230,475	8,085,295
Total Liabilities Payable From Restricted Assets	5,273,798	9,776,480	11,091,258	13,704,781	15,760,401	24,328,414	30,222,867	24,033,857	27,992,908	26,242,530
Noncurrent Liabilities										
Notes Payable	1,677,378	9,135,451	24,562,340	29,566,568	32,497,265	60,501,607	101,353,944	134,708,581	145,790,516	147,034,138
Bonds Payable, net of amortization	88,297,901	87,141,828	132,314,216	233,107,525	226,802,468	347,290,647	400,125,967	391,599,334	379,143,277	366,369,937
Total Noncurrent Liabilities	89,975,279	96,277,279	158,876,556	262,674,093	259,299,733	407,792,254	501,479,911	526,307,915	524,933,793	513,404,075
TOTAL LIABILITIES	100,625,522	113,304,712	179,341,813	290,313,025	294,453,923	455,425,634	550,050,574	570,880,204	574,750,300	562,035,677
NET ASSETS (POSITION)										
Invested in Capital Assets, Net of Related Debt	311,827,017	354,857,120	365,514,720	321,187,792	381,426,802	586,425,101	606,263,510	610,547,627	617,863,936	612,707,116
Restricted for:										
Debt service funds, net of current liabilities	-	-	-	-	-	-	-	-	-	-
Operations, infrastructure, & insurance reserves	-	-	-	-	-	-	-	-	-	-
Capital improvement/programs	-	-	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-	-	-
Restrictions not previously classified	57,514,472	27,997,863	37,952,452	82,027,216	38,313,726	42,959,229	109,637,329	108,460,071	-	-
Unrestricted	13,460,668	18,692,211	18,602,651	31,784,826	23,724,666	18,826,687	35,488,879	27,308,789	37,530,868	51,047,844
TOTAL NET ASSETS (POSITION)	382,802,157	401,547,194	421,069,823	434,999,834	443,465,194	648,211,017	751,389,718	746,316,487	753,340,864	755,254,502
TOTAL LIABILITIES AND NET ASSETS (POSITION)	\$ 483,427,679	\$ 514,851,906	\$ 600,411,636	\$ 725,312,859	\$ 737,919,117	\$ 1,103,636,661	\$ 1,301,440,292	\$ 1,317,196,691	\$ 1,328,091,164	\$ 1,317,290,179

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

Fiscal Year

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
OPERATING REVENUES										
Sewer service charges	\$ 26,801,678	\$ 26,970,656	\$ 31,121,420	\$ 41,342,262	\$ 47,368,230	\$ 53,994,128	\$ 61,887,891	\$ 68,369,740	\$ 73,562,515	\$ 74,221,151
Storm water charges	8,004,587	8,317,604	10,268,746	9,739,148	10,301,534	10,810,291	11,091,977	11,388,734	11,751,183	11,899,106
Permits & tap-in fees	4,084,334	3,653,657	3,249,711	3,002,506	2,236,542	2,732,120	2,283,388	1,765,957	2,340,792	3,173,486
Sludge hauling	246,042	205,367	170,966	192,978	77,171	92,429	144,505	147,409	120,776	84,480
Inspections	157,435	174,748	123,689	70,004	52,456	34,878	33,416	69,300	69,682	74,348
Penalties and fines	566,281	607,177	675,850	897,070	1,179,262	1,292,685	1,332,674	1,431,386	1,581,774	1,573,674
Contractual services	139,421	104,523	106,341	94,831	87,600	103,219	137,694	141,038	125,689	128,752
Bad debt recoveries	22,169	4,578	6,720	6,124	12,964	49,938	35,355	19,097	35,392	21,873
Other revenues	159,997	131,157	128,362	99,850	44,190	119,992	7,017	69,044	50,993	33,287
Project reimbursements	2,250,752	2,184,057	1,602,282	1,370,247	310,899	165,830	1,442,406	549,579	68,321	1,450,000
TOTAL OPERATING REVENUES	42,432,696	42,353,524	47,454,087	56,815,019	61,670,848	69,395,510	78,396,323	83,951,284	89,707,117	92,660,157

OPERATING EXPENSES										
Operation, maintenance and administration	6,237,789	4,426,289	5,023,781	6,823,087	7,397,037	6,824,325	7,666,779	7,875,727	10,352,734	11,423,914
Salary & Wages	3,237,133	3,466,525	4,477,282	4,987,591	5,144,969	5,819,271	5,776,673	6,628,400	7,539,280	7,046,809
Employee Benefit & Incentive Expenses	1,582,081	1,588,507	1,495,273	1,614,396	1,758,011	2,779,872	3,063,454	3,778,654	5,216,695	4,918,068
Professional & Contractual Services	843,867	873,723	965,059	1,200,378	1,347,218	1,743,401	1,434,543	1,742,980	1,903,439	1,759,589
Office Administration Expenses	4,414,530	5,564,287	5,929,618	6,595,898	6,551,357	7,198,145	7,316,763	7,362,096	7,685,268	7,311,989
Utilities, Fuels Oil & Chemicals Expense	627,340	842,507	932,180	1,216,854	1,037,133	1,096,654	1,163,239	1,276,021	1,087,065	1,068,097
Vehicle Operation Expenses	1,031,122	1,416,263	1,141,572	1,560,922	1,755,982	2,372,647	1,997,122	2,355,828	2,760,362	2,824,155
Infrastructure , Equipment & Other Expenses	-	-	-	30,051	82,951	283,029	202,182	61,218	-	1,924
Supplemental/ State Environmental Projects	26,766	259,278	421,591	7,831	-	-	-	-	-	-
Other Expenses	18,000,628	18,437,379	20,386,356	24,037,008	25,074,658	28,117,344	28,620,755	31,080,924	36,544,843	36,354,545
Total Operation, Maintenance and Administration	426,065	1,166,674	350,601	6,447,722	3,134,429	4,797,653	6,172,970	4,912,935	4,495,306	1,291,040
Major repairs and other	10,101,489	12,887,270	12,540,922	13,939,243	23,791,773	32,842,268	37,633,213	39,593,040	40,245,842	40,716,750
Depreciation	28,528,182	32,491,323	33,277,879	44,423,973	51,940,860	65,757,265	72,426,938	75,586,899	81,285,991	78,362,335
TOTAL OPERATING EXPENSES	13,904,514	9,862,201	14,176,208	12,391,046	9,729,988	3,638,245	5,969,385	8,364,385	8,421,126	14,297,822

OPERATING INCOME 8,421,126

(Continue)

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
NON-OPERATING INCOME										
Interest Income	827,776	1,815,566	3,339,413	5,280,998	2,064,125	1,693,941	1,272,736	723,911	831,632	567,152
Federal credits On Build America Bonds	-	-	-	-	-	561,428	3,853,736	3,805,832	3,590,813	3,530,769
Gain/(Loss) on sale of fixed assets	2,620	1,665	-	87,167	59,458	(4,646,167)	(2,411,613)	(2,392,458)	(1,810,776)	(1,105,803)
Unrealized appreciation in fair market value of investments	549,041	99,764	548,083	(591,216)	342,379	104,496	(443,536)	286,941	(486,536)	165,073
TOTAL NON-OPERATING INCOME	1,379,437	1,916,995	3,887,496	4,776,949	2,465,962	(2,286,602)	2,271,323	2,424,226	2,125,131	3,157,191
INTEREST AND OTHER CHARGES										
Interest on long-term debt	4,683,054	3,463,153	4,251,330	5,547,185	5,758,237	11,174,929	16,025,760	19,254,771	19,331,456	20,828,408
Amortization of bond discount & expense	128,403	141,330	175,057	192,465	258,885	186,054	255,805	395,549	43,097	44,516
TOTAL INTEREST & OTHER CHARGES	4,811,457	3,604,483	4,426,387	5,739,650	6,017,122	11,360,883	16,281,565	18,650,320	19,374,553	20,872,924
CHANGE IN NET ASSETS BEFORE CAPITAL CONTRIBUTIONS	10,472,494	8,174,713	13,637,317	11,428,345	6,176,828	(10,009,240)	(8,040,857)	(7,861,709)	(8,828,296)	(3,417,911)
CAPITAL CONTRIBUTIONS	9,559,415	10,950,160	5,885,312	2,501,666	2,286,532	214,755,064	111,721,532	6,064,545	15,852,673	5,331,548
CHANGE IN NET ASSETS (POSITION)	\$ 20,031,909	\$ 19,124,873	\$ 19,522,629	\$ 13,930,011	\$ 8,466,360	\$ 204,745,924	\$ 103,680,675	\$ (1,797,164)	\$ 7,024,377	\$ 1,913,637

**Sanitation District No. 1
Cash Flows
Last Ten Fiscal Years**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Cash Flow from Operating Activities										
Received from Customers	\$ 41,348,732	\$ 40,519,401	\$ 43,961,479	\$ 54,619,313	\$ 61,194,429	\$ 70,408,423	\$ 71,358,359	\$ 81,151,762	\$ 85,139,804	\$ 90,177,369
Paid to Suppliers for Goods and Services	(8,407,815)	(3,526,638)	(4,637,551)	(11,677,247)	(15,782,607)	(17,039,076)	(25,862,095)	(19,991,822)	(22,699,507)	(20,071,035)
Paid to or on Behalf of Employees for Services	(9,920,303)	(10,676,957)	(11,583,801)	(16,249,714)	(11,685,342)	(11,943,516)	(13,974,524)	(13,829,679)	(17,013,644)	(17,776,165)
Net Cash Provided by Operating Activities	23,020,614	26,315,806	27,740,127	26,692,352	33,726,480	41,425,831	31,521,740	47,330,261	45,426,653	52,330,169
Cash Flows from Investing Activities										
Investment Income	1,158,325	1,724,605	3,534,416	5,283,941	2,310,516	1,687,158	1,332,715	768,608	853,569	613,049
Net Decrease (Increase) in Investments	10,192,343	11,820,849	(21,124,165)	6,198,626	(3,563,263)	(10,199,292)	(10,283,953)	(319)	(2,352,305)	(846,444)
Net Cash Used by Capital Financing Activities	11,350,668	13,545,454	(17,589,749)	11,482,567	(1,252,747)	(8,512,134)	(8,951,238)	768,289	(1,498,736)	(33,395)
Cash Flows from Capital and Related Financing Activities										
Principal Received on Notes and Bonds	1,585,328	36,059,311	51,056,706	108,697,194	3,017,121	154,921,293	139,316,551	39,963,916	20,938,245	10,003,959
Federal Credits on Build America Bonds	-	-	-	-	-	561,428	3,853,736	3,805,832	3,590,913	3,530,769
Cash Received from Sale of Assets	11,054	1,665	(425,849)	(779,595)	59,458	51,782	18,195	203,895	223,786	83,100
Bond Issuance Costs	-	(430,245)	(425,849)	(779,595)	-	-	-	-	-	-
Payment to Bond Refunding Agent	-	(36,613,357)	-	-	-	-	-	-	-	-
Bond Premium (Discount)	-	1,071,768	(648,230)	5,217,175	-	-	-	-	-	-
Payments made on long term debt	(3,095,000)	(3,230,000)	(3,610,000)	(4,330,941)	(6,875,466)	(7,164,762)	(50,903,395)	(12,514,188)	(13,124,245)	(17,790,582)
Interest Paid, Net of Capitalized Interest	(4,741,747)	(3,609,796)	(3,215,575)	(3,417,944)	(6,226,401)	(9,969,117)	(15,293,072)	(19,008,783)	(19,907,475)	(21,457,672)
Acquisition and Construction of Capital Assets, Net of Capital Contributions	(22,954,871)	(40,666,840)	(64,880,626)	(70,592,005)	(72,749,661)	(149,994,886)	(103,723,075)	(70,554,138)	(37,826,653)	(19,596,553)
(Increase)/Decrease in Restricted Funds	1,174,261	7,458,073	15,426,889	(3,404,424)	2,705,449	5,435,407	130,471	(6,390,514)	(1,234,258)	(1,185,570)
Net Cash Used for Non Capital Financing Activities	(28,020,975)	(39,959,421)	(6,296,685)	31,389,460	(80,069,500)	(6,158,855)	(26,600,589)	(64,493,980)	(47,339,787)	(46,412,549)
Increase (Decrease) in Cash and Cash Equivalents	6,350,307	(98,161)	3,853,693	69,564,379	(47,595,767)	26,754,842	(4,030,087)	(16,395,430)	(3,411,870)	5,884,226
Cash and Cash Equivalents Beginning of Period	3,643,988	9,994,295	9,896,134	13,749,827	83,314,206	35,718,439	62,473,281	58,443,194	42,047,764	38,635,584
Cash and Cash Equivalents End of Period	\$ 9,994,295	\$ 9,896,134	\$ 13,749,827	\$ 83,314,206	\$ 35,718,439	\$ 62,473,281	\$ 58,443,194	\$ 42,047,764	\$ 38,635,894	\$ 44,520,119

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Completed projects										
Collection system	\$ 285,224,720	\$ 308,978,468	\$ 325,459,112	\$ 355,094,422	\$ 383,879,066	\$ 431,156,468	\$ 456,348,371	\$ 623,052,699	\$ 649,183,792	\$ 662,016,791
Pump stations	47,560,797	50,314,311	52,730,687	53,266,723	60,086,361	71,026,855	75,341,500	74,563,508	85,077,857	93,396,147
Treatment and disposal	80,089,640	85,066,356	86,583,530	87,048,028	96,750,433	125,914,436	138,245,523	225,901,841	227,871,390	253,057,500
General plant and equipment	52,953,641	62,398,226	63,680,276	66,254,425	68,334,960	69,005,259	71,374,272	75,527,421	76,770,943	77,964,886
Sanitation software model	-	-	-	-	10,711,740	15,608,576	15,551,551	15,967,050	15,967,050	15,967,050
Storm water land	-	-	-	-	-	-	24,147	409,728	466,990	528,073
Storm water vehicles	-	-	-	-	-	-	-	-	25,027	52,500
Storm water equipment	-	-	-	-	-	-	-	-	31,088	47,634
Storm water collection	12,340,753	14,678,555	17,264,989	17,264,989	21,443,446	233,054,168	346,148,777	356,814,655	374,959,787	380,376,561
Storm water software model	-	-	-	-	3,516,692	3,516,692	3,486,099	5,645,160	5,645,160	5,645,160
Total Completed projects	478,169,551	521,466,916	545,718,594	578,928,587	644,722,698	949,282,454	1,108,520,240	1,377,882,062	1,435,999,064	1,489,052,302
Less accumulated depreciation	(122,793,697)	(135,654,038)	(148,109,679)	(161,769,836)	(185,336,960)	(206,333,999)	(241,595,496)	(278,159,842)	(316,596,851)	(352,824,204)
Total completed projects, Net	355,375,854	385,812,878	397,608,915	417,158,751	459,385,738	742,948,455	864,924,744	1,099,722,220	1,119,402,213	1,136,228,098
Construction in progress										
Sanitation	47,607,078	56,904,112	103,468,965	134,374,432	145,107,180	187,722,253	242,536,861	46,654,791	40,814,200	6,286,209
Storm water	2,634,085	1,629,757	1,493,885	10,480,818	8,825,474	9,857,446	7,948,163	3,460,048	1,019,566	1,744,120
Total construction in progress	50,241,163	58,533,869	104,962,850	144,855,250	153,932,654	197,579,699	250,483,024	50,114,839	41,833,766	8,030,328
Total Capital Assets, Net	\$ 405,617,017	\$ 444,346,747	\$ 502,571,765	\$ 562,014,001	\$ 613,318,392	\$ 940,528,154	\$ 1,115,407,768	\$ 1,149,837,059	\$ 1,161,235,978	\$ 1,144,258,426

Sanitation District No. 1
Schedule of Sanitary Sewer Rates, Rate Determination, and Percentage Change
Fiscal Years 2005-2009

	Fiscal Year					
	2005	2006	2007	2008	2009	
	Rate	Rate	Rate	Rate	Rate	Rate
	Change	Change	Change	Change	Change	Change
	%	%	%	%	%	%
Water Usage						
in 100 Cubic Feet (HCF)						
0-800	2.30	2.30	2.65	3.18	3.82	20%
801-5,000	2.17	2.17	2.50	3.00	3.60	20%
5,001-25,000	1.95	1.95	2.24	2.69	3.23	20%
25,001-100,000	1.66	1.66	1.91	2.30	2.76	20%
Over 100,0000	1.51	1.51	1.74	2.09	2.51	20%
Quarterly minimum bill	13.80	13.80	15.90	19.08	22.92	20%
Unmetered Service						
1 or 2 room house	20.71	20.71	23.82	28.59	34.31	20%
3 to 6 room house	34.01	34.01	39.11	46.94	56.33	20%
More than 6 rooms	44.99	44.99	51.74	62.09	74.51	20%

Source: SD1 accounting records

Sanitation District No. 1
Schedule of Sanitary Sewer Rates, Rate Determination, and Percentage Change
Last Five Fiscal Years

	Fiscal Year									
	2010		2011		2012		2013		2014	
	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change
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%
1,701-8,400	3.95	15%	4.54	15%	5.22	15%	6.00	15%	6.00	0%
Over 8,400	3.05	15%	3.51	15%	4.04	15%	4.65	15%	4.65	0%
Monthly minimum bill	8.80	15%	10.12	15%	11.64	15%	13.38	15%	13.38	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%
Monthly minimum bill	8.80	15%	10.12	15%	11.64	15%	13.38	15%	13.38	0%
Unmetered Service										
1 or 2 room house	13.15	15%	15.12	15%	17.39	15%	20.00	15%	20.00	0%
3 to 6 room house	21.59	15%	24.83	15%	28.55	15%	32.84	15%	32.84	0%
More than 6 rooms	28.56	15%	32.84	15%	37.77	15%	43.43	15%	43.43	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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Monthly Rate Per ERU	3.84	2.4%	3.91	1.8%	4.02	2.8%	4.18	4.0%	4.30	2.9%
Quarterly Rate Per ERU	11.52	2.4%	11.73	1.8%	12.06	2.8%	12.54	4.0%	12.90	2.9%
Monthly Rate Per ERU	4.47	4.0%	4.44	-0.7%	4.54	2.3%	4.68	3.1%	4.80	2.6%
Quarterly Rate Per ERU	13.41	4.0%	13.32	-0.7%	13.62	2.3%	14.04	3.1%	14.40	2.6%

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 2005 through Fiscal Year 2009**

Account Name	Fiscal Year				
	2005	2006	2007	2008	2009
Sewer Service Revenues					
All Classes	\$ 26,101,401	\$ 27,252,150	\$ 31,681,784	\$ 41,059,987	\$ 46,476,573
Less: Special Meter Refunds	(356,234)	(787,174)	(438,478)	(1,364,225)	(704,227)
Total Sewer Revenues	\$ 25,745,167	\$ 26,464,976	\$ 31,243,306	\$ 39,695,762	\$ 45,772,346
Sewer Service Penalties					
All Classes	\$ 447,348	\$ 470,064	\$ 517,734	\$ 716,836	\$ 983,034
Total Sewer Service Penalties	\$ 447,348	\$ 470,064	\$ 517,734	\$ 716,836	\$ 983,034
Total Sewer Service Write Offs	\$ (400,796)	\$ (588,452)	\$ (387,441)	\$ (788,702)	\$ (929,792)
Percentage of Write Off's to Revenues & Penalties Billed	1.53%	2.11%	1.22%	1.95%	1.77%
Net Sewer Service Revenues	\$ 25,791,719	\$ 25,366,588	\$ 31,373,599	\$ 39,623,896	\$ 45,925,588
Storm Water Revenues					
All Classes	\$ 8,034,815	\$ 8,317,604	\$ 8,992,486	\$ 9,876,767	\$ 10,435,851
Total Storm Water Revenues	\$ 8,034,815	\$ 8,317,604	\$ 8,992,486	\$ 9,876,767	\$ 10,435,851
Storm Water Service Penalties					
All Classes	\$ 110,433	\$ 126,263	\$ 121,837	\$ 141,579	\$ 180,306
Total Storm Service Penalties	\$ 110,433	\$ 126,263	\$ 121,837	\$ 141,579	\$ 180,306
Total Storm Water Write Offs	\$ (30,228)	\$ (94,381)	\$ (61,670)	\$ (137,619)	\$ (134,317)
Percentage of Write Off's to Revenues & Penalties Billed	0.37%	1.12%	0.68%	1.37%	1.27%
Net Storm Water Revenues	\$ 8,115,020	\$ 8,349,486	\$ 9,052,653	\$ 9,880,727	\$ 10,481,840
Customer Accounts					
Sewer Service Accounts Estimates					
All Classes	93,468	95,490	97,714	99,165	100,042
Total Sewer Accounts	93,468	95,490	97,714	99,165	100,042
Storm Water Accounts Estimates					
All Classes	86,741	90,998	93,045	93,113	94,928
Total Storm Water Accounts	86,741	90,998	93,045	93,113	94,928

Source: SD1 billing registers

**Sanitation District No. 1
Sewer & Storm Water Revenues Breakdown By Billing Class
Fiscal Year 2010 through Fiscal Year 2014**

Account Name	Fiscal Year				
	2010	2011	2012	2013	2014
Sewer Service Revenues					
Residential Class	\$ 32,011,985	\$ 33,987,557	\$ 38,916,405	\$ 40,985,970	\$ 41,300,498
Non-Residential Class	19,786,357	25,182,674	28,057,913	31,467,481	31,042,184
Less: Special Meter Refunds	(355,601)	(364,411)	(465,147)	(750,438)	(449,965)
Total Sewer Revenues	\$ 51,444,741	\$ 58,805,820	\$ 66,509,171	\$ 71,703,013	\$ 71,892,717
Sewer Service Penalties					
Residential Class	\$ 899,148	\$ 851,939	\$ 979,052	\$ 1,066,267	\$ 1,099,704
Non-Residential Class	206,748	300,463	270,058	310,258	275,121
Total Sewer Service Penalties	\$ 1,105,896	\$ 1,152,402	\$ 1,249,110	\$ 1,376,525	\$ 1,374,825
Total Sewer Service Write Offs	\$ (721,412)	\$ (1,175,977)	\$ (1,100,084)	\$ (1,286,550)	\$ (1,408,117)
Percentage of Write Offs to Revenues & Penalties Billed	1.37%	1.96%	1.62%	1.76%	1.92%
Net Sewer Service Revenues	\$ 51,829,225	\$ 58,782,245	\$ 66,668,197	\$ 71,792,988	\$ 71,859,425
Storm Water Revenues					
Residential Class	\$ 4,743,013	\$ 4,605,646	\$ 4,728,282	\$ 4,873,021	\$ 4,974,835
Non-Residential Class	6,183,085	6,589,598	6,780,700	7,027,579	7,148,676
Total Storm Water Revenues	\$ 10,926,098	\$ 11,195,244	\$ 11,508,992	\$ 11,900,600	\$ 12,123,511
Storm Water Service Penalties					
Residential Class	\$ 107,583	\$ 91,001	\$ 96,906	\$ 106,411	\$ 102,955
Non-Residential Class	68,419	79,470	71,120	81,675	73,648
Total Storm Water Service Penalties	\$ 176,002	\$ 170,471	\$ 168,026	\$ 188,086	\$ 176,603
Total Storm Water Write Offs	\$ (115,806)	\$ (103,267)	\$ (120,258)	\$ (149,417)	\$ (224,405)
Percentage of Write Offs to Revenues & Penalties Billed	1.04%	0.91%	1.03%	1.24%	1.82%
Net Storm Water Revenues	\$ 10,986,294	\$ 11,262,448	\$ 11,556,760	\$ 11,935,269	\$ 12,075,709
Customer Accounts					
Sewer Service Accounts Estimates					
Residential Class	90,646	91,920	92,374	92,924	93,366
Non-Residential Class	9,893	10,079	9,756	9,494	9,447
Total Sewer Accounts	100,539	101,999	102,130	102,418	102,813
Storm Water Accounts Estimates					
Residential Class	85,726	86,143	86,579	87,092	86,576
Non-Residential Class	8,162	8,283	7,921	7,574	7,584
Total Storm Water Accounts	93,888	94,426	94,500	94,666	94,170

Source: SD1 billing registers

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

Account Name	2005		2006		2007		2008		2009		2010		2011		2012		2013		2014	
	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount
Lyons-Magnus	7	\$ 142,988	8	\$ 150,202	13	\$ 78,116	3	\$ 566,913	1	\$ 843,285	7	\$ 546,871	7	\$ 1,019,216	3	\$ 1,019,216	2	\$ 1,182,776	1	\$ 1,538,917
Louis Trauth Dairy	2	493,288	2	363,346	1	401,552	2	568,843	3	747,035	3	747,035	2	1,173,055	3	509,831	NR	NR	NR	NR
Club Chef	NR	NR	4	207,414	4	338,572	5	448,424	4	455,894	1	1,251,689	2	1,069,091	2	1,069,091	1	1,311,655	2	1,372,054
Tastemaker	13	79,890	12	98,060	5	282,249	6	389,840	5	597,962	4	897,632	3	1,157,417	1	1,157,417	3	1,028,552	3	1,146,195
Sara Lee Foods	NR	NR	NR	NR	NR	NR	2	260,304	2	410,054	3	895,635	4	723,700	4	723,700	4	782,726	4	825,285
Global Supply Chain	4	275,323	9	148,016	7	202,834	8	329,688	10	377,462	5	702,878	5	523,358	5	523,358	5	614,053	5	649,175
Kenton County Airport	3	472,486	3	601,283	2	392,897	9	467,683	8	393,043	8	435,974	6	562,602	8	394,268	8	394,268	6	522,655
Signode Plastic Recycling	9	99,916	13	83,437	11	105,732	13	156,499	15	129,451	14	140,662	11	263,423	11	264,863	10	346,203	7	507,622
St. Elizabeth Medical Center	6	172,844	6	158,399	9	127,531	10	211,334	9	263,175	9	379,980	9	389,315	8	451,730	6	446,716	6	482,879
Wild Flavors, Inc.	10	87,982	7	152,592	8	135,681	8	251,089	7	411,951	12	238,096	12	244,354	11	242,264	11	242,264	9	421,525
Messier Bugatti / A. Carb, LLC	NR	NR	NR	NR	NR	NR	13	168,843	26	21,619	17	129,319	17	96,778	12	223,102	12	223,102	10	379,003
Northern KY University	8	124,991	10	116,193	10	109,851	11	161,981	11	223,303	11	228,085	10	269,716	9	299,722	9	353,675	11	343,137
L'Oreal USA Florence:	1	527,921	3	302,997	3	360,847	4	611,822	4	527,940	6	549,274	6	637,404	6	280,710	7	420,436	7	340,063
A.O. Smith	11	87,023	14	48,790	14	38,184	15	81,010	16	106,431	16	114,038	14	152,804	15	115,562	14	140,546	13	160,667
Canco Chemical Company	23	9,420	24	12,711	25	8,105	23	29,287	18	66,996	18	57,255	18	170,993	18	94,871	15	132,931	14	127,565
White Castle Distributing, Inc.	17	25,288	19	24,092	15	31,612	19	49,936	15	119,507	15	148,151	16	109,605	16	109,605	16	98,080	15	126,327
Bluegrass Quality Meats	12	86,598	11	102,168	12	99,903	14	113,344	17	102,710	12	173,946	16	130,240	13	198,196	13	171,155	16	119,736
AmeriPride-WPS Energy Services	18	24,892	16	28,409	17	24,424	21	32,123	22	37,754	21	43,468	21	53,490	22	63,856	19	76,559	17	89,950
Aristech Acrylics LLC	NR	NR	NR	NR	NR	NR	20	33,327	14	159,129	13	167,111	20	85,342	19	79,541	18	84,969	18	77,187
Duro Paper Bag	15	33,986	15	47,664	16	29,920	16	47,494	19	48,558	19	48,558	23	41,278	27	23,581	22	48,402	19	77,187
Van Melle USA, Inc.	24	7,915	25	12,545	18	20,818	17	45,046	25	15,625	28	15,576	26	31,162	21	66,437	21	54,612	20	65,541
Emerald Industries, Inc.	14	34,552	17	27,987	20	19,909	19	37,714	21	46,552	20	47,654	18	105,251	20	67,987	20	73,309	21	64,365
Environmental Services Inc. (Ultra Enviro	19	24,737	23	13,028	29	2,133	22	1,137	25	12,244	25	22,065	27	30,466	25	25,848	24	33,490	22	58,276
Turkey Park	18	32,862	18	24,099	19	19,971	23	34,894	22	32,497	22	32,497	22	42,440	23	41,769	23	41,622	23	61,378
Northern KY Water District	5	226,612	6	154,464	6	210,567	7	259,957	12	174,294	17	107,123	19	91,264	14	166,749	15	88,530	24	34,940
Savannah Foods & Industries	22	11,740	26	10,491	27	7,018	21	32,123	22	37,754	21	43,468	21	53,490	22	63,856	19	76,559	17	89,950
Dominio's National Comm.	NR	NR	NR	NR	NR	NR	20	33,327	14	159,129	13	167,111	20	85,342	19	79,541	18	84,969	18	77,187
IOFINA Chemical Inc.	NR	NR	NR	NR	NR	NR	16	47,664	20	47,494	19	48,558	23	41,278	27	23,581	22	48,402	19	77,187
Highway Transport Chemical LLC	NR	NR	NR	NR	NR	NR	17	45,046	25	15,625	28	15,576	26	31,162	21	66,437	21	54,612	20	65,541
Cabot Industrial Prop LLP	20	20,433	20	20,140	21	14,911	24	23,356	27	12,659	23	27,000	25	31,800	24	31,018	26	27,592	26	30,588
Treasa Inc.	21	16,623	21	20,097	24	11,288	26	14,364	26	13,327	27	17,820	28	17,030	28	17,981	29	31,026	27	29,886
The David J. Joseph	27	3,396	22	13,242	26	7,849	30	6,071	30	7,209	32	7,880	34	6,963	32	2,972	32	15,508	28	19,519
A. Carnacho Inc.	26	3,815	28	3,364	28	6,230	28	7,279	31	6,691	29	11,592	32	10,826	31	4,066	30	11,005	29	12,029
	25	5,957	27	7,917	22	12,913	29	7,029	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR	NR

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
A. Carnacho Inc.	Porcini and olive packaging plant. No longer in business locally.
A.O. Smith	Protective coatings for appliances, automotive and metallurgical markets division.
AmeriPride-WPS Energy Service	Uniforms, towels and linen sales, rentals and services. Restaurant and floor care products.
Aditech Acrylics LLC	Produces continuous cast acrylic sheet products for solid surface bath, marine and funeral industry.
Bluegrass Quality Meats	Deli meats and packaged meats plant.
Cabot Industrial Prop LLP	Immudyne - Biotechnology company specializing in scientifically formulated dietary supplements and skin contract packaging and chemical manufacturer.
Canco Chemical Company	Producer of fresh cut produce.
Club Chef	Dominos pizza dough distribution center.
Dominio's National Comm.	Largest paper bag manufacturer in the world/ Emerak Industries, Inc.
Duro Paper Bag	Kellogg's - Cookie and cracker manufacturer.
Emerak Industries, Inc.	Ultra Environment
Environmental Services Inc. (Ultra Environment	Ultra Environmental Services Inc. - Liquid waste collection and disposal.
Global Supply Chain	Schwinn's - Produces Freshpasta pizza products.
Highway Transport Chemical LLC	Tanker truck washing facility.
IOFINA Chemical Inc.	Production of iodine, iodine specialty chemical derivatives, produced water and natural gas.
Kenton County Airport	Greater Cincinnati Northern Kentucky International Airport (CVG).
L'Oreal USA Florence	Produces shampoos, conditioners & styling products
Louis Trauth Dairy	Full line dairy processor. No longer in business locally.
Lyons-Magnus	Develops and markets quality juices and food products.
Messier Bugatti / A. Carb, LLC	LI Aircraft wheels and carbon brakes facility.
Northern KY University	Metropolitan State University with more than 18,000 Students
Northern KY Water District	Water supply Utility for Kanton and Campbell Counties.
Sara Lee Foods	Meat and meat products processor.
Savannah Foods & Industries	Bulk sugar refinery.
Signode Plastic Recycling	Manufacturer and distributor of protective packaging systems.
St. Elizabeth Medical Center	General medicine and surgical hospital.
Tastemaker	Givaudan Flavors - Swiss manufacturer of flavorings and fragrances.
Treasa Inc.	Hair care product manufacturing including shampoos.
Turkey Park	Thoroughbred horse racing track.
Van Melle USA, Inc.	Perfekt Van Melle - Manufactures a variety of confectionery items including flavored gums and Almonds brand fruit
White Castle Distributing, Inc.	In Markets and distributes frozen and microwavable hamburgers.
Wild Flavors, Inc.	Produces natural flavors and ingredients for the beverage industry.

Source: SD1 billing records/invoices

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
System Revenues										
Total Operating Revenues	\$ 42,432,696	\$ 42,353,524	\$ 47,454,087	\$ 56,815,019	\$ 61,670,848	\$ 69,395,510	\$ 78,396,323	\$ 83,951,284	\$ 89,707,117	\$ 92,660,157
Total Non-Operating Revenues	1,379,437	1,816,985	3,887,496	4,776,949	2,465,962	(2,286,602)	2,271,323	2,424,226	2,125,131	3,157,191
Total System Revenues	\$ 43,812,133	\$ 44,270,519	\$ 51,341,583	\$ 61,591,968	\$ 64,136,810	\$ 67,108,908	\$ 80,667,646	\$ 86,375,510	\$ 91,832,248	\$ 95,817,348
Operating Expenses										
Operation, Maintenance & Administration	\$ 6,237,769	\$ 4,426,289	\$ 5,023,761	\$ 6,823,087	\$ 7,397,037	\$ 6,824,325	\$ 7,666,779	\$ 7,875,727	\$ 10,352,734	\$ 11,423,914
Salary Expense	3,237,133	3,466,525	4,477,282	4,987,591	5,144,969	5,819,271	5,776,673	6,628,400	7,539,280	7,046,809
Employee Benefit & Incentive Expenses	1,582,081	1,588,507	1,495,273	1,614,366	1,758,011	2,779,872	3,063,454	3,778,654	5,216,695	4,918,068
Professional & Contractual Services	843,867	873,723	965,059	1,200,378	1,347,218	1,743,401	1,434,543	1,742,980	1,903,439	1,759,589
Office Administration Expenses	4,414,530	5,564,287	5,929,618	6,595,898	6,551,357	7,198,145	7,316,763	7,362,096	7,885,268	7,311,989
Utilities, Fuel Oil & Chemical Expenses	627,340	842,507	932,180	1,216,854	1,037,133	1,096,654	1,163,239	1,276,021	1,087,065	1,068,097
Vehicle Operation Expenses	1,031,122	1,416,263	1,141,572	1,560,922	1,755,982	2,372,647	1,987,122	2,355,828	2,760,362	2,824,155
Infrastructure, Equipment & Other Expenses	-	-	-	30,051	82,951	283,029	202,182	61,218	-	1,924
Supplemental / State Environmental Projects	-	-	-	-	-	-	-	-	-	-
Other Expenses	26,766	259,278	421,591	7,831	-	-	-	-	-	-
Total Operation, Maintenance & Administration	\$ 18,000,628	\$ 18,437,379	\$ 20,386,356	\$ 24,037,008	\$ 25,074,658	\$ 28,117,344	\$ 28,620,755	\$ 31,080,924	\$ 36,544,843	\$ 36,354,545
Major Repairs and Other Expenses	\$ 426,065	\$ 1,166,674	\$ 350,601	\$ 6,447,722	\$ 3,134,429	\$ 4,797,653	\$ 6,172,970	\$ 4,912,935	\$ 4,495,306	\$ 1,291,040
Net System Revenues	\$ 25,385,440	\$ 24,666,466	\$ 30,604,626	\$ 31,107,238	\$ 35,927,723	\$ 34,193,911	\$ 45,873,921	\$ 50,381,651	\$ 60,792,099	\$ 58,171,763
Revenue Bonds (Senior Debt) - Principal & Interest Due										
Series 1998A - (Revenue Bonds)	\$ 4,422,300	\$ 2,661,244	\$ 2,656,638	\$ 2,656,806	\$ 2,651,513	\$ 3,393,700	\$ 2,335,025	\$ 1,271,000	\$ 4,194,600	\$ 4,187,900
Series 2001A - (Revenue Bonds)	3,440,650	3,418,713	3,413,938	3,407,363	3,398,988	4,205,300	4,198,100	4,196,300	3,015,868	3,010,301
Series 2005A - (Refunding Bonds)	-	826,700	1,647,500	1,647,900	1,647,900	3,021,441	3,021,236	3,019,311	5,989,750	6,003,650
Series 2006A - (Revenue Bonds)	-	-	721,318	2,163,954	3,025,034	5,946,850	5,956,850	5,989,750	5,452,139	4,348,839
Series 2007A - (Revenue Bonds)	-	-	-	837,458	5,843,050	1,649,911	4,375,599	4,368,726	4,359,976	5,439,214
Series 2009A - (Build America Bonds)	-	-	-	-	-	-	2,821,606	5,459,545	3,031,725	3,019,825
Series 2010A - (Build America Bonds)	-	-	-	-	-	-	522,196	1,770,625	1,976,149	1,973,859
Series 2010B - (Refunding Bonds)	-	-	-	-	-	-	56,819	1,984,364	2,467,913	2,467,913
Series 2010C - (Build America Bonds)	-	-	-	-	-	-	226,225	30,507,534	30,479,618	30,451,500
Series 2010D - (Recovery Zone Economic Dev. Bonds)	-	-	-	-	-	-	-	-	-	-
Total Principal & Interest on Revenue Bonds	\$ 7,862,950	\$ 6,908,657	\$ 8,439,394	\$ 10,713,481	\$ 16,566,485	\$ 18,217,202	\$ 23,513,656	\$ 30,507,534	\$ 30,479,618	\$ 30,451,500
Debt Service Coverage Ratio - Bonds (Senior Debt)	323%	357%	363%	290%	217%	188%	195%	165%	167%	191%
* Calculated	125%	125%	125%	125%	125%	125%	125%	125%	125%	125%
** Required										

* 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 bonds

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
KIA & Other Notes (Subordinate Debt) Principal & Interest Due										
Creecrest Springs	\$ 3,937	\$ 43,000	-	-	-	-	-	-	-	-
Melbourne	57,060	56,904	\$ 345,785	-	-	-	-	-	-	-
A04-09 Eastern Regional Water Reclamation Facility	7,218	133,190	481,952	\$ 1,437,283	\$ 2,228,866	\$ 2,229,761	\$ 2,227,222	\$ 2,224,607	\$ 2,221,913	\$ 2,216,315
A08-04 Western Regional Water Reclamation Facility Construction Project	-	-	-	-	-	122,229	387,353	612,243	696,509	3,974,631
A209-01 ARRA Banklick Creek Sewer Project	-	-	-	-	-	-	5,155	11,891	11,876	11,880
A209-02 ARRA Banklick Creek Wetlands Project	-	-	-	-	-	-	343	19,424	41,385	41,289
A09-04 Dry Creek WWTP Clarifier Project	-	-	-	-	-	-	18,742	175,650	309,015	309,102
A09-05 Sunnybrook Sewer Project	-	-	-	-	-	-	167,114	343,158	342,702	342,238
A09-08 Turkeyfoot Rd / Industrial Rd. Force Main Project	-	-	-	-	-	-	8,674	14,234	32,496	135,410
A209-03 ARRA Regional Biotreatment Project	-	-	-	-	-	-	-	26,510	45,050	44,989
A209-04 ARRA Terraced Reforestation Project	-	-	-	-	-	-	-	2,496	23,455	25,098
A09-06 South Fork / Gunpowder Interceptor Construction Project	-	-	-	-	-	-	-	98,453	245,559	800,930
A09-07 Froytown Interceptor	-	-	-	-	-	-	-	30,258	187,232	297,079
A09-09 Narrows Road Diversion Pump Station Construction Project	-	-	-	-	-	-	-	54,142	146,958	507,838
A10-11 Dry Creek Headworks Construction Project	-	-	-	-	-	-	-	-	112,407	269,750
A12-02 Wolpert Pump station Rehab & Force Main Replacement	-	-	-	-	-	-	-	-	26,903	53,539
A11-13 - Church St, Lakeview, & KY Aire Pump Station Replacement	-	-	-	-	-	-	-	-	-	114,300
A11-14 Lakeside Park & Vernon Lane Projects	-	-	-	-	-	-	-	-	-	9,195
Total KIA & Other Notes Principal & Interest	\$ 68,215	\$ 233,094	\$ 827,737	\$ 1,437,283	\$ 2,228,866	\$ 2,351,990	\$ 2,824,603	\$ 3,613,066	\$ 4,443,161	\$ 9,169,671
All Bonds & Notes-Annual Principal and Interest Payments	\$ 7,951,165	\$ 7,139,751	\$ 9,267,131	\$ 12,150,763	\$ 18,793,351	\$ 20,569,192	\$ 26,338,260	\$ 34,120,600	\$ 34,921,779	\$ 39,605,071

All Debt Service Coverage Ratio

*** Calculated

320%	345%	330%	258%	191%	166%	174%	148%	145%	147%
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*** 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
Northern Kentucky Demographic and Census Information
Ten Years

	2004			
	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>
POPULATION				
Total Residential Population Estimates	100,936	87,366	152,873	341,175
HOUSING OCCUPANCY				
Total Housing Units	40,141	38,128	67,097	145,366
INCOME				
Median Household Income	\$ 58,749	\$ 44,639	\$ 47,729	n/a
Per Capita Income	\$ 30,615	\$ 30,252	\$ 33,647	n/a
POVERTY LEVEL				
Percentage whose Income in the past 12-months is below Poverty Level.				
All People	7.7%	10.9%	11.3%	n/a
Under 18 Years	9.8%	14.0%	15.6%	n/a

Source: censtats.census.gov

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

NORTHERN KY COUNTIES	2005 (ACS)			2006 (ACS)			2007 (ACS 3-Year Estimates)			
	BOONE	CAMPBELL	KENTON	BOONE	CAMPBELL	KENTON	BOONE	CAMPBELL	KENTON	COMBINED
POPULATION										
Total Population:	105,684	85,210	151,799	110,080	86,866	154,911	109,075	86,899	155,104	351,078
Median Age (years)	34.8	37.1	35.7	33.0	37.2	36.6	34.2	37.7	36.1	n/a
HOUSEHOLDS										
Total Households	39,191	35,086	60,835	40,063	35,038	61,572	39,646	35,156	61,452	136,254
Average Household Size	2.70	2.43	2.50	2.74	2.44	2.47	2.73	2.40	2.48	2.53
Populations in Households	105,684	85,210	151,799	109,539	85,447	152,382	108,085	84,311	152,683	345,079
Population 25 years and older	67,545	55,717	98,501	69,936	57,048	102,221	69,497	57,221	101,854	228,572
HOUSING OCCUPANCY										
Total Housing Units	41,781	38,393	68,315	43,263	38,648	69,497	43,089	38,645	69,376	151,110
Occupied Housing Units	39,191	35,096	60,835	40,063	35,038	61,572	39,646	35,156	61,452	136,254
Owner-Occupied Units	26,625	26,052	43,668	28,894	25,413	42,991	28,841	25,731	43,191	97,763
Renter-Occupied Units	12,566	9,044	17,167	11,169	9,625	18,581	10,805	9,425	18,261	38,491
Vacant Housing Units	2,590	3,297	7,480	3,200	3,610	7,925	3,443	3,489	7,924	14,856
Vacant Housing Rate	6.2%	8.6%	10.9%	7.4%	9.3%	11.4%	8.0%	9.0%	11.4%	9.8%
Median (Value)	\$160,000	\$135,200	\$133,800	\$175,800	\$141,500	\$140,900	\$171,900	\$137,300	\$139,800	n/a
EMPLOYMENT STATUS										
Population 16 years and older	n/a	65,322	117,787	83,660	68,030	119,804	82,069	68,300	119,786	270,155
Population in Civilian Labor Force	58,298	43,941	79,101	63,212	46,083	84,153	62,098	46,077	82,591	190,766
Employed	n/a	41,248	73,767	59,425	43,037	81,018	59,322	43,546	78,096	180,964
Employed Percentage	n/a	63.1%	62.6%	71.0%	63.3%	67.6%	72.3%	63.8%	65.2%	67.0%
Unemployed	n/a	2,693	5,334	3,787	3,046	3,135	2,776	2,531	4,495	9,802
Unemployed Percentage	n/a	4.1%	4.5%	4.5%	4.5%	2.6%	3.4%	3.7%	3.8%	3.6%
INCOME										
Median Household Income	\$ 54,185	\$ 46,695	\$ 48,619	\$ 56,477	\$ 46,020	\$ 53,978	\$ 62,334	\$ 50,084	\$ 52,600	n/a
Mean Household Income	\$ 67,020	\$ 56,364	\$ 61,228	\$ 71,079	\$ 62,052	\$ 65,191	\$ 73,342	\$ 64,549	\$ 65,322	\$ 67,456
Per Capita Income	\$ 26,494	\$ 23,387	\$ 24,529	\$ 26,728	\$ 26,005	\$ 26,166	\$ 27,400	\$ 26,590	\$ 26,059	\$ 26,609
POVERTY LEVEL										
Percentage whose income in the past 12-months is below Poverty Level:										
All Families	8.0%	11.4%	8.0%	5.9%	11.4%	6.5%	5.7%	8.1%	7.8%	7.2%
All People	8.5%	13.9%	11.1%	8.2%	13.8%	8.7%	6.9%	10.7%	10.7%	9.5%
Under 18 Years	15.0%	23.3%	15.5%	9.6%	21.0%	11.0%	9.6%	15.3%	14.4%	n/a
65 Years and Older	5.8%	5.0%	6.3%	11.5%	13.4%	11.0%	8.0%	9.1%	8.1%	n/a

Source: factfinder2.census.gov/

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

	2008 (ACS 3-Year Estimates)			2009 (ACS 3-Year Estimates)			2010 (ACS 3-Year Estimates)			
	BOONE	CAMPBELL	KENTON	BOONE	CAMPBELL	KENTON	BOONE	CAMPBELL	KENTON	COMBINED
NORTHERN KY. COUNTIES										
POPULATION										
Total Population	112,066	86,862	156,414	115,794	87,713	157,799	117,338	89,581	159,124	366,043
Median Age (years)	34.2	38.1	36.7	35.3	37.2	35.8	35.6	36.9	36.2	n/a
HOUSEHOLDS										
Total Households	40,769	35,255	63,064	41,084	34,878	63,937	42,033	35,255	62,388	139,676
Average Household Size	2.73	2.35	2.44	2.80	2.38	2.44	2.78	2.40	2.52	2.57
Populations in Households	111,292	82,976	154,130	114,887	82,862	155,926	116,771	84,694	157,505	358,970
Population 25 years and older	71,881	57,264	102,925	74,964	59,410	105,030	75,306	58,939	105,313	239,558
Population 65 years and older	n/a	n/a	n/a	n/a	n/a	n/a	10,505	10,876	17,410	38,791
HOUSING OCCUPANCY										
Total Housing Units	44,168	38,921	70,244	44,849	39,212	70,820	45,784	39,412	69,019	154,215
Occupied Housing Units	40,769	35,255	63,064	41,084	34,878	63,937	42,033	35,255	62,388	139,676
Owner-Occupied Units	30,700	25,638	43,337	31,548	25,228	43,321	32,187	25,188	42,622	99,995
Renter-Occupied Units	10,069	9,617	19,727	9,536	9,652	20,616	9,846	10,069	19,766	39,681
Vacant Housing Units	3,399	3,666	7,180	3,765	4,334	6,883	3,751	4,157	6,631	14,539
Vacant Housing Rate	7.7%	9.4%	10.2%	8.4%	11.1%	9.7%	8.2%	10.5%	9.6%	9.4%
Median (Value) Owner-occupied units	\$177,700	\$142,900	\$146,200	\$177,700	\$143,600	\$147,600	\$178,100	\$151,200	\$147,900	n/a
EMPLOYMENT STATUS										
Population 16 years and older	84,660	68,579	120,424	87,092	70,021	123,071	87,341	71,829	123,884	283,054
Population in Civilian Labor Force	64,266	46,308	84,219	64,123	47,282	86,306	63,237	47,805	85,806	196,848
Employed	61,637	43,735	80,294	60,805	44,471	80,764	59,012	43,863	78,853	181,728
Employed Percentage	72.8%	63.8%	66.7%	69.8%	63.5%	65.6%	67.6%	61.1%	63.7%	64.2%
Unemployed	2,570	2,573	3,925	3,318	2,821	5,542	4,225	3,942	6,953	15,120
Unemployed Percentage	3.0%	3.8%	3.3%	3.8%	4.0%	4.5%	4.8%	5.5%	5.6%	5.3%
INCOME										
Median Household Income	\$ 65,979	\$ 50,830	\$ 53,872	\$ 67,964	\$ 50,882	\$ 51,616	\$ 66,587	\$ 49,212	\$ 51,646	n/a
Mean Household Income	\$ 76,889	\$ 67,908	\$ 68,609	\$ 76,351	\$ 67,207	\$ 66,923	\$ 76,958	\$ 64,311	\$ 66,954	\$ 69,297
Per Capita Income	\$ 28,526	\$ 27,700	\$ 27,485	\$ 27,780	\$ 27,315	\$ 27,225	\$ 27,896	\$ 25,873	\$ 26,873	\$ 26,970
POVERTY LEVEL										
Percentage whose Income in the past 12-months is below Poverty Level.										
All Families	4.2%	7.9%	8.2%	4.5%	7.3%	9.8%	6.3%	8.5%	9.0%	8.0%
All People	5.8%	11.1%	10.4%	6.2%	9.6%	12.0%	8.1%	11.0%	12.2%	10.6%
Under 18 Years	6.5%	16.6%	14.4%	7.6%	13.9%	12.0%	9.5%	15.4%	18.1%	14.5%
65 Years and Older	7.7%	10.9%	8.4%	5.3%	7.6%	7.2%	9.0%	6.4%	6.8%	7.3%

Source: factfinder2.census.gov/

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

	2011 (ACS 3-Year Estimates)			2012 (ACS 3-Year Estimates)			2013 (ACS 3-Year Estimates)			
	BOONE	CAMPBELL	KENTON	BOONE	CAMPBELL	KENTON	BOONE	CAMPBELL	KENTON	COMBINED
NORTHERN KY COUNTIES										
POPULATION										
Total Population	119,504	90,379	159,847	121,435	90,794	160,710	123,103	90,939	161,685	375,727
Median Age (years)	35.6	36.8	36.3	36.1	36.7	36.2	36.1	37.1	36.3	n/a
HOUSEHOLDS										
Total Households	42,053	34,926	61,488	42,680	35,254	61,671	43,907	35,175	61,710	140,792
Average Household Size	3.32	3.17	3.18	2.83	2.50	2.57	2.78	2.50	2.58	2.62
Populations in Households	118,762	87,635	157,125	120,626	88,151	158,210	122,171	88,111	159,509	369,791
Population 21 years and older	82,044	65,365	114,301	83,382	65,637	115,357	84,794	66,203	115,993	266,990
Population 65 years and older	11,205	11,136	17,224	11,980	11,732	18,239	12,662	11,959	18,978	43,599
HOUSING OCCUPANCY										
Total Housing Units	46,279	39,566	68,942	46,630	39,597	69,122	47,012	39,609	69,149	155,770
Occupied Housing Units	42,053	34,926	61,488	42,680	35,254	61,671	43,907	35,175	61,710	140,792
Owner-Occupied Units	32,762	24,500	42,180	32,344	24,082	41,531	32,365	24,328	41,335	98,028
Renter-Occupied Units	9,291	10,426	19,308	10,336	11,162	20,140	11,542	10,847	20,375	42,764
Vacant Housing Units	4,226	4,640	7,454	3,950	4,343	7,451	3,105	4,434	7,439	14,978
Vacant Housing Rate	9.1%	11.7%	10.8%	8.5%	11.0%	10.8%	6.6%	11.2%	10.8%	9.6%
Median (Value) Owner-occupied Unit:	\$174,900	\$147,400	\$145,700	\$170,800	\$145,700	\$144,200	\$170,000	\$146,100	\$142,400	n/a
EMPLOYMENT STATUS										
Population 16 years and older	89,090	72,424	124,495	90,694	72,666	124,979	91,941	72,666	125,747	290,344
Population in Civilian Labor Force	63,065	49,642	84,772	64,273	49,562	84,619	65,211	49,657	85,422	200,290
Employed	58,556	44,999	77,034	59,961	45,088	76,632	61,044	45,690	77,805	184,539
Employed Percentage	65.7%	62.1%	61.9%	66.1%	62.0%	61.3%	66.4%	62.9%	61.9%	63.6%
Unemployed	4,509	4,643	7,738	4,235	4,467	7,951	4,113	3,961	7,553	15,627
Unemployed Percentage	5.1%	6.4%	6.2%	4.7%	6.1%	6.4%	4.5%	5.5%	6.0%	5.4%
INCOME										
Median Household Income	\$ 66,712	\$ 51,060	\$ 51,753	\$ 65,042	\$ 53,080	\$ 52,555	\$ 64,929	\$ 54,971	\$ 53,391	n/a
Mean Household Income	\$ 77,867	\$ 62,692	\$ 68,024	\$ 77,846	\$ 64,831	\$ 66,574	\$ 78,188	\$ 68,564	\$ 68,056	\$ 71,343
Per Capita Income	\$ 27,848	\$ 25,134	\$ 27,002	\$ 28,101	\$ 26,173	\$ 26,382	\$ 28,617	\$ 27,351	\$ 27,046	\$ 27,638
POVERTY LEVEL										
Percentage whose Income in the past 12-months is below Poverty Level:										
All Families	7.3%	9.4%	10.7%	7.6%	11.2%	11.3%	6.8%	11.2%	11.7%	10.0%
All People	9.3%	12.2%	14.3%	9.3%	14.1%	15.1%	8.6%	14.4%	14.9%	12.7%
Under 18 Years	11.6%	15.9%	21.8%	12.1%	18.6%	22.2%	12.3%	20.8%	22.4%	18.4%
65 Years and Older	9.4%	7.1%	7.3%	9.9%	5.9%	8.0%	6.0%	7.3%	9.0%	7.7%

Source: factfinder2.census.gov/

**Sanitation District No. 1
Northern Kentucky Top Ten Employers
2014 & 2005**

Top Ten Employers in Northern Kentucky - 2014 (Ranked by Local Employees)		
Company	Employees	Percentage of Employed Work Force
St. Elizabeth Healthcare	7,423	4.0%
Internal Revenue Service	4,250	2.3%
Fidelity Investments	3,900	2.1%
Boone County Schools	3,600	2.0%
Kroger Co.	3,312	1.8%
DHL	2,342	1.3%
Citi	2,290	1.2%
Kenton County Schools	2,200	1.2%
Delta Air Lines Inc.	2,120	1.1%
Northern Kentucky University	2,100	1.1%
Totals:	33,537	18.2%
Source: Business Courier, 2014 Book of Lists		

Top Ten Employers in Northern Kentucky - 2005 (Ranked by Local Employees)		
Company	Employees	Percentage of Employed Work Force
Delta Connection Comair	4,100	2.3%
St. Elizabeth Healthcare	4,206	2.3%
Fidelity Investments	3,627	2.0%
Delta Air Lines	3,600	2.0%
Boone County Schools	2,600	1.4%
Citi	2,525	1.4%
St. Luke Hospital	2,001	1.1%
Northern Kentucky University	1,896	1.0%
Kenton County Schools	1,689	0.9%
Gap, Inc.	1,151	0.6%
Totals:	27,395	15.1%
Source: Northern Kentucky Tri-Ed		

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

Design Capacity MGD	Fiscal Year										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	
Average Daily Wastewater Flow (MGD)											
TREATMENT PLANT FLOW (1)											
Dry Creek	32.9	35.5	34.6	34.1	31.4	35.9	35.7	35.9	27.3	26.4	
Eastern Regional WRF*			4.0	1.4	0.9	1.0	0.9	0.8	0.8	0.94	
Western Regional WRF**			20.0					3.4	7.6	8.43	
	70.5	32.9	35.5	34.6	32.3	36.9	36.6	40.1	35.7	35.8	
STAFFING LEVELS (2)											
Administration	31	35	39	43	46	48	51	61	62	58	
Engineering/Operations	29	36	48	46	49	42	38	27	27	27	
Storm Water	5	5	0	0	0	0	0	18	14	15.5	
Collection System	59	64	67	79	78	84	88	83	89	88	
Field Tech (Pump Stations)	0	0	12	13	13	18	14	14	13	15	
Eastern Regional and Small Plants			0	6	6	11	13	10	9	10.5	
Western Regional Plant							0	13	13	12	
Dry Creek and Lab	65	67	59	55	57	51	54	46	49	47.5	
TOTAL EMPLOYEES	189	207	225	242	249	254	258	272	276	273.5	

(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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Miles of Sanitary Sewers	1,422	1,422	1,422	1,422	1,520	1,520	1,514	1,514	1,522	1,524
Force Mains	78	78	78	78	80	80	86	86	78	76
Regional Wastewater Treatment Plants	1	1	1	2	2	2	2	2	3	3
Small Wastewater Treatment Plants										
Owned and operated	8	8	8	4	4	4	4	4	4	4
Operated but not owned	3	3	3	3	3	3	4	4	4	4
Pump Stations										
Owned and operated	127	129	130	131	129	133	131	131	133	121
Operated but not owned	2	2	2	2	2	13	13	13	13	14
Flood Stations	15	15	15	15	15	15	15	15	15	15
Storm Structures						18,896	28,883	29,165	31,669	32,062
Miles of Separate Storm Sewers						255	407	417	440	442

Source: SD1 GIS records

