

# 2018-2019

## Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2019 and 2018



**Sanitation District No. 1**  
1045 Eaton Drive  
Ft. Wright, KY  
859-578-7450  
[www.sd1.org](http://www.sd1.org)



**SANITATION DISTRICT NO. 1**

**For the Fiscal Years Ended  
June 30, 2019 and 2018**

*Comprehensive Annual Financial Report*



Prepared By:

**Sanitation District No. 1**

1045 Eaton Drive  
Fort Wright, KY

**Finance Department**

Ron Schmitt, Jr., Director  
Deborah Vinson, Accounting Manager

**SANITATION DISTRICT NO. 1  
TABLE OF CONTENTS**

|   | <b>PAGE</b> |
|---|-------------|
| <b>Introductory Section</b>   |             |
| Letter of Transmittal.....  | 1           |
| Board of Directors.....   | 7           |
| Government Finance Officers Association Certificate<br>for Excellence in Financial Reporting .....    | 8           |
| Organizational Chart.....   | 9           |
| <b>Financial Section</b>  |             |
| Independent Auditors' Report.....   | 10          |
| Management's Discussion and Analysis (MD&A) .....   | 12          |
| Basic Financial Statements  |             |
| Statements of Net Position .....  | 21          |
| Statements of Revenues, Expenses and Changes in Net Position .....                                    | 23          |
| Statements of Cash Flows.....   | 25          |
| Notes to the Financial Statements.....  | 29          |
| Required Supplementary Information  |             |
| Schedule of SD1's Proportionate Share of the Net Pension Liability.....                               | 65          |
| Schedule of SD1's Pension Contributions.....  | 66          |
| Schedule of SD1's Proportionate Share of the Net OPEB Liability.....                                  | 67          |
| Schedule of SD1's OPEB Contributions.....   | 68          |
| Other Supplementary Information   |             |
| Budgetary Comparison Schedules – Budget to Actual<br>General Revenues.....                            | 69          |
| Budgetary Comparison Schedules – Budget to Actual<br>Operation, Maintenance, and Administration ..... | 71          |

**SANITATION DISTRICT NO. 1  
TABLE OF CONTENTS  
(Continued)**

|   | <b>PAGE</b> |
|---|-------------|
| <b>Statistical Section</b>  |             |
| Statistical Section Narrative.....  | 89          |
| Financial Trends  |             |
| Statements of Net Position .....  | 90          |
| Statements of Revenues, Expenses and Changes in Net Position .....  | 92          |
| Statements of Cash Flows.....   | 94          |
| Net Capital Assets – Sanitation .....   | 95          |
| Net Capital Assets – Storm Water .....  | 96          |
| Revenue Capacity  |             |
| Schedule of Sanitary Sewer Rates, Rate Determination, and Percentage Change .....   | 97          |
| Schedule of Storm Water Rates, Rate Determination, and Percentage Change .....  | 98          |
| Sewer and Storm Water Revenues Breakdown by Billing Class .....   | 99          |
| Top Significant Industrial Users (SIU's).....   | 100         |
| Debt Service Coverage   |             |
| Debt Service Coverage .....   | 101         |
| Ratios of Outstanding Debt .....  | 103         |
| Demographic and Economic Information  |             |
| Northern Kentucky Demographic and Census Information.....   | 104         |
| Northern Kentucky Top Ten Employers .....   | 108         |
| Operating Information   |             |
| Miscellaneous Operating Statistics .....  | 109         |
| Capital Asset Statistics .....  | 110         |
| <b>Required Regulatory Information</b>  |             |
| Independent Auditors' Report on Internal Control over Financial Reporting<br>and on Compliance and Other Matters Based on an Audit of Financial<br>Statements Performed in Accordance with Government Auditing Standards..... | 111         |

## INTRODUCTORY SECTION



December 10, 2019

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, 2019. 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 VonLehman CPA & Advisory Firm, 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, 2019 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 auditors 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, 2019 are fairly presented in conformity with GAAP. The independent auditors' 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 auditors' 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 296,000 residents throughout Boone, Campbell and Kenton Counties.

SD1 maintains approximately 1,650 miles of sanitary sewer line, 121 wastewater pumping stations, 15 flood pump stations, seven package treatment plants, three major wastewater treatment plants, approximately 425 miles of storm sewer pipe and 31,657 storm sewer structures.

In Fiscal Year 2019, SD1 served a sanitary sewer customer base of 107,393 accounts and a storm water customer base of 97,304 accounts. SD1's sanitary sewer customer base has experienced a 0.910 percent average annual growth rate over the past five years, while SD1's storm water customer base has experienced a 0.814 percent average annual growth rate over the past five years even with the reduction of the storm water boundary that occurred in 2018.

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

## **Local Economy**

SD1 is located in Northern Kentucky, across the Ohio River from the City of Cincinnati, and is classified as belonging to the Cincinnati Metropolitan Statistical Area (MSA). Per the U.S. 2018 Census estimates, Northern Kentucky's population was 390,736. SD1 derives strength from the area's diverse economic base of manufacturing, entertainment, retail and commercial facilities. The local economy also benefits from its proximity to Cincinnati and includes the Greater Cincinnati International Airport.

According to the Northern Kentucky Tri-County Economic Development Corporation, Northern Kentucky is a key part of the 15-county Greater Cincinnati region, a thriving metropolitan area. Partnerships, collaboration and innovation have been critical elements for the Northern Kentucky region's success and competitiveness. The Cincinnati MSA unemployment rate has been on a declining trend the last 9 years. Over the past 12 months, the Cincinnati MSA average unemployment rate was 3.8 percent compared to a high of 10.1 percent at the end of June 2010. The regional 2019 unemployment rate is currently on par with the average national unemployment rate of 3.8 percent.

In Northern Kentucky, the housing market continues to show strong sales activity, increasing home values, and a rise in new home construction. Although these are encouraging trends, the housing market continues to face challenges such as limited inventory and a significant lack of available workforce.

### **Long-Term Financial Planning**

Two important developments over the past year significantly improved SD1's financial health – agreement on a new Amended Consent Decree and a residential sanitary sewer rate restructure.

After years of negotiation, SD1 finally settled on an Amended Consent Decree with the U.S. EPA and the Kentucky Energy and Environment Cabinet. The original decree, entered into in 2007, was intended to bring Northern Kentucky into compliance with the federal Clean Water Act by reducing sewer overflows and water pollution in local creeks and streams. The agreement extends to the year 2040 SD1's deadline for sewer overflow mitigation in Northern Kentucky. While original estimates for the investment required to address these overflows was \$1.3 billion (in 2016 dollars), SD1 is exploring new approaches and technologies that will significantly reduce the costs associated with overflow mitigation.

In July, SD1 began a four-year residential sanitary sewer rate restructure, establishing a base rate to help cover fixed costs and an environmental surcharge to help cover the cost of meeting the requirements of the Amended Consent Decree. The base rate includes the first 2 hundred cubic feet (HCF) of wastewater treatment. By increasing the base rate over the next four years and simultaneously reducing the fee for wastewater treatment beyond the initial 2 HCF, SD1 will address the continuing trend of declining revenue due to decreasing water consumption.

### **Relevant Financial Policies**

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

At fiscal year end, SD1 had total debt outstanding of \$433,295,572. Outstanding bonds of SD1 are rated Aa2 by Moody's and AA by Standard & Poor's rating agencies. For fiscal year ended June 30, 2019, net revenues covered debt service on both revenue bonds and Kentucky Infrastructure Authority (KIA) notes by 1.92 times. Unrestricted cash was at a level representing at least 728 days' cash which equated to \$80.8 million.

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

### **Major Initiatives**

In order to provide reliable wastewater and storm water services at an affordable rate to our customers, SD1 has continued to work on strategic business plan projects that address issues of strategic importance to the entire region. This includes our continued commitment to LEAN SD1 process improvements throughout the organization. Simply put, lean is creating more value with less resources. This commitment ensures all members of SD1's staff are working as efficiently as possible toward protecting public health, property and the environment while supporting the economic vitality of the community.

Some major initiatives over the past year that align with the goals outlined in our strategic business plan include conducting a national Watershed Plan Technical Competition, creation of an Asset Management Decision Support Tool for vertical assets, development of a user-friendly Long-Term Financial Model, and expansion of our Backup Assistance Program.

### **Watershed Plan Technical Competition**

After studying various approaches to sewer overflow mitigation used in other communities across the country, SD1 shifted strategies away from a focus on removal of inflow and infiltration (I/I), which had proven difficult and costly. SD1 conducted a national Watershed Plan Technical Competition to find the most cost-effective, innovative approaches to overflow mitigation. Five teams of the largest, most respected engineering firms in the nation competed for the opportunity to develop SD1's new Watershed Plan. The competition was judged on the technical merits of the concepts submitted, the capital cost savings to be obtained, and the total cost to develop the concepts into an executable Watershed Plan. SD1 was also able to leverage the knowledge base of all competing firms to draft an Amended Consent Decree that allowed the winning team to implement their cost-saving strategies without additional approvals from regulators. In total, the Watershed Plan Technical Competition is expected to reduce estimated long-term capital costs to achieve Amended Consent Decree compliance by over 50 percent from the 2016 estimated cost of \$1.3 billion.

### Asset Management Decision Support Tool

Prior to 2018, SD1 did not have data available to support financial decisions associated with vertical assets (treatment plants and pump stations) as it did for pipes within the collection system (through the Continuous Sewer Assessment Program, or CSAP). SD1 awarded a contract to AECOM to create an Asset Management Decision Support Tool that would allow the District to inventory and assess the remaining useful life of vertical assets. The combination of CSAP data with the new vertical asset tool has been used to develop more accurate long-term renewal and replacement plans. Additionally, the Watershed Plan team is now using this data when developing overflow mitigation plans to provide the most cost-effective approach to both asset maintenance and overflow mitigation. For example, if pipes in an overflow area are in poor condition, the mitigation strategy will most likely call for upsizing and replacing the worst pipes rather than an alternative solution, thereby addressing both concerns with the same capital dollars.

### User-Friendly Long-Term Financial Model

The enhancements and cost savings achieved through the implementation of the strategies outlined above have allowed for the reinvestment of a portion of those savings into strategic new growth projects and other community needs. The proof of the importance of future growth is apparent when adjusting customer account assumptions within SD1's long-term financial model. Variations in the number of new accounts will have a significant impact on SD1's ability to meet all of its financial obligations. Another critical factor is the effect of long-term debt on future ratepayers. Over the last two years, SD1 worked with Black and Veatch to develop an interactive, user-friendly model dashboard that provides for full transparency on three key metrics: future rate increases, average customer bill, and long-term debt at termination. Users of the model can manipulate numerous variables to see how even slight changes now can impact the District long-term.

### Expansion of Backup Assistance Program

SD1 made enhancements to its Backup Assistance Program this year to make it easier for customers to take advantage of financial assistance if they experience wet-weather-related sanitary sewer backups in their homes and basements. The program offers financial assistance to property owners for the installation of a backup solution such as a backflow valve, which allows water to flow only away from the home during a rain event. Changes to the program included eliminating the requirement that a homeowner experience multiple backups before qualifying; increasing the cap from \$5,000 to \$10,000; eliminating the requirement that customers pay up-front and be reimbursed for the backup solution; and eliminating the requirement that the program's release of claims be recorded with the county clerk's office. All of these changes were intended to increase participation in the Backup Assistance Program and reduce the number of homes that experience basement backups.

## ***Awards and Acknowledgements***

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SD1 for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the sixth consecutive year SD1 has received this prestigious award. In order to be awarded a Certificate of Achievement, SD1 published an easily readable and efficiently organized comprehensive annual financial report. The report satisfied both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. We wish to thank all SD1 departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the Board of Directors for their unfailing support for maintaining the highest standards of professionalism in the management of SD1's finances.

Respectfully Submitted,



**Adam Chaney**  
**Executive Director**



**Ron Schmitt, Jr.**  
**Director of Finance**

**SANITATION DISTRICT NO. 1**  
**BOARD OF DIRECTORS**  
(As of June 30, 2019)

Robert Horine, President  
Campbell County

Bob Schroder, Vice President  
Kenton County

Russ Horsley, Secretary  
Kenton County

Dolf Allesch, Treasurer  
Boone County

Rick Wessels, Director  
Kenton County

Bob Boswell, Director  
Boone County

Joe Bessler, Director  
Kenton County

Jack Scott, Director  
Campbell County



Government Finance Officers Association

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

Presented to

**Sanitation District No. 1  
Kentucky**

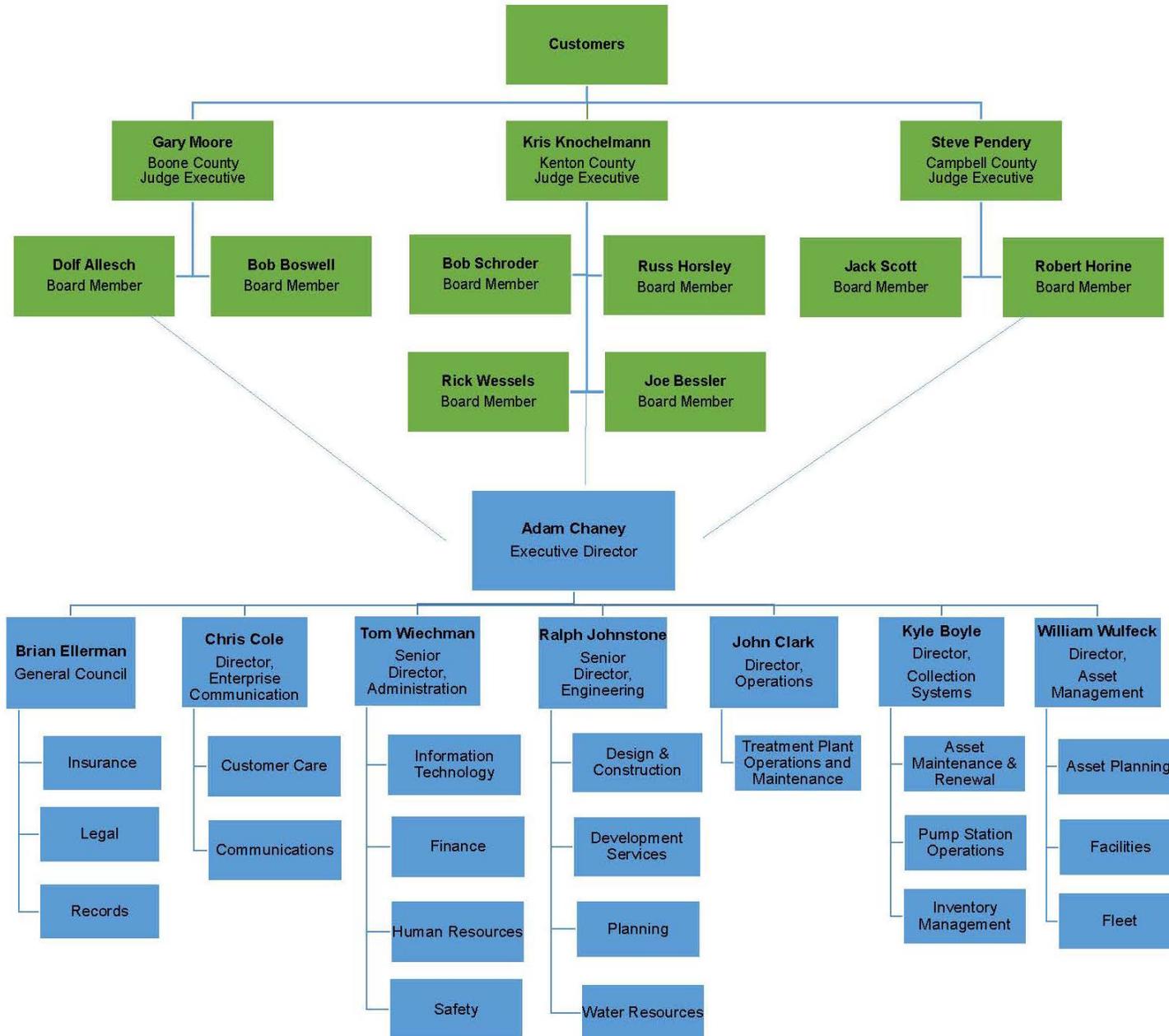
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO

**SANITATION DISTRICT NO. 1  
ORGANIZATION CHART**  
as of June 30, 2019



## **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Sanitation District No. 1  
Fort Wright, Kentucky

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Sanitation District No. 1 (SD1) as of and for the years ended June 30, 2019 and June 30, 2018, 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.

### Auditors' 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 auditors' 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 auditors 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 respective financial position of the business-type activities of the Sanitation District No. 1 as of June 30, 2019 and June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 12 – 20), schedule of SD1's proportionate share of the net pension liability and schedule of SD1's pension contributions (on pages 65 – 66), and the schedule of SD1's proportionate share of the net OPEB liability and schedule of SD1's OPEB contributions (on pages 67 – 68), 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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SD1's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and is derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated December 10, 2019, on our consideration of the SD1'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 the effectiveness of SD1's 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 the SD1's internal control over financial reporting and compliance.

*VonLehman & Company Inc.*

Fort Wright, Kentucky  
December 10, 2019



## SANITATION DISTRICT NO. 1 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Following is a narrative overview and analysis of the financial activities of the Sanitation District No. 1 for fiscal years ended June 30, 2019 and 2018. The information below should be considered in conjunction with additional information that was furnished in the letter of transmittal and the audited financial statements that follow this section.

### 2019 Financial Highlights

- SD1's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$768.6 million (*net position*). Of this amount, \$54.7 million represents unrestricted net position.
- Net investment in capital assets increased \$12.4 million to \$630.3 million.
- Operating revenues increased by \$5.7 million to \$109.0 million.
- Operating expenses excluding depreciation and major repairs and other decreased by \$170,000 to \$38.7 million.
- SD1's total outstanding debt decreased by \$22.7 million or 4.99%.

### 2018 Financial Highlights

- SD1's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$743.4 million (*net position*). Of this amount, \$41.0 million represents unrestricted net position.
- SD1 removed \$22.1 million net of depreciation in storm water capital assets as a prior period adjustment due to the storm water system audit that found pipes and structures that were not part of the storm sewer system that was transferred to SD1 several years ago.
- SD1 recognized an \$8.5 million liability as a prior period adjustment due to the implementation of Government Accounting Standards Board GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB).
- Operating revenues increased by \$4.3 million to \$103.3 million.
- Operating expenses excluding depreciation and major repairs and other decreased by \$1.1 million to \$38.9 million.
- SD1's total outstanding debt decreased by \$20.5 million or 4.31%.

### Overview of the Financial Statements

The financial statements presented herein include all of the activities of SD1 as prescribed by Governmental Accounting Standards. SD1's basic financial statements include the statements of net position, statements of revenues, expenses and changes in net position, statements of cash flows and the notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

The statement of net position presents information on SD1's assets and deferred outflows of resources as well as SD1's liabilities and deferred inflows of resources 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.

**SANITATION DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**(Continued)**

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 29 – 64 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 69 – 88 of this report.

**Basis of Accounting**

SD1's financial statements are prepared using the accrual basis of accounting.

**Overview of Annual Financial Report**

Table 1 provides a summary of SD1's net position for 2019 compared to 2018 and 2017.

|                                       | <b>Table 1</b>               |                              |                              |
|---------------------------------------|------------------------------|------------------------------|------------------------------|
|                                       | <b>Net Position</b>          |                              |                              |
|                                       | <b>June 30,</b>              |                              |                              |
|                                       | <b>2019</b>                  | <b>2018</b>                  | <b>2017</b>                  |
|                                       |                              |                              | <b>(As Restated)</b>         |
| <b>Assets</b>                         |                              |                              |                              |
| Current Assets                        | \$ 105,520,205               | \$ 87,282,501                | \$ 78,251,515                |
| Restricted Assets                     | 83,540,979                   | 84,595,821                   | 86,059,821                   |
| Receivables - Noncurrent              | 1,206,111                    | 1,259,677                    | 1,326,604                    |
| Capital Assets                        | <u>1,057,556,976</u>         | <u>1,067,540,117</u>         | <u>1,075,070,660</u>         |
| Total Assets                          | <u>1,247,824,271</u>         | <u>1,240,678,116</u>         | <u>1,240,708,600</u>         |
| <b>Deferred Outflows of Resources</b> | <u>14,965,252</u>            | <u>19,687,728</u>            | <u>13,256,340</u>            |
| <b>Liabilities</b>                    |                              |                              |                              |
| Current Liabilities                   | 36,225,756                   | 36,901,515                   | 38,164,156                   |
| Noncurrent Liabilities                | <u>454,520,132</u>           | <u>476,126,474</u>           | <u>489,775,488</u>           |
| Total Liabilities                     | <u>490,745,888</u>           | <u>513,027,989</u>           | <u>527,939,644</u>           |
| <b>Deferred Inflows of Resources</b>  | <u>3,451,074</u>             | <u>3,918,257</u>             | <u>565,983</u>               |
| <b>Net Position</b>                   |                              |                              |                              |
| Net Investment in Capital Assets      | 630,311,143                  | 617,871,122                  | 605,173,140                  |
| Restricted                            | 83,540,979                   | 84,595,821                   | 86,059,821                   |
| Unrestricted                          | <u>54,740,439</u>            | <u>40,952,655</u>            | <u>34,226,352</u>            |
| <b>Total Net Position</b>             | <b><u>\$ 768,592,561</u></b> | <b><u>\$ 743,419,598</u></b> | <b><u>\$ 725,459,313</u></b> |

**SANITATION DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**(Continued)**

Total assets increased \$7.1 million in 2019 and remained nearly unchanged in 2018. Although current assets increased \$18.2 million in 2019 and \$9.0 million in 2018 primarily due to an increase in unrestricted cash, restricted and capital assets decreased almost \$11.0 million in 2019 and \$9.0 million in 2018. The decrease for both years can be attributed primarily to accumulated depreciation on existing assets increasing more than the amount being invested in new capital improvement projects each year.

Deferred outflow of resources decreased \$4.7 million in 2019 and increased \$6.4 million in 2018. The majority of the change in both years was the result of revisions in the actuarial assumptions used in the calculations related to the pension and OPEB liabilities each year.

Total liabilities decreased \$22.3 million in 2019 and \$14.9 million in 2018. The majority of the decrease for both years was a result of not issuing any new bonds and continuing to pay on the existing debt. Net pension liability increased \$495,000 in 2019 and \$4.8 million in 2018 which resulted in a net pension liability of \$32.2 million in 2019 compared to \$31.7 million in 2018. OPEB liability decreased \$1.5 million in 2019 and increased \$2.3 million in 2018 which resulted in an OPEB liability of \$9.4 million in 2019 compared to \$10.9 million in 2018.

Deferred inflow of resources decreased \$467,000 in 2019 and increased almost \$3.4 million in 2018. The decrease in 2019 was primarily due to a decrease in the difference between projected and actual earnings on pension plan investments. The increase in 2018 was due to the difference between expected and actual investment returns related to the pension and OPEB liabilities.

Total net position increased almost \$25.2 million in 2019 and \$17.9 million in 2018. The largest portion of SD1's net position \$630.3 million or 82.0% in the current fiscal year reflects its investment in capital assets such as land, buildings, treatment facilities, and collection systems, less any related debt still outstanding used to acquire those assets. SD1 uses these capital assets to provide services to its customers; consequently, these assets are not available for future spending. Although SD1's investment in its capital assets is reported net of debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of SD1's net position is considered to be restricted. This amount represents resources that are subject to external restrictions on how they may be used. The restricted net position decreased 1.25% from 2018 and 1.70% from 2017 to 2018. The decrease was primarily a result of a reduction in the required amount of debt service reserve funds being held due to paying down existing debt. The remaining balance represents unrestricted net position and may be used to meet SD1's ongoing obligations to customers and creditors. Unrestricted net position increased 33.7% at the end of 2019 and increased 19.7% at the end of 2018. The majority of the increase was in unrestricted cash reserves as capital spending slowed during ongoing consent decree negotiations. Now that the amended consent decree has been finalized and the watershed plan is being updated, cash reserves will be used for capital improvement projects.

Table 2 shows the changes in net assets for 2019, as well as revenue and expense comparisons to 2018 and 2017.

**SANITATION DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
(Continued)**

**Table 2  
Changes in Net Position**

|  | Years Ended June 30,         |                              |                              |
|--|------------------------------|------------------------------|------------------------------|
|  | 2019                         | 2018                         | 2017<br>(As Restated)        |
| <b>Operating Revenues</b>                                  |                              |                              |                              |
| Sewer Service Charges                                      | \$ 88,772,462                | \$ 84,312,915                | \$ 79,746,166                |
| Storm Water Charges  | 13,604,462                   | 13,118,077                   | 12,965,299                   |
| Permits and Tap-in Fees                                    | 3,791,979                    | 3,501,783                    | 3,848,229                    |
| Sludge Hauling   | 914,722                      | 401,941                      | 274,630                      |
| Inspections  | 217,307                      | 173,623                      | 158,531                      |
| Penalties  | 1,415,881                    | 1,418,173                    | 1,466,407                    |
| Contractual Services                                       | 136,004                      | 160,732                      | 140,689                      |
| Bad Debt Recoveries  | 18,823                       | 25,135                       | 50,134                       |
| Other Revenues   | 145,941                      | 163,877                      | 325,918                      |
| <b>Total Operating Revenues</b>                            | <u>109,017,581</u>           | <u>103,276,256</u>           | <u>98,976,003</u>            |
| <b>Operating Expenses</b>                                  |                              |                              |                              |
| Operation, Maintenance and Administration                  | 38,700,426                   | 38,870,649                   | 39,976,208                   |
| Major Repairs and Other                                    | 1,814,545                    | 429,175                      | 876,520                      |
| Depreciation Expense                                       | 40,317,009                   | 39,965,919                   | 39,616,114                   |
| <b>Total Operating Expenses</b>                            | <u>80,831,980</u>            | <u>79,265,743</u>            | <u>80,468,842</u>            |
| <b>Net Operating Income</b>                                | 28,185,601                   | 24,010,513                   | 18,507,161                   |
| <b>Non-Operating Income</b>                                | 4,066,638                    | 499,779                      | 2,761,434                    |
| <b>Less Interest and Other Charges</b>                     | <u>15,675,211</u>            | <u>16,091,496</u>            | <u>17,671,508</u>            |
| <b>Change in Net Position Before Capital Contributions</b> | 16,577,028                   | 8,418,796                    | 3,597,087                    |
| <b>Capital Contributions</b>                               | <u>8,595,935</u>             | <u>9,541,489</u>             | <u>10,114,478</u>            |
| <b>Change in Net Position</b>                              | 25,172,963                   | 17,960,285                   | 13,711,565                   |
| <b>Net Position - Beginning of Year</b>                    | <u>743,419,598</u>           | <u>725,459,313</u>           | <u>711,747,748</u>           |
| <b>Net Position - End of Year</b>                          | <u><u>\$ 768,592,561</u></u> | <u><u>\$ 743,419,598</u></u> | <u><u>\$ 725,459,313</u></u> |

**SANITATION DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**(Continued)**

In 2019, SD1's total operating revenues experienced an increase of \$5.7 million or 5.56%. Sanitary sewer revenues increased almost \$4.5 million which was a result of a 5% rate increase to sanitary sewer fees that became effective July 1, 2018. Storm water revenues increased \$486,000 due to an increase in impervious area as a result of GIS parcel review efforts. Permits and connection fees increased \$290,000 which fluctuates each year based on new construction activities and timing of when permits are issued. Sludge hauling increased \$513,000 due to higher rainfall in the Northern Kentucky region that resulted in an increase in the volume of leachate discharged from landfills.

In 2018, SD1's total operating revenues experienced an increase of \$4.3 million or 4.34%. Sanitary revenues increased \$4.6 million which was a result of a 5.0% rate increase to sanitary sewer fees that became effective July 1, 2017. Storm water revenues experienced an increase of almost \$153,000 due to a 2.3% increase in the number of storm water accounts. Permits and connection fees decreased \$346,000 which fluctuates each year based on new construction activities and timing of when permits are issued. Other revenues decreased \$162,000 due to an insurance recovery received in 2017 related to a reduction in collateral being held for OCIP claims. Sludge hauling increased \$127,000 due to receiving a full year of income in 2018 associated with the disposal of leachate discharged from landfills which was implemented in November 2016.

In 2019, operating expenses excluding depreciation and major repairs and other decreased \$170,000 or less than 1%. The following contributed to the change in operating expenses:

- Salaries, wages and benefits decreased \$340,000 which was primarily due to the continued focus on staff reduction through attrition and a reduction in medical costs as a result of excluding specialty drugs and continued benefits of the direct contract pricing plan. This reduction was offset by \$155,000 decrease in salaries and wages allocated to capital due to fewer capital projects.
- Professional and Contractual services decreased \$185,000 due to a decrease in the utilization of outside consultants for modeling services.
- Banking fees decreased \$269,000 due to a full year of SD1 no longer absorbing the convenience fee for customers using credit cards, debit cards or e-check payments, which is now being passed on to the customer.
- Chemicals increased \$176,000 as a result of a unit cost increase, as well as an increase in the amount of chemicals used at the Dry Creek treatment plant due to an effectiveness issue.
- Electricity increased \$329,000 primarily as a result of experiencing higher rainfall levels which resulted in higher flows entering the treatment plants and increased usage for the operation of SD1's flood pump station systems.
- Vehicle Operations increased \$148,000 due to an increase in vehicle repairs associated with maintaining an aging fleet.

**SANITATION DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**(Continued)**

In 2018, operating expenses excluding depreciation and major repairs and other decreased \$1.1 million or 2.77%. The following contributed to the change in operating expenses:

- Salaries, wages and benefits decreased \$1.1 million due to reduced staffing levels and a reduction in medical claims which was primarily a result of changing to a negotiated contract-based pricing plan.
- Professional services decreased \$156,000 due to a decrease in the utilization of external consultants and a reduction in outsourced CCTV inspection services.
- Legal Expenses decreased \$76,000 primarily due to minimal activity of a number of litigation cases currently on appeal.
- Banking fees decreased almost \$227,000 due to the following main reasons; \$139,000 reduction due to SD1 no longer absorbing the convenience fee for customers using credit cards, debit cards, or e-check payments effective January 1, 2018 and an \$84,000 reduction due to switching electronic payment providers which eliminated a per ebill delivery charge.
- Building and Grounds increased \$77,000 due to the addition of an on-site health care facility aimed at further reducing medical costs and other renovations throughout the main office building to better align departments.
- Electricity and sludge removal increased almost \$241,000 primarily due to treating more production of biosolids at the Western Regional Treatment Plant and increased usage for the operation of SD1's flood pump station system during the flooding incident that occurred in early 2018.

Major repairs and other expenses increased almost \$1.4 million in 2019 due to the following main reasons; \$1 million in historical capital costs for preliminary design and infrastructure modeling related to the Ash Street project were written off and a betterment cost for upsizing Kentucky Transportation Cabinet storm pipes to accommodate future SD1 separation projects. Major repairs and other expenses in 2018 decreased \$447,000 due to less preliminary studies and conceptual design work of proposed capital projects occurring in the year.

Non-operating income increased almost \$3.6 million in 2019 which was primarily the result of a \$1.1 million increase in interest income, \$1.7 million increase in the fair market value of investments and an \$837,000 decrease in SD1's share of the pension and OPEB expenses. Non-operating income decreased \$2.2 million in 2018 which was primarily the result of a \$2.7 million increase in recognizing SD1's share of the pension and OPEB expenses offset by a \$513,000 increase in interest income due to a higher rate of return on investments and higher cash balances.

Interest expense and other charges decreased \$416,000 in 2019 and \$1.6 million in 2018. The decrease in both years was due to not issuing any new bonds and continuing to pay down the existing debt.

Capital contributions decreased almost \$946,000 in 2019 and \$573,000 in 2018. Capital contributions consist primarily of developer dedicated sanitary and storm water infrastructure and can vary from year to year depending on the amount of infrastructure completed in any given year.

**SANITATION DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
(Continued)**

**Capital Assets**

SD1's investment in capital assets as of June 30, 2019 was \$1.06 billion (net of accumulated depreciation). This represents a 0.94% decrease from 2018. Although capital assets increased \$27.7 million, accumulated depreciation increased \$37.7 million. Major capital assets added during the year included \$12.8 million for rehab and replacement of sanitary lines and \$11.6 million of storm water lines. Land Improvement assets increased \$343,000 due to the installation of retaining walls needed to prevent further damage from landslides and to protect existing infrastructure. Pumping station infrastructure and equipment improvements were added in the amount of \$2.5 million. Construction in progress decreased \$878,000 as constructed assets were placed into service.

SD1's investment in capital assets as of June 30, 2018 was \$1.07 billion (net of accumulated depreciation). This represents a 0.7% decrease from 2017. Although capital assets increased \$30.6 million, accumulated depreciation increased \$38.1 million. Major capital assets added during the year included \$12.2 million for rehab and replacement of sanitary lines and \$9.7 million of storm water lines. Pumping station infrastructure and equipment improvements were added in the amount of \$767,000. Treatment and disposal plant and equipment were added in the amount of \$392,000. Construction in progress increased \$6.4 million as on-going projects were being constructed and readied for use. These assets are summarized in table 3 below.

**Table 3  
Capital Assets, Net of Depreciation**

|                                  | June 30,                |                         |                         |
|----------------------------------|-------------------------|-------------------------|-------------------------|
|                                  | 2019                    | 2018                    | 2017<br>(As Restated)   |
| <b>Not Being Depreciated</b>     |                         |                         |                         |
| Land                             | \$ 17,548,769           | \$ 16,580,850           | \$ 16,140,009           |
| Construction in Progress         | 17,430,531              | 18,309,156              | 11,914,610              |
| <b>Other Capital Assets</b>      |                         |                         |                         |
| Land Improvements                | 4,615,156               | 4,271,907               | 3,986,902               |
| Collection System                | 718,449,853             | 705,609,183             | 693,385,908             |
| Pumping System                   | 101,489,975             | 98,977,592              | 98,210,442              |
| Treatment and Disposal           | 264,780,931             | 264,661,709             | 264,269,368             |
| General Buildings and Structures | 30,096,796              | 30,096,796              | 30,028,238              |
| Office Furniture and Equipment   | 8,023,896               | 7,842,167               | 7,742,850               |
| Vehicle and Accessories          | 8,840,199               | 8,841,023               | 8,936,081               |
| Machinery and Equipment          | 5,773,346               | 5,784,983               | 5,494,919               |
| Software Model Development       | 21,554,029              | 21,554,029              | 21,554,029              |
| Storm Water Collection System    | 396,792,114             | 385,148,489             | 375,456,019             |
| Subtotal                         | 1,595,395,595           | 1,567,677,884           | 1,537,119,375           |
| Less Accumulated Depreciation    | 537,838,619             | 500,137,767             | 462,048,715             |
| <b>Totals</b>                    | <b>\$ 1,057,556,976</b> | <b>\$ 1,067,540,117</b> | <b>\$ 1,075,070,660</b> |

Additional information on SD1's capital assets can be found in the Capital Assets note to the financial statements on pages 37 and 38 of this report.

**SANITATION DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
(Continued)**

**Debt Administration**

SD1 ended fiscal year 2019 with \$433.3 million in outstanding bonds and notes compared to \$456.0 million in 2018 and \$476.6 million in 2017. This represents a decrease of 4.99% in 2019 and 4.31% in 2018 as shown in Table 4. SD1 issued bonds in the amount of \$124,990,000 in 2017 to refund Series 2005A Bonds, Series 2006A Bonds and Series 2007A Bonds to take advantage of favorable interest rates and expected to save SD1 and its rate payers a net of \$31.2 million over the life of the bonds (21 years). SD1 added \$586,000 to the notes payable in 2019 and \$2.2 million in 2018 as funds were drawn from the Kentucky Infrastructure Authority (KIA) Revolving Loan Fund. These funds were utilized to help fund the necessary capital improvement projects.

Table 4 summarizes SD1's outstanding debt at June 30, 2019, 2018, and 2017.

**Table 4  
Debt Summary**

|                   | <b>June 30,</b>       |                       |                       |
|-------------------|-----------------------|-----------------------|-----------------------|
|                   | <b>2019</b>           | <b>2018</b>           | <b>2017</b>           |
| Bond Indebtedness | \$ 309,159,823        | \$ 324,620,158        | \$ 339,854,417        |
| Notes Payable     | 124,135,749           | 131,411,482           | 136,724,421           |
|                   | <b>\$ 433,295,572</b> | <b>\$ 456,031,640</b> | <b>\$ 476,578,838</b> |

Additional information on SD1's long-term debt can be found in the Long-Term Debt note to the financial statements on pages 39 – 44 of this report.

**Economic Factors and Next Year's Budget**

In June 2019, SD1's Board of Directors and the Judges Executive of Boone, Campbell and Kenton counties approved the fiscal year 2020 Operating & Maintenance (O&M) and Capital budgets. The 2020 O&M budget was approved for \$42.7 million which reflects a 1.72% increase compared to the 2019 budget.

The revenue budget includes a new residential sanitary rate structure to more closely align with the actual fixed costs of providing the service. The new rate structure includes a fixed base rate, which includes the first 2 hundred cubic feet of usage, a fixed environmental surcharge for sanitary sewer overflow mitigation and a reduced variable rate for water consumption beyond the minimum 2 hundred cubic feet. Also included is a five percent (5%) increase in non-residential sanitary rates. The impact is an anticipated increase of \$2.9 million over 2019 actual sewer service revenue. There is no change or rate increase for storm water services in fiscal year 2020.

In preparing the 2020 operating budget, the key focus was on controlling expenditures in light of rising costs associated with pension obligations, new environmental regulations, and aging infrastructure. The budget was developed with an emphasis on continuous improvement of operations and systems to provide for better efficiencies, collaboration with outside stakeholders, optimization of existing staff and employee development through succession planning.

**SANITATION DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**(Continued)**

SD1's 2020 wastewater and storm water capital improvement plan "CIP" includes a number of projects to address operational needs, community needs and future growth. The projects are all at different stages of advancement and the anticipated work may range from planning, design, to construction. The CIP also provides for implementation of recurring annual improvement programs such as asset renewal and unplanned emergency repairs. New capital asset purchases are also included for vehicle replacements, software and hardware purchases, and equipment replacements at SD1's main facility, treatment plants and pump stations. The total investment over the next five years for projects, programs and purchases is \$256.0 million of which \$215.1 million is estimated for sanitary projects, \$39.7 million for storm water projects and \$1.2 million for capital asset purchases.

The 2020 capital budget approved spending plan calls for \$45.9 million, of which \$20.1 million is for sanitary and storm water asset management projects, \$11.1 million for consent decree projects, \$4.6 million for capacity pinch point improvements, \$1.7 million for storm water cost share programs, \$600,000 for storm water technical flood assistance and plan development, \$6.6 million for storm water capital improvement projects, and \$1.2 million for new capital asset purchases.

At the end of fiscal year 2019, all available funds for major capital improvements have been drawn from the Commonwealth of Kentucky's Revolving Loan Funds. Any additional funds needed for funding capital projects and programs will be provided from cash reserves, net revenues and future bond issues.

**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 the SD1's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Sanitation District Administrative Office at 1045 Eaton Drive, Fort Wright, Kentucky, 41017 or email [info@sd1.org](mailto:info@sd1.org).

## **BASIC FINANCIAL STATEMENTS**

**SANITATION DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

|  | <b>Sanitation</b>     | <b>Storm Water</b>    | <b>Total</b>            |
|--|-----------------------|-----------------------|-------------------------|
| <b>Assets and Deferred Outflows of Resources</b>       |                       |                       |                         |
| <b>Current Assets</b>                                  |                       |                       |                         |
| Cash and Cash Equivalents                              | \$ 62,220,739         | \$ 18,592,284         | \$ 80,813,023           |
| Accounts Receivable                                    |                       |                       |                         |
| Customers  | 7,015,682             | 2,062,957             | 9,078,639               |
| Communities  | 13,361                | -                     | 13,361                  |
| Other  | 3,629,261             | -                     | 3,629,261               |
| Accrued Unbilled Charges                               | 9,354,925             | 1,667,400             | 11,022,325              |
| Prepaid Items and Deposits                             | 928,455               | 668                   | 929,123                 |
| Accrued Interest                                       | 28,957                | 5,516                 | 34,473                  |
| Total Current Assets                                   | 83,191,380            | 22,328,825            | 105,520,205             |
| <b>Noncurrent Assets</b>                               |                       |                       |                         |
| <b>Restricted Assets</b>                               |                       |                       |                         |
| Cash and Cash Equivalents                              | 1,019,705             | 896,346               | 1,916,051               |
| Investments  | 79,699,565            | 1,682,040             | 81,381,605              |
| Accrued Interest                                       | 243,323               | -                     | 243,323                 |
| Total Restricted Assets                                | 80,962,593            | 2,578,386             | 83,540,979              |
| <b>Receivables</b>                                     |                       |                       |                         |
| Assessments  | 1,200,981             | -                     | 1,200,981               |
| Municipal Improvement Notes                            | 5,130                 | -                     | 5,130                   |
| Total Receivables                                      | 1,206,111             | -                     | 1,206,111               |
| <b>Capital Assets</b>                                  |                       |                       |                         |
| Land   | 16,310,617            | 1,238,152             | 17,548,769              |
| System, Building and Equipment                         | 1,157,742,500         | 402,673,795           | 1,560,416,295           |
| Construction in Progress                               | 15,080,010            | 2,350,521             | 17,430,531              |
| Less Accumulated Depreciation                          | (407,968,611)         | (129,870,008)         | (537,838,619)           |
| Total Capital Assets                                   | 781,164,516           | 276,392,460           | 1,057,556,976           |
| Total Noncurrent Assets                                | 863,333,220           | 278,970,846           | 1,142,304,066           |
| Total Assets   | 946,524,600           | 301,299,671           | 1,247,824,271           |
| <b>Deferred Outflows of Resources</b>                  |                       |                       |                         |
| Deferred Outflows Related to Pension                   | 4,994,016             | 1,350,951             | 6,344,967               |
| Deferred Outflows Related to Other                     |                       |                       |                         |
| Postemployment Benefits                                | 2,023,233             | 547,313               | 2,570,546               |
| Deferred Loss on Refundings                            | 6,049,739             | -                     | 6,049,739               |
| Total Deferred Outflows of Resources                   | 13,066,988            | 1,898,264             | 14,965,252              |
| <b>Total Assets and Deferred Outflows of Resources</b> | <b>\$ 959,591,588</b> | <b>\$ 303,197,935</b> | <b>\$ 1,262,789,523</b> |

See accompanying notes.

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

|   | <b>Sanitation</b>     | <b>Storm Water</b>    | <b>Total</b>            |
|---|-----------------------|-----------------------|-------------------------|
| <b>Liabilities and Deferred Inflows of Resources</b>                      |                       |                       |                         |
| <b>Current Liabilities</b>  |                       |                       |                         |
| Bond Indebtedness   | \$ 12,821,480         | \$ -                  | \$ 12,821,480           |
| Notes Payable   | 8,131,381             | 94,088                | 8,225,469               |
| Accounts Payable  | 5,328,137             | 1,759,081             | 7,087,218               |
| Accrued Payroll and Benefits  | 864,421               | 217,408               | 1,081,829               |
| Accrued Interest Payable  | 6,577,226             | 2,385                 | 6,579,611               |
| Accrued Taxes and Pension   | (838)                 | -                     | (838)                   |
| Compensated Absences  | 211,369               | 48,023                | 259,392                 |
| Sales Tax Payable   | 30,885                | -                     | 30,885                  |
| Other Liabilities   | 140,710               | -                     | 140,710                 |
|   | <b>34,104,771</b>     | <b>2,120,985</b>      | <b>36,225,756</b>       |
| <b>Long-Term Liabilities (Net of Current Portion)</b>                     |                       |                       |                         |
| Bond Indebtedness   | 296,338,343           | -                     | 296,338,343             |
| Notes Payable   | 114,703,688           | 1,206,592             | 115,910,280             |
| Compensated Absences  | 558,495               | 181,454               | 739,949                 |
| Net Pension Liability   | 25,310,319            | 6,846,795             | 32,157,114              |
| Net Other Postemployment Benefits Liability                               | 7,378,467             | 1,995,979             | 9,374,446               |
|   | <b>444,289,312</b>    | <b>10,230,820</b>     | <b>454,520,132</b>      |
| Total Liabilities   | <b>478,394,083</b>    | <b>12,351,805</b>     | <b>490,745,888</b>      |
| <b>Deferred Inflows of Resources</b>                                      |                       |                       |                         |
| Deferred Inflows Related to Pension                                       | 1,143,436             | 309,315               | 1,452,751               |
| Deferred Inflows Related to Other Postemployment Benefits                 | 1,572,846             | 425,477               | 1,998,323               |
|   | <b>2,716,282</b>      | <b>734,792</b>        | <b>3,451,074</b>        |
| Total Liabilities and Deferred Inflows of Resources                       | <b>481,110,365</b>    | <b>13,086,597</b>     | <b>494,196,962</b>      |
| <b>Net Position</b>   |                       |                       |                         |
| Net Investment in Capital Assets Restricted For                           | 355,219,363           | 275,091,780           | 630,311,143             |
| Debt Service Funds  | 46,017,044            | 10,189                | 46,027,233              |
| Operations, Infrastructure, and Insurance                                 | 33,925,844            | 1,671,851             | 35,597,695              |
| Capital Improvement Projects and Programs                                 | 36,750                | 896,346               | 933,096                 |
| Other Purposes  | 982,955               | -                     | 982,955                 |
| Unrestricted  | 42,299,267            | 12,441,172            | 54,740,439              |
|   | <b>478,481,223</b>    | <b>290,111,338</b>    | <b>768,592,561</b>      |
| <b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b> | <b>\$ 959,591,588</b> | <b>\$ 303,197,935</b> | <b>\$ 1,262,789,523</b> |

**SANITATION DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

|  | <u>Sanitation</u>     | <u>Storm Water</u>    | <u>Total</u>            |
|--|-----------------------|-----------------------|-------------------------|
| <b>Assets and Deferred Outflows of Resources</b>       |                       |                       |                         |
| <b>Current Assets</b>                                  |                       |                       |                         |
| Cash and Cash Equivalents                              | \$ 46,092,438         | \$ 16,710,446         | \$ 62,802,884           |
| Accounts Receivable                                    |                       |                       |                         |
| Customers  | 6,626,982             | 1,919,163             | 8,546,145               |
| Communities  | 12,231                | -                     | 12,231                  |
| Other  | 4,339,856             | -                     | 4,339,856               |
| Accrued Unbilled Charges                               | 9,038,330             | 1,614,800             | 10,653,130              |
| Prepaid Items and Deposits                             | 893,904               | 350                   | 894,254                 |
| Accrued Interest                                       | 28,561                | 5,440                 | 34,001                  |
|  | <u>67,032,302</u>     | <u>20,250,199</u>     | <u>87,282,501</u>       |
| <b>Noncurrent Assets</b>                               |                       |                       |                         |
| <b>Restricted Assets</b>                               |                       |                       |                         |
| Cash and Cash Equivalents                              | 999,364               | -                     | 999,364                 |
| Investments  | 81,811,317            | 1,565,124             | 83,376,441              |
| Accrued Interest                                       | 220,016               | -                     | 220,016                 |
|  | <u>83,030,697</u>     | <u>1,565,124</u>      | <u>84,595,821</u>       |
| <b>Receivables</b>                                     |                       |                       |                         |
| Assessments  | 1,254,547             | -                     | 1,254,547               |
| Municipal Improvement Notes                            | 5,130                 | -                     | 5,130                   |
|  | <u>1,259,677</u>      | <u>-</u>              | <u>1,259,677</u>        |
| <b>Capital Assets</b>                                  |                       |                       |                         |
| Land   | 15,567,591            | 1,013,259             | 16,580,850              |
| System, Building and Equipment                         | 1,141,767,404         | 391,020,474           | 1,532,787,878           |
| Construction in Progress                               | 13,592,546            | 4,716,610             | 18,309,156              |
| Less Accumulated Depreciation                          | (383,880,260)         | (116,257,507)         | (500,137,767)           |
|  | <u>787,047,281</u>    | <u>280,492,836</u>    | <u>1,067,540,117</u>    |
| Total Noncurrent Assets                                | <u>871,337,655</u>    | <u>282,057,960</u>    | <u>1,153,395,615</u>    |
| Total Assets   | <u>938,369,957</u>    | <u>302,308,159</u>    | <u>1,240,678,116</u>    |
| <b>Deferred Outflows of Resources</b>                  |                       |                       |                         |
| Deferred Outflows Related to Pension                   | 8,175,166             | 2,155,881             | 10,331,047              |
| Deferred Outflows Related to Other                     |                       |                       |                         |
| Postemployment Benefits                                | 2,369,241             | 624,795               | 2,994,036               |
| Deferred Loss on Refundings                            | 6,362,645             | -                     | 6,362,645               |
|  | <u>16,907,052</u>     | <u>2,780,676</u>      | <u>19,687,728</u>       |
| Total Deferred Outflows of Resources                   | <u>16,907,052</u>     | <u>2,780,676</u>      | <u>19,687,728</u>       |
| <b>Total Assets and Deferred Outflows of Resources</b> | <u>\$ 955,277,009</u> | <u>\$ 305,088,835</u> | <u>\$ 1,260,365,844</u> |

See accompanying notes.

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

|   | <u>Sanitation</u>     | <u>Storm Water</u>    | <u>Total</u>            |
|---|-----------------------|-----------------------|-------------------------|
| <b>Liabilities and Deferred Inflows of Resources</b>                      |                       |                       |                         |
| <b>Current Liabilities</b>  |                       |                       |                         |
| Bond Indebtedness   | \$ 15,442,759         | \$ -                  | \$ 15,442,759           |
| Notes Payable   | 7,548,299             | 92,235                | 7,640,534               |
| Accounts Payable  | 4,218,420             | 1,240,030             | 5,458,450               |
| Accrued Payroll and Benefits  | 833,580               | 219,646               | 1,053,226               |
| Accrued Interest Payable  | 6,825,127             | 2,554                 | 6,827,681               |
| Accrued Taxes and Pension   | 3,715                 | -                     | 3,715                   |
| Compensated Absences  | 247,224               | 50,428                | 297,652                 |
| Sales Tax Payable   | 35,713                | -                     | 35,713                  |
| Other Liabilities   | 141,785               | -                     | 141,785                 |
|   | <u>35,296,622</u>     | <u>1,604,893</u>      | <u>36,901,515</u>       |
| <b>Long-Term Liabilities (Net of Current Portion)</b>                     |                       |                       |                         |
| Bond Indebtedness   | 309,177,399           | -                     | 309,177,399             |
| Notes Payable   | 122,470,270           | 1,300,678             | 123,770,948             |
| Compensated Absences  | 463,759               | 178,472               | 642,231                 |
| Net Pension Liability   | 25,054,457            | 6,607,137             | 31,661,594              |
| Net Other Postemployment Benefits Liability                               | 8,605,054             | 2,269,248             | 10,874,302              |
|   | <u>465,770,939</u>    | <u>10,355,535</u>     | <u>476,126,474</u>      |
| Total Noncurrent Liabilities  | <u>465,770,939</u>    | <u>10,355,535</u>     | <u>476,126,474</u>      |
| Total Liabilities   | <u>501,067,561</u>    | <u>11,960,428</u>     | <u>513,027,989</u>      |
| <b>Deferred Inflows of Resources</b>                                      |                       |                       |                         |
| Deferred Inflows Related to Pension                                       | 2,650,060             | 698,850               | 3,348,910               |
| Deferred Inflows Related to Other Postemployment Benefits                 | 450,536               | 118,811               | 569,347                 |
|   | <u>3,100,596</u>      | <u>817,661</u>        | <u>3,918,257</u>        |
| Total Deferred Inflows of Resources                                       | <u>3,100,596</u>      | <u>817,661</u>        | <u>3,918,257</u>        |
| Total Liabilities and Deferred Inflows of Resources                       | <u>504,168,157</u>    | <u>12,778,089</u>     | <u>516,946,246</u>      |
| <b>Net Position</b>   |                       |                       |                         |
| Net Investment in Capital Assets Restricted For                           | 338,771,199           | 279,099,923           | 617,871,122             |
| Debt Service Funds  | 48,792,047            | 10,208                | 48,802,255              |
| Operations, Infrastructure, and Insurance                                 | 33,239,286            | 1,554,916             | 34,794,202              |
| Capital Improvement Projects and Programs                                 | 36,750                | -                     | 36,750                  |
| Other Purposes  | 962,614               | -                     | 962,614                 |
| Unrestricted  | 29,306,956            | 11,645,699            | 40,952,655              |
|   | <u>451,108,852</u>    | <u>292,310,746</u>    | <u>743,419,598</u>      |
| Total Net Position  | <u>451,108,852</u>    | <u>292,310,746</u>    | <u>743,419,598</u>      |
| <b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b> | <u>\$ 955,277,009</u> | <u>\$ 305,088,835</u> | <u>\$ 1,260,365,844</u> |

**SANITATION DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2019**

|  | <u>Sanitation</u>     | <u>Storm Water</u>    | <u>Total</u>          |
|--|-----------------------|-----------------------|-----------------------|
| <b>Operating Revenues</b>                            |                       |                       |                       |
| Sewer Service Charges                                | \$ 88,772,462         | \$ -                  | \$ 88,772,462         |
| Storm Water Charges                                  | -                     | 13,604,462            | 13,604,462            |
| Permits and Tap-In Fees                              | 3,712,115             | 79,864                | 3,791,979             |
| Sludge Hauling                                       | 914,722               | -                     | 914,722               |
| Inspections  | 111,672               | 105,635               | 217,307               |
| Penalties  | 1,234,054             | 181,827               | 1,415,881             |
| Contractual Services                                 | 136,004               | -                     | 136,004               |
| Bad Debt Recoveries                                  | 16,612                | 2,211                 | 18,823                |
| Other Revenues                                       | 68,626                | 77,315                | 145,941               |
|  | <u>94,966,267</u>     | <u>14,051,314</u>     | <u>109,017,581</u>    |
| <b>Operating Expenses</b>                            |                       |                       |                       |
| Operation, Maintenance and Administration            | 32,926,928            | 5,773,498             | 38,700,426            |
| Major Repairs and Other                              | 1,287,500             | 527,045               | 1,814,545             |
| Depreciation   | 26,292,897            | 14,024,112            | 40,317,009            |
|  | <u>60,507,325</u>     | <u>20,324,655</u>     | <u>80,831,980</u>     |
|  |                       |                       |                       |
| Operating Income (Loss)                              | <u>34,458,942</u>     | <u>(6,273,341)</u>    | <u>28,185,601</u>     |
| <b>Non-Operating Income (Expense)</b>                |                       |                       |                       |
| Interest Income                                      | 2,473,600             | 444,357               | 2,917,957             |
| Loss on Disposal of Capital Assets                   | (162,100)             | (102,790)             | (264,890)             |
| Federal Credits on Build America Bonds               | 3,251,747             | -                     | 3,251,747             |
| Pension Expense                                      | (1,930,389)           | (655,054)             | (2,585,443)           |
| Other Postemployment Benefits Expense                | (241,731)             | (110,879)             | (352,610)             |
| Net Appreciation in Fair Market Value of Investments | 1,073,098             | 26,779                | 1,099,877             |
|  | <u>4,464,225</u>      | <u>(397,587)</u>      | <u>4,066,638</u>      |
| <b>Interest and Other Charges</b>                    |                       |                       |                       |
| Interest on Long-Term Debt                           | 15,645,240            | 29,971                | 15,675,211            |
|  |                       |                       |                       |
| Change in Net Position Before Capital Contributions  | 23,277,927            | (6,700,899)           | 16,577,028            |
|  |                       |                       |                       |
| Capital Contributions                                | 4,094,444             | 4,501,491             | 8,595,935             |
|  |                       |                       |                       |
| Change in Net Position                               | 27,372,371            | (2,199,408)           | 25,172,963            |
| <b>Net Position - Beginning of Year</b>              | <u>451,108,852</u>    | <u>292,310,746</u>    | <u>743,419,598</u>    |
| <b>Net Position - End of Year</b>                    | <u>\$ 478,481,223</u> | <u>\$ 290,111,338</u> | <u>\$ 768,592,561</u> |

See accompanying notes.

**SANITATION DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2018**

|  | <u>Sanitation</u>     | <u>Storm Water</u>    | <u>Total</u>          |
|--|-----------------------|-----------------------|-----------------------|
| <b>Operating Revenues</b>                                  |                       |                       |                       |
| Sewer Service Charges                                      | \$ 84,312,915         | \$ -                  | \$ 84,312,915         |
| Storm Water Charges  | -                     | 13,118,077            | 13,118,077            |
| Permits and Tap-In Fees                                    | 3,422,085             | 79,698                | 3,501,783             |
| Sludge Hauling   | 401,941               | -                     | 401,941               |
| Inspections  | 88,692                | 84,931                | 173,623               |
| Penalties  | 1,249,644             | 168,529               | 1,418,173             |
| Contractual Services                                       | 160,732               | -                     | 160,732               |
| Bad Debt Recoveries  | 24,041                | 1,094                 | 25,135                |
| Other Revenues   | 152,678               | 11,199                | 163,877               |
|  | <u>89,812,728</u>     | <u>13,463,528</u>     | <u>103,276,256</u>    |
| <b>Operating Expenses</b>                                  |                       |                       |                       |
| Operation, Maintenance and Administration                  | 32,935,762            | 5,934,887             | 38,870,649            |
| Major Repairs and Other                                    | 198,947               | 230,228               | 429,175               |
| Depreciation   | 26,142,405            | 13,823,514            | 39,965,919            |
|  | <u>59,277,114</u>     | <u>19,988,629</u>     | <u>79,265,743</u>     |
| <b>Operating Income (Loss)</b>                             | <u>30,535,614</u>     | <u>(6,525,101)</u>    | <u>24,010,513</u>     |
| <b>Non-Operating Income (Expense)</b>                      |                       |                       |                       |
| Interest Income  | 1,531,915             | 245,466               | 1,777,381             |
| Loss on Disposal of Capital Assets                         | (87,858)              | (114,347)             | (202,205)             |
| Federal Credits on Build America Bonds                     | 3,303,372             | -                     | 3,303,372             |
| Pension Expense  | (2,006,140)           | (1,217,979)           | (3,224,119)           |
| Other Postemployment Benefits Expense                      | (436,057)             | (114,993)             | (551,050)             |
| Net Depreciation in Fair Market Value of Investments       | (591,458)             | (12,142)              | (603,600)             |
|  | <u>1,713,774</u>      | <u>(1,213,995)</u>    | <u>499,779</u>        |
| <b>Interest and Other Charges</b>                          |                       |                       |                       |
| Interest on Long-Term Debt                                 | 16,059,523            | 31,973                | 16,091,496            |
| <b>Change in Net Position Before Capital Contributions</b> | 16,189,865            | (7,771,069)           | 8,418,796             |
| <b>Capital Contributions</b>                               | 4,879,137             | 4,662,352             | 9,541,489             |
| <b>Change in Net Position</b>                              | 21,069,002            | (3,108,717)           | 17,960,285            |
| <b>Net Position - Beginning of Year</b>                    | <u>430,039,850</u>    | <u>295,419,463</u>    | <u>725,459,313</u>    |
| <b>Net Position - End of Year</b>                          | <u>\$ 451,108,852</u> | <u>\$ 292,310,746</u> | <u>\$ 743,419,598</u> |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019**

|   | <b>Business-Type Activities<br/>Enterprise Funds</b> |                      |                      |
|---|--|----------------------|----------------------|
|   | <u>Sanitation</u>                                    | <u>Storm Water</u>   | <u>Total</u>         |
| <b>Cash Flows From Operating Activities</b>                                     |  |                      |                      |
| Received From Customers   | \$ 94,970,437  | \$ 13,854,920        | \$ 108,825,357       |
| Paid to Suppliers for Goods and Services  | (17,619,304)   | (1,646,303)          | (19,265,607)         |
| Paid to or on Behalf of Employees for Services                                  | <u>(15,440,692)</u>                                  | <u>(4,137,168)</u>   | <u>(19,577,860)</u>  |
| Net Cash Provided by Operating Activities                                       | <u>61,910,441</u>                                    | <u>8,071,449</u>     | <u>69,981,890</u>    |
| <b>Cash Flows From Capital and Related<br/>Financing Activities</b>             |  |                      |                      |
| Proceeds Received on Notes  | 585,651  | -                    | 585,651              |
| Federal Credits on Build America Bonds  | 3,251,747  | -                    | 3,251,747            |
| Payments on Long Term Debt  | (20,749,151)   | (92,233)             | (20,841,384)         |
| Acquisition and Construction of Capital Assets,<br>Net of Capital Contributions | (16,495,147)   | (5,525,035)          | (22,020,182)         |
| Proceeds From Sales of Capital Assets   | 17,359   | -                    | 17,359               |
| Interest Paid   | (18,060,570)   | (30,140)             | (18,090,710)         |
| Principal Received on Assessments   | 53,566   | -                    | 53,566               |
| Assessment Interest Income  | <u>37,599</u>  | <u>-</u>             | <u>37,599</u>        |
| Net Cash Flows Used by Non-Capital<br>Financing Activities                      | <u>(51,358,946)</u>                                  | <u>(5,647,408)</u>   | <u>(57,006,354)</u>  |
| <b>Cash Flows From Investing Activities</b>                                     |  |                      |                      |
| Interest Income   | 1,169,536  | 420,465              | 1,590,001            |
| Proceeds From the Sale of Investments   | 21,604,760   | -                    | 21,604,760           |
| Purchase of Investments   | <u>(17,177,149)</u>                                  | <u>(66,322)</u>      | <u>(17,243,471)</u>  |
| Net Cash Provided by Capital and<br>Related Financing Activities                | <u>5,597,147</u>                                     | <u>354,143</u>       | <u>5,951,290</u>     |
| Net Change in Cash  | 16,148,642   | 2,778,184            | 18,926,826           |
| <b>Cash and Cash Equivalents July 1, 2018</b>                                   | <u>47,091,802</u>                                    | <u>16,710,446</u>    | <u>63,802,248</u>    |
| <b>Cash and Cash Equivalents June 30, 2019</b>                                  | <u>\$ 63,240,444</u>                                 | <u>\$ 19,488,630</u> | <u>\$ 82,729,074</u> |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019  
(Continued)**

|   | <b>Business-Type Activities</b> |                             |                             |
|---|---------------------------------|-----------------------------|-----------------------------|
|   | <b>Enterprise Funds</b>         |                             |                             |
|   | <u>Sanitation</u>               | <u>Storm Water</u>          | <u>Total</u>                |
| <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>        |                                 |                             |                             |
| Operating Income (Loss)   | \$ 34,458,942                   | \$ (6,273,341)              | \$ 28,185,601               |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities |                                 |                             |                             |
| Depreciation  | 26,292,897                      | 14,024,112                  | 40,317,009                  |
| Change in Assets and Liabilities  |                                 |                             |                             |
| Accounts Receivable   | 320,765                         | (143,794)                   | 176,971                     |
| Accrued Unbilled Charges  | (316,595)                       | (52,600)                    | (369,195)                   |
| Prepaid Items and Deposits  | (34,551)                        | (318)                       | (34,869)                    |
| Accounts Payable  | 1,109,717                       | 519,051                     | 1,628,768                   |
| Accrued Payroll and Benefits  | 30,841                          | (2,238)                     | 28,603                      |
| Compensated Absences  | 58,881                          | 577                         | 59,458                      |
| Accrued Taxes and Pension   | (4,553)                         | -                           | (4,553)                     |
| Sales Tax Payable   | (4,828)                         | -                           | (4,828)                     |
| Other Liabilities   | (1,075)                         | -                           | (1,075)                     |
|   | <u>61,910,441</u>               | <u>8,071,449</u>            | <u>69,981,890</u>           |
| <b>Net Cash Provided by Operating Activities</b>  | <b>\$ <u>61,910,441</u></b>     | <b>\$ <u>8,071,449</u></b>  | <b>\$ <u>69,981,890</u></b> |
| <b>Supplemental Schedule of Noncash Capital and Related Financing Activities</b>              |                                 |                             |                             |
| Change in Fair Value of Investments   | \$ <u>(1,073,098)</u>           | \$ <u>26,779</u>            | \$ <u>(1,046,319)</u>       |
| Investment Fees   | \$ <u>(68,921)</u>              | \$ <u>(3,192)</u>           | \$ <u>(72,113)</u>          |
| Contributions of Capital Assets   | \$ <u>4,094,444</u>             | \$ <u>4,501,491</u>         | \$ <u>8,595,935</u>         |
| Pension Expense   | \$ <u>(1,930,389)</u>           | \$ <u>(655,054)</u>         | \$ <u>(2,585,443)</u>       |
| Other Postemployment Benefit Expense  | \$ <u>(241,731)</u>             | \$ <u>110,879</u>           | \$ <u>(130,852)</u>         |
| Amortization Expense  | \$ <u>(2,167,429)</u>           | \$ <u>-</u>                 | \$ <u>(2,167,429)</u>       |
| <b>Reconciliations of Cash and Cash Equivalents to the Statement of Net Position</b>          |                                 |                             |                             |
| Cash and Cash Equivalents - Current   | \$ 62,220,739                   | \$ 18,592,284               | \$ 80,813,023               |
| Cash and Cash Equivalents - Restricted  | <u>1,019,705</u>                | <u>896,346</u>              | <u>1,916,051</u>            |
| <b>Cash and Cash Equivalents June 30, 2019</b>  | <b>\$ <u>63,240,444</u></b>     | <b>\$ <u>19,488,630</u></b> | <b>\$ <u>82,729,074</u></b> |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2018**

|   | <b>Business-Type Activities<br/>Enterprise Funds</b> |                      |                      |
|---|--|----------------------|----------------------|
|   | <b>Sanitation</b>                                    | <b>Storm Water</b>   | <b>Total</b>         |
| <b>Cash Flows From Operating Activities</b>                                     |  |                      |                      |
| Received From Customers   | \$ 89,323,046  | \$ 13,730,011        | \$ 103,053,057       |
| Paid to Suppliers for Goods and Services  | (18,209,413)   | (2,804,729)          | (21,014,142)         |
| Paid to or on Behalf of Employees for Services                                  | <u>(15,558,069)</u>                                  | <u>(4,221,933)</u>   | <u>(19,780,002)</u>  |
| Net Cash Provided by Operating Activities                                       | <u>55,555,564</u>                                    | <u>6,703,349</u>     | <u>62,258,913</u>    |
| <b>Cash Flows From Capital and Related<br/>Financing Activities</b>             |  |                      |                      |
| Proceeds Received on Notes  | 2,193,852  | -                    | 2,193,852            |
| Federal Credits on Build America Bonds  | 3,303,372  | -                    | 3,303,372            |
| Payments on Long Term Debt  | (19,911,375)   | (90,416)             | (20,001,791)         |
| Acquisition and Construction of Capital Assets,<br>Net of Capital Contributions | (16,109,514)   | (7,048,588)          | (23,158,102)         |
| Proceeds From Sales of Capital Assets   | 62,010   | -                    | 62,010               |
| Interest Paid, Net of Capitalized Interest                                      | (18,713,564)   | (32,138)             | (18,745,702)         |
| Principal Received on Assessments   | 66,927   | -                    | 66,927               |
| Assessment Interest Income  | <u>38,247</u>  | <u>-</u>             | <u>38,247</u>        |
| Net Cash Used by Capital and<br>Related Financing Activities                    | <u>(49,070,045)</u>                                  | <u>(7,171,142)</u>   | <u>(56,241,187)</u>  |
| <b>Cash Flows From Investing Activities</b>                                     |  |                      |                      |
| Interest Income   | 552,437  | 229,833              | 782,270              |
| Proceeds from the Sale of Investments   | 16,805,728   | 23,573               | 16,829,301           |
| Purchase of Investments   | <u>(16,386,633)</u>                                  | <u>-</u>             | <u>(16,386,633)</u>  |
| Net Cash Provided by Investing Activities                                       | <u>971,532</u>                                       | <u>253,406</u>       | <u>1,224,938</u>     |
| Net Change in Cash  | 7,457,051  | (214,387)            | 7,242,664            |
| <b>Cash and Cash Equivalents July 1, 2017</b>                                   | <u>39,634,751</u>                                    | <u>16,924,833</u>    | <u>56,559,584</u>    |
| <b>Cash and Cash Equivalents June 30, 2018</b>                                  | <u>\$ 47,091,802</u>                                 | <u>\$ 16,710,446</u> | <u>\$ 63,802,248</u> |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2018  
(Continued)**

|  | <b>Business-Type Activities<br/>Enterprise Funds</b> |                       |                       |
|--|--|-----------------------|-----------------------|
|  | <u>Sanitation</u>                                    | <u>Storm Water</u>    | <u>Total</u>          |
| <b>Reconciliation of Operating Income to Net Cash<br/>Provided by Operating Activities</b>       |  |                       |                       |
| Operating Income (Loss)  | \$ 30,535,614  | \$ (6,525,101)        | \$ 24,010,513         |
| Adjustments to Reconcile Operating Income (Loss)<br>to Net Cash Provided by Operating Activities |  |                       |                       |
| Depreciation   | 26,142,405   | 13,823,514            | 39,965,919            |
| Change in Assets and Liabilities   |  |                       |                       |
| Accounts Receivable  | 79,018   | 296,983               | 376,001               |
| Accrued Unbilled Charges   | (568,700)  | (30,500)              | (599,200)             |
| Prepaid Items and Deposits   | (190,526)  | -                     | (190,526)             |
| Due (To) From Other Funds  | (1,169)  | 1,169                 | -                     |
| Accounts Payable   | (295,609)  | (960,156)             | (1,255,765)           |
| Accrued Payroll and Benefits   | (25,188)   | 47,169                | 21,981                |
| Compensated Absences   | (7,498)  | 50,271                | 42,773                |
| Accrued Taxes and Pension  | 2,549  | -                     | 2,549                 |
| Sales Tax Payable  | (114,573)  | -                     | (114,573)             |
| Other Liabilities  | (759)  | -                     | (759)                 |
| <b>Net Cash Provided by Operating Activities</b>   | <u>\$ 55,555,564</u>                                 | <u>\$ 6,703,349</u>   | <u>\$ 62,258,913</u>  |
| <b>Supplemental Schedule of Noncash Capital<br/>and Related Financing Activities</b>             |  |                       |                       |
| Change in Fair Value of Investments  | <u>\$ 392,780</u>                                    | <u>\$ 5,879</u>       | <u>\$ 398,659</u>     |
| Investment Fees  | <u>\$ (88,641)</u>                                   | <u>\$ (3,192)</u>     | <u>\$ (91,833)</u>    |
| Contributions of Capital Assets  | <u>\$ 4,879,137</u>                                  | <u>\$ 4,662,352</u>   | <u>\$ 9,541,489</u>   |
| Pension Expense  | <u>\$ (2,006,141)</u>                                | <u>\$ (1,217,979)</u> | <u>\$ (3,224,120)</u> |
| Other Postemployment Benefits Expense  | <u>\$ (436,057)</u>                                  | <u>\$ 114,993</u>     | <u>\$ (321,064)</u>   |
| Amortization Expense   | <u>\$ 2,420,586</u>                                  | <u>\$ -</u>           | <u>\$ 2,420,586</u>   |
| <b>Reconciliations of Cash and Cash Equivalents<br/>to the Statement of Net Position</b>         |  |                       |                       |
| Cash and Cash Equivalents - Current  | \$ 46,092,438  | \$ 16,710,446         | \$ 62,802,884         |
| Cash and Cash Equivalents - Restricted   | <u>999,364</u>                                       | <u>-</u>              | <u>999,364</u>        |
| <b>Cash and Cash Equivalents June 30, 2018</b>   | <u>\$ 47,091,802</u>                                 | <u>\$ 16,710,446</u>  | <u>\$ 63,802,248</u>  |

See accompanying notes.

**SANITATION DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Description of SD1**

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 sewage 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.

**Reporting Entity**

Generally accepted accounting principles require that SD1's financial statements include its component units if certain criteria regarding financial or operational relationships are met. Based on the evaluation criteria, SD1 has no component units.

**Basis of Accounting and Presentation**

SD1's financial statements are presented on the full accrual basis in accordance with generally accepted accounting principles (GAAP) for state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments of the United States of America.

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 (expenses, 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 position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) are segregated into "net investment in capital assets"; "restricted"; and "unrestricted" components.

The basic financial statements are presented in conformity with generally accepted Enterprise Fund accounting principles as applicable to public waste water utilities. The following is a summary of the significant policies.

As previously stated, the accompanying financial statements are prepared on the accrual basis of accounting.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Fund Structure**

SD1 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.

**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 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 an impervious area rate methodology.

**Use of Estimates**

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the use of estimates and assumptions regarding certain types of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses. Certain estimates relate to unsettled transactions and events as of the date of the financial statements. Other estimates relate to assumptions about the ongoing operations and may impact future periods. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sanitation and storm water enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**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.

**Investments**

Investments are reported at fair value based on quoted market prices.

**Accounts Receivable - Customers**

SD1 follows a monthly cycle billing 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 \$11,022,325 and \$10,653,130 as of June 30, 2019 and 2018, 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 SD1's collection history, the financial stability and recent payment history of the customer, and other pertinent factors. Based on these criteria, SD1 has estimated no allowance for doubtful accounts at both June 30, 2019 and 2018 because management expects no material losses.

**Inventory**

Inventory is valued at the lower of cost, using the moving average method, or net realizable value. Inventories consist of expendable supplies held for new sewer line installations and maintenance and are charged to expenditures on an "as used" basis.

**Deferred Outflows and Inflows of Resources**

Deferred outflows of resources represent a consumption of net positions that applies to a future period, and therefore deferred until that time. A deferred loss on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. SD1 also recognizes deferred outflows of resources related to pensions and other postemployment benefits.

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and is therefore deferred until that time. A deferred gain on refunding results from the difference in the carrying value of the refunded debt and the reacquisition price. SD1 also recognizes deferred inflows of resources related to pensions and other postemployment benefits.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets**

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

Capital assets are stated at cost and depreciated over the estimated useful lives of the related assets. Contributed assets are recorded as acquisition value on the date received. The cost of current repairs and maintenance is charged to expense, while the cost of replacements or betterments is capitalized.

Depreciation of the capital assets is computed on the straight-line method over the estimated following useful lives of the assets:

|                                  |               |
|----------------------------------|---------------|
| Land Improvements                | 10 – 25 Years |
| Collection System                | 50 Years      |
| Pumping System                   | 10 Years      |
| Treatment and Disposal           | 35 Years      |
| General Buildings and Structures | 35 – 50 Years |
| Office Furniture and Equipment   | 5 – 20 Years  |
| Vehicle and Accessories          | 5 – 10 Years  |
| Machinery and Equipment          | 5 – 15 Years  |
| Software Model Development       | 3 Years       |
| Storm Water Collection System    | 25 – 50 Years |

Prior to the year ended June 30, 2018, the interest cost of borrowed funds used to finance construction projects was capitalized when material. Interest earned on the proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets was offset against interest costs in determining the amount to be capitalized. For the year ended June 30, 2018, SD1 adopted Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred before the End of Construction Period*. This guidance requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest costs incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are applied prospectively.

**Construction in Progress**

Capitalizable costs incurred on projects which are not in use or ready for use are held in construction in progress. When the asset is ready for use, related costs are transferred to the appropriate capital asset account.

**Capital Contributions**

These contributions represent assessments/reimbursements to recover the costs of new services and extensions of the distribution system. In addition, these contributions represent new subdivision capital assets that are installed by a developer and dedicated to SD1 to maintain and operate.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employees Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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 years ended June 30, 2019 and 2018 were \$999,341 and \$939,883, respectively. 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.

**Arbitrage**

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate that the earnings from the investment of tax-exempt bond proceeds which exceed related interest expenditures on the bonds must be remitted to the Federal Government on every fifth anniversary of each bond issue. SD1 has evaluated all bond issuances subject to arbitrage rebate requirements and noted no liability at both June 30, 2019 and 2018.

**Net Position**

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is classified as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. All other net position that does not meet the definition of "restricted" or "net investment in capital assets" is considered unrestricted.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is SD1's intent to use restricted resources first, then unrestricted resources as they are needed.

**Bond Premiums, Discounts, and Issue Costs**

Bonds payable are reported net of any premium and discounts, which are amortized over the life of the applicable bonds using the effective interest method. Issuance costs are recognized as an expense in the year incurred.

**NOTE 2 – DEPOSITS AND INVESTMENTS****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 or 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 the failure of a depository financial institution, SD1 will not be able to recover its deposits. SD1 maintains deposits with financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). SD1 follows state statutes which require pledged collateral with a fair value equal to 100% of the funds on deposit, less insured amounts. As of both June 30, 2019 and 2018, SD1's deposits were either insured by the FDIC or fully collateralized by securities held by SD1's agent in SD1's name.

*Custodial Credit Risk – Investments.* For an investment, this is the risk that, in the event of the failure of a counterparty, SD1 will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. SD1 had custodial credit risk at June 30, 2019 and 2018 of \$81,381,605 and \$83,376,441, respectively. The related securities totaling this amount are uninsured, unregistered, with securities held by the counterparty, or its trust department or agent but not in the entity's name.

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

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 FDIC or fully collateralized by the foregoing, and public housing bonds or project notes issued by public housing authorities annual contribution contracts with the United States or by requisition or payment agreement with the United States.

**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

**Deposits and Investments**

The quality ratings for the municipal bonds as of June 30, 2019 and 2018:

| Quality Ratings       | Years Ended June 30, |              |
|-----------------------|----------------------|--------------|
|                       | 2019                 | 2018         |
| A                     | \$ 250,543           | \$ 246,557   |
| AA                    | 655,839              | 750,707      |
| AA-                   | 644,258              | 1,074,227    |
| AA+                   | 573,811              | 863,099      |
| AAA                   | 1,010,491            | 1,400,897    |
| Not Rated             | 436,542              | 1,025,299    |
| Total Municipal Bonds | \$ 3,571,484         | \$ 5,360,786 |

The remaining investments are in treasury and agency bonds which are issued by the U.S. government and cash and cash equivalents.

**NOTE 3 – RESTRICTED ASSETS**

Certain assets are restricted by SD1's Trust Indenture; additionally, some assets have been classified as restricted in accordance with governmental accounting standards for enterprise funds.

The following schedule details the restricted assets as of June 30, 2019 and 2018:

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| Pursuant to Trust Indenture          |               |               |
| Principal and Interest Accounts      | \$ 16,834,794 | \$ 19,040,966 |
| Debt Service Reserve                 | 29,192,440    | 29,761,288    |
| Operation and Maintenance Fund       | 10,216,682    | 10,154,029    |
| Improvement, Repair, and Replacement | 18,532,814    | 17,981,063    |
| Self Insurance Fund                  | 6,848,198     | 6,659,111     |
| Total Pursuant to Trust Indenture    | 81,624,928    | 83,596,457    |
| Pursuant to Other Uses               |               |               |
| Capital Improvement Projects         | -             | -             |
| Agreed Order/Settlement              | 1,916,051     | 999,364       |
| Total Restricted Assets              | \$ 83,540,979 | \$ 84,595,821 |

**NOTE 4 – FAIR VALUE MEASUREMENT**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the markets for the security type and the inputs used to determine their fair value, as follows:

- LEVEL 1** – Unadjusted price quotations in active markets/exchanges for identical assets or liabilities that SD1 has the ability to access.
- LEVEL 2** – Other observable inputs (included but not limited to, quotes process for similar assets or liabilities in the markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets and liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks, and default rates) or other market-corroborated inputs).
- LEVEL 3** – Unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Restricted assets are classified in Level 2 and are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

The following table sets forth by level, within the fair value hierarchy, SD1’s assets at fair value at June 30, 2019:

|                                 | Level 1 | Level 2       | Level 3 | Total         |
|---------------------------------|---------|---------------|---------|---------------|
| Cash and Cash Equivalents       | \$ -    | \$ 17,400,025 | \$ -    | \$ 17,400,025 |
| Municipal Bonds                 | -       | 3,571,484     | -       | 3,571,484     |
| Treasury Bonds                  | -       | 26,983,073    | -       | 26,983,073    |
| Agency Bonds                    | -       | 33,427,023    | -       | 33,427,023    |
|                                 | -       | 33,427,023    | -       | 33,427,023    |
| Total Investments at Fair Value | \$ -    | \$ 81,381,605 | \$ -    | \$ 81,381,605 |

The following table sets forth by level, within the fair value hierarchy, SD1’s assets at fair value at June 30, 2018:

|                                 |      |               |      |               |
|---------------------------------|------|---------------|------|---------------|
| Cash and Cash Equivalents       | \$ - | \$ 19,540,994 | \$ - | \$ 19,540,994 |
| Municipal Bonds                 | -    | 5,360,786     | -    | 5,360,786     |
| Treasury Bonds                  | -    | 24,511,379    | -    | 24,511,379    |
| Agency Bonds                    | -    | 33,963,282    | -    | 33,963,282    |
|                                 | -    | 33,963,282    | -    | 33,963,282    |
| Total Investments at Fair Value | \$ - | \$ 83,376,441 | \$ - | \$ 83,376,441 |

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for SD1 for the year ended June 30, 2019, was as follows:

| Sanitation Fund                            | Balance<br>June 30,<br>2018 | Additions           | Retirements<br>/Transfers | Balance<br>June 30,<br>2019 |
|--|-----------------------------|---------------------|---------------------------|-----------------------------|
| Capital Assets Not Being Depreciation      |                             |                     |                           |                             |
| Land                                       | \$ 15,567,591               | \$ 743,026          | \$ -                      | \$ 16,310,617               |
| Construction in Progress                   | <u>13,592,546</u>           | <u>17,183,349</u>   | <u>15,695,885</u>         | <u>15,080,010</u>           |
| Total Capital Assets Not Being Depreciated | <u>29,160,137</u>           | <u>17,926,375</u>   | <u>15,695,885</u>         | <u>31,390,627</u>           |
| Depreciable Capital Assets                 |                             |                     |                           |                             |
| Land Improvements                          | 4,271,907                   | 452,702             | 109,453                   | 4,615,156                   |
| Collection System                          | 705,609,183                 | 13,402,947          | 562,277                   | 718,449,853                 |
| Pumping System                             | 98,977,592                  | 3,912,974           | 1,400,591                 | 101,489,975                 |
| Treatment and Disposal                     | 264,661,709                 | 123,242             | 4,020                     | 264,780,931                 |
| General Buildings and Structures           | 30,096,796                  | -                   | -                         | 30,096,796                  |
| Office Furniture and Equipment             | 7,842,167                   | 181,729             | -                         | 8,023,896                   |
| Vehicle and Accessories                    | 8,731,079                   | 87,324              | 88,148                    | 8,730,255                   |
| Machinery and Equipment                    | 5,668,102                   | 198,183             | 219,516                   | 5,646,769                   |
| Software Model Development                 | <u>15,908,869</u>           | <u>-</u>            | <u>-</u>                  | <u>15,908,869</u>           |
| Total Depreciable Capital Assets           | <u>1,141,767,404</u>        | <u>18,359,101</u>   | <u>2,384,005</u>          | <u>1,157,742,500</u>        |
| Total Capital Assets at Historical Cost    | <u>1,170,927,541</u>        | <u>36,285,476</u>   | <u>18,079,890</u>         | <u>1,189,133,127</u>        |
| Less Accumulated Depreciation              |                             |                     |                           |                             |
| Land Improvements                          | 1,891,584                   | 101,741             | 109,453                   | 1,883,872                   |
| Collection System                          | 192,159,290                 | 14,361,880          | 509,926                   | 206,011,244                 |
| Pumping System                             | 50,812,132                  | 4,669,518           | 1,367,136                 | 54,114,514                  |
| Treatment and Disposal                     | 87,806,209                  | 5,947,611           | 4,020                     | 93,749,800                  |
| General Buildings and Structures           | 16,065,913                  | 505,878             | -                         | 16,571,791                  |
| Office Furniture and Equipment             | 6,583,159                   | 278,257             | -                         | 6,861,416                   |
| Vehicle and Accessories                    | 8,474,171                   | 135,762             | 88,148                    | 8,521,785                   |
| Machinery and Equipment                    | 4,178,933                   | 292,250             | 125,863                   | 4,345,320                   |
| Software Model Development                 | <u>15,908,869</u>           | <u>-</u>            | <u>-</u>                  | <u>15,908,869</u>           |
| Total Accumulated Depreciation             | <u>383,880,260</u>          | <u>26,292,897</u>   | <u>2,204,546</u>          | <u>407,968,611</u>          |
| Depreciable Capital Assets, Net            | <u>757,887,144</u>          | <u>(7,933,796)</u>  | <u>179,459</u>            | <u>749,773,889</u>          |
| Sanitation Fund Capital Assets, Net        | <u>\$ 787,047,281</u>       | <u>\$ 9,992,579</u> | <u>\$ 15,875,344</u>      | <u>\$ 781,164,516</u>       |

**NOTE 5 – CAPITAL ASSETS (Continued)**

| Storm Water Fund                           | Balance<br>June 30,<br>2018 | Additions           | Retirements<br>/Transfers | Balance<br>June 30,<br>2019 |
|--|-----------------------------|---------------------|---------------------------|-----------------------------|
| Capital Assets Not Being Depreciated       |                             |                     |                           |                             |
| Land                                       | \$ 1,013,259                | \$ 224,893          | \$ -                      | \$ 1,238,152                |
| Construction in Progress                   | <u>4,716,610</u>            | <u>5,913,333</u>    | <u>8,279,422</u>          | <u>2,350,521</u>            |
| Total Capital Assets Not Being Depreciated | <u>5,729,869</u>            | <u>6,138,226</u>    | <u>8,279,422</u>          | <u>3,588,673</u>            |
| Depreciable Capital Assets                 |                             |                     |                           |                             |
| Vehicles                                   | 109,944                     | -                   | -                         | 109,944                     |
| Machinery and Equipment                    | 116,881                     | 9,696               | -                         | 126,577                     |
| Storm Water Collection System              | 385,148,489                 | 12,158,026          | 514,401                   | 396,792,114                 |
| Software Model Development                 | <u>5,645,160</u>            | <u>-</u>            | <u>-</u>                  | <u>5,645,160</u>            |
| Total Depreciable Capital Assets           | <u>391,020,474</u>          | <u>12,167,722</u>   | <u>514,401</u>            | <u>402,673,795</u>          |
| Total Capital Assets at Historical Cost    | <u>396,750,343</u>          | <u>18,305,948</u>   | <u>8,793,823</u>          | <u>406,262,468</u>          |
| Less Accumulated Depreciation              |                             |                     |                           |                             |
| Vehicles                                   | 82,932                      | 6,492               | -                         | 89,424                      |
| Machinery and Equipment                    | 58,226                      | 11,424              | -                         | 69,650                      |
| Storm Water Collection System              | 110,471,189                 | 14,006,196          | 411,611                   | 124,065,774                 |
| Software Model Development                 | <u>5,645,160</u>            | <u>-</u>            | <u>-</u>                  | <u>5,645,160</u>            |
| Total Accumulated Depreciation             | <u>116,257,507</u>          | <u>14,024,112</u>   | <u>411,611</u>            | <u>129,870,008</u>          |
| Depreciable Capital Assets, Net            | <u>274,762,967</u>          | <u>(1,856,390)</u>  | <u>102,790</u>            | <u>272,803,787</u>          |
| Storm Water Fund Capital Assets, Net       | <u>\$ 280,492,836</u>       | <u>\$ 4,281,836</u> | <u>\$ 8,382,212</u>       | <u>\$ 276,392,460</u>       |

**NOTE 6 – NOTES RECEIVABLE**

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 as of June 30, 2019 and 2018.

|                   | Years Ended June 30, |              |
|-------------------|----------------------|--------------|
|                   | 2019                 | 2018         |
| Assessments       | \$ 1,200,981         | \$ 1,254,547 |
| Improvement Notes | 5,130                | 5,130        |
| Total             | \$ 1,206,111         | \$ 1,259,677 |

**NOTE 7 – LONG-TERM DEBT**

**Bonds**

Revenue Bonds, Series 2009

In August, 2009, 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 SD1. 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, 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 2009 Bonds.

Revenue Bonds, Series 2010A

In May, 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 SD1. 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 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.

Refunding Revenue Bonds, Series 2010B

In September, 2010, bonds in the total amount of \$42,310,000 were issued under authority of applicable Kentucky Revised Statutes and in accordance with authorized bond resolutions duly passed and adopted by the Board of Directors of SD1.

The proceeds for 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.

The reacquisition price exceeded the net carrying amount of the refunded debt by \$3,406,670. This amount is amortized over the remaining life of the new debt. The refunding reduces its total debt service over 21 years by \$7,726,867 and obtains an economic gain (difference between the present values of the old and new debt service) of \$5,115,107.

**NOTE 7 – LONG-TERM DEBT (Continued)**

Build America Bonds, Series 2010C

In December, 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 SD1. 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 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.

Recovery Zone Economic Development Bonds, Series 2010D

In December, 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 SD1. These bonds qualify for a Federal Reimbursement of interest expense between 43% and 45% of the bi-annual interest expense. The first principal payment will not be made until 2025.

The proceeds for 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.

Refunding Revenue Bonds, Series 2016

In November, 2016, bonds in the total amount of \$124,990,000 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 SD1.

The proceeds for the sale of the Series 2016 Bonds were used to defease \$8,000,000 of the 2005A Bonds, \$40,635,000 of the 2006A Bonds, \$91,720,000 of the 2007A Bonds, and to pay the necessary costs and expenses incident to the issuance and delivery of the Series 2016 Bonds.

The reacquisition price exceeded the net carrying amount of the refunded debt by \$5,176,926. This amount is amortized over the remaining life of the new debt. The refunding reduces its total debt service over 11 years by \$35,685,611 and obtains an economic gain (difference between the present values of the old and new debt service) of \$22,486,030. The original amount of each outstanding issue, the issue date, interest rates and outstanding balances at June 30, 2019 are summarized below:

| <u>Issue Date</u>              | <u>Original Amount</u> | <u>Interest</u> | <u>Outstanding Balance at June 30, 2019</u> | <u>Outstanding Balance at June 30, 2018</u> |
|--------------------------------|------------------------|-----------------|---|---|
| Series 2009                    | \$ 54,800,000          | 1.70 - 7.13%    | \$ 44,215,000                               | \$ 45,535,000                               |
| Series 2010 A                  | \$ 75,000,000          | 1.00 - 6.25%    | 61,300,000                                  | 63,145,000                                  |
| Series 2010 B                  | \$ 42,310,000          | 2.00 - 4.00%    | 30,320,000                                  | 32,095,000                                  |
| Series 2010 C                  | \$ 19,600,000          | 0.80 - 4.85%    | 8,200,000                                   | 9,710,000                                   |
| Series 2010 D                  | \$ 40,905,000          | 5.10 - 6.30%    | 40,905,000                                  | 40,905,000                                  |
| Series 2016                    | \$ 124,990,000         | 3.00 - 5.00%    | 112,250,000                                 | 118,780,000                                 |
| Plus: Unamortized Bond Premium |                        |                 | <u>11,969,823</u>                           | <u>14,450,158</u>                           |
|                                |                        |                 | <u>\$ 309,159,823</u>                       | <u>\$ 324,620,158</u>                       |

**NOTE 7 – LONG-TERM DEBT (Continued)**

All issues may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of SD1 at June 30, 2019 for debt service (principal and interest) are as follows:

| Years     | Principal<br>Amount   | Interest<br>Amount    | Federal<br>Rebate      | Sequester<br>Reduction | Total Debt<br>Service |
|-----------|-----------------------|-----------------------|------------------------|------------------------|-----------------------|
| 2020      | \$ 10,535,000         | \$ 15,078,779         | \$ (3,423,268)         | \$ 215,125             | \$ 22,405,636         |
| 2021      | 10,945,000            | 14,585,771            | (3,343,404)            | 216,778                | 22,404,145            |
| 2022      | 11,390,000            | 14,053,890            | (3,257,696)            | 215,008                | 22,401,202            |
| 2023      | 11,855,000            | 13,493,531            | (3,166,911)            | 209,016                | 22,390,636            |
| 2024      | 12,350,000            | 12,905,380            | (3,071,501)            | 202,719                | 22,386,598            |
| 2025-2029 | 70,165,000            | 54,482,268            | (13,570,029)           | 895,622                | 111,972,861           |
| 2030-2034 | 79,755,000            | 34,900,209            | (9,782,876)            | 645,670                | 105,518,003           |
| 2035-2039 | 72,990,000            | 14,898,659            | (4,943,881)            | 326,296                | 83,271,074            |
| 2040-2041 | 17,205,000            | 1,002,036             | (389,757)              | 19,898                 | 17,837,177            |
| Total     | <u>\$ 297,190,000</u> | <u>\$ 175,400,523</u> | <u>\$ (44,949,323)</u> | <u>\$ 2,946,132</u>    | <u>\$ 430,587,332</u> |

**Notes Payable**

Eastern Regional Waste Water Reclamation Facility Loan A04-09

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. As of June, 2008, all funds have been received.

Western Regional Waste Water Reclamation Facility Loan A08-04

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. As of December, 2013, all funds have been received.

Dry Creek Waste Water Treatment Plant Loan A09-04

During the years ended June 30, 2011 and 2010, SD1 partnered with the Kentucky Infrastructure Authority to fund construction of the Dry Creek Waste Water Treatment Plant. This Kentucky Infrastructure Authority Loan bears an interest rate of 2.0% with interest-only payments due until completion, with final maturity due 20 years after completion. As of June, 2012, all funds have been received.

Sunnybrook Sewer System Loan A09-05

During the year ended June 30, 2011, SD1 partnered with the Kentucky Infrastructure Authority to fund construction of new sewer lines. This Kentucky Infrastructure Authority Loan bears an interest rate of 2.0% with interest-only payments due until completion, with final maturity due 20 years after completion. As of June, 2011, all funds have been received.

**NOTE 7 – LONG-TERM DEBT (Continued)**Southfork Gunpowder Creek Loan A09-06

During the year ended June 30, 2011, SD1 partnered with the Kentucky Infrastructure Authority to fund construction of new sewer lines. This Kentucky Infrastructure Authority Loan bears an interest rate of 2.0% with interest-only payments due until completion, with final maturity due 20 years after completion. As of December, 2013, all funds have been received.

Frogtown Interceptor Loan A09-07

During the year ended June 30, 2011, SD1 partnered with the Kentucky Infrastructure Authority to fund construction of new sewer lines. This Kentucky Infrastructure Authority Loan bears an interest rate of 2.0% with interest-only payments due until completion, with final maturity due 20 years after completion. As of June, 2013, all funds have been received.

Turkeyfoot/Industrial Road Loan A09-08

During the year ended June 30, 2011, SD1 partnered with the Kentucky Infrastructure Authority to fund construction of new sewer lines. This Kentucky Infrastructure Authority Loan bears an interest rate of 2.0% with interest-only payments due until completion, with final maturity due 20 years after completion. As of December, 2013, all funds have been received.

Narrows Road Diversion Loan A09-09

During the year ended June 30, 2011, SD1 partnered with the Kentucky Infrastructure Authority to fund construction of new sewer lines. This Kentucky Infrastructure Authority Loan bears an interest rate of 2.0% with interest-only payments due until completion, with final maturity due 20 years after completion. As of December, 2013, all funds have been received.

Dry Creek Head Works/Hydraulics Loan A10-11

During the year ended June 30, 2012, SD1 partnered with the Kentucky Infrastructure Authority to fund construction of headwork/hydraulics reconfiguration at the Dry Creek Waste Water Treatment Plant. This Kentucky Infrastructure Authority Loan bears an interest rate of 2.0% with interest-only payments due until completion, with final maturity due 20 years after completion. As of December, 2014, all funds have been received.

Lakeview, Kentucky Aire, Church Street Loan A11-13

During the year ended June 30, 2013, SD1 partnered with the Kentucky Infrastructure Authority to fund construction of combined sewer overflow reduction, pump station elimination, and pump station replacement. This Kentucky Infrastructure Authority Loan bears an interest rate of 2.0% with interest-only payments due until completion, with final maturity due 20 years after completion. As of September, 2018, all funds have been received.

Lakeside Park, Vernon Lane Loan A11-14

During the year ended June 30, 2013, SD1 partnered with the Kentucky Infrastructure Authority to fund construction of sewer rehabilitation and Vernon Lane removal of sewer inflow and infiltration. This Kentucky Infrastructure Authority Loan bears an interest rate of 2.0% with interest-only payments due until completion, with final maturity due 20 years after completion. Payments will not begin until one year after initial operation of the project, and therefore a maturity date has not been determined.

**NOTE 7 – LONG-TERM DEBT (Continued)**

Wolpert Force Main Loan A12-02

During the year ended June 30, 2013, SD1 partnered with the Kentucky Infrastructure Authority to fund construction of the Wolpert pump station rehabilitation and force main project. This Kentucky Infrastructure Authority Loan bears an interest rate of 2.0% with interest-only payments due until completion, with final maturity due 20 years after completion. As of June, 2013, all funds have been received.

Patton and 8th Street Wet Well Rehabilitation Loan A15-103

During the year ended June 30, 2015, SD1 partnered with the Kentucky Infrastructure Authority to fund construction of the Patton and 8<sup>th</sup> Street Wet Well Rehabilitation project. This Kentucky Infrastructure Authority Loan bears an interest rate of 1.75% with interest-only payments due until completion, with final maturity due 20 years after completion. As of December, 2016, all funds have been received.

American Recovery and Reinvestment Act – Loans A209-01 through A209-04

During the years ended June 30, 2011 and 2010, partnered with the Kentucky Infrastructure Authority as part of the Federal Government’s American Recovery and Reinvestment act to fund construction of several smaller infrastructure improvement projects. These 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. These Kentucky Infrastructure Authority Loans are funded based upon 52.1% principal forgiveness, bear an interest rate of 2.0% with interest-only payments due until completion, and have final maturity due 20 years after completion. At various dates from June, 2011 through December 2012, all funds have been received.

The Kentucky Infrastructure Authority Loans are scheduled to mature as follows (loans where the maturity date has not been determined are excluded from this schedule):

| <u>Years</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Amount</u> | <u>Total Debt<br/>Service</u> |
|--------------|-----------------------------|----------------------------|-------------------------------|
| 2020         | \$ 8,225,469                | \$ 2,022,418               | \$ 10,247,887                 |
| 2021         | 8,373,970                   | 2,866,756                  | 11,240,726                    |
| 2022         | 8,525,632                   | 1,722,254                  | 10,247,886                    |
| 2023         | 8,680,529                   | 1,567,356                  | 10,247,885                    |
| 2024         | 8,838,741                   | 1,409,145                  | 10,247,886                    |
| 2025-2029    | 43,397,757                  | 4,599,762                  | 47,997,519                    |
| 2030-2034    | 31,036,001                  | 1,417,616                  | 32,453,617                    |
| 2035-2039    | <u>3,066,218</u>            | <u>148,185</u>             | <u>3,214,403</u>              |
| Total        | <u>\$ 120,144,317</u>       | <u>\$ 15,753,492</u>       | <u>\$ 135,897,809</u>         |

**NOTE 7 – LONG-TERM DEBT (Continued)**

Changes in long-term liabilities are as follows:

|                                    | Debt<br>Outstanding<br>June 30,<br>2018 | Additions<br>of<br>New Debt | Retirements<br>and<br>Repayments | Debt<br>Outstanding<br>June 30,<br>2019 | Amounts<br>Due<br>Within<br>1 Year |
|------------------------------------|---|-----------------------------|----------------------------------|---|------------------------------------|
| <b>Bond Indebtedness</b>           |   |                             |                                  |   |                                    |
| Series 2009 A BAB                  | \$ 45,535,000                           | \$ -                        | \$ 1,320,000                     | \$ 44,215,000                           | \$ 1,365,000                       |
| Series 2009 Bond Discount          | 23,005                                  | -                           | 40,581                           | (17,576)                                | 16,716                             |
| Series 2010 A BAB                  | 63,145,000                              | -                           | 1,845,000                        | 61,300,000                              | 1,900,000                          |
| Series 2010 A Bond Premium         | 139,143                                 | -                           | 58,965                           | 80,178                                  | 58,077                             |
| Series 2010 B REF                  | 32,095,000                              | -                           | 1,775,000                        | 30,320,000                              | 1,825,000                          |
| Series 2010 B Bond Premium         | 515,171                                 | -                           | 209,311                          | 305,860                                 | 203,164                            |
| Series 2010 C BAB                  | 9,710,000                               | -                           | 1,510,000                        | 8,200,000                               | 1,550,000                          |
| Series 2010 D RZED                 | 40,905,000                              | -                           | -                                | 40,905,000                              | -                                  |
| Series 2010 C&D Bond Premium       | 225,673                                 | -                           | 75,658                           | 150,015                                 | 76,171                             |
| Series 2016 REF                    | 118,780,000                             | -                           | 6,530,000                        | 112,250,000                             | 3,895,000                          |
| Series 2016 Bond Premium           | 13,547,166                              | -                           | 2,095,820                        | 11,451,346                              | 1,932,352                          |
| <b>Total Bond Indebtedness</b>     | <b>324,620,158</b>                      | <b>-</b>                    | <b>15,460,335</b>                | <b>309,159,823</b>                      | <b>12,821,480</b>                  |
| <b>Notes Payable</b>               |   |                             |                                  |   |                                    |
| KIA Loan A04-09                    | 17,750,708                              | -                           | 1,640,966                        | 16,109,742                              | 1,690,565                          |
| KIA Loan A08-04                    | 53,328,384                              | -                           | 3,312,371                        | 50,016,013                              | 3,345,578                          |
| KIA Loan A09-04                    | 3,533,553                               | -                           | 230,442                          | 3,303,111                               | 235,074                            |
| KIA Loan A09-05                    | 3,662,169                               | -                           | 260,628                          | 3,401,541                               | 265,866                            |
| KIA Loan A09-06                    | 10,009,774                              | -                           | 578,402                          | 9,431,372                               | 590,028                            |
| KIA Loan A09-07                    | 3,608,429                               | -                           | 216,826                          | 3,391,603                               | 221,185                            |
| KIA Loan A09-08                    | 1,689,362                               | -                           | 97,618                           | 1,591,744                               | 99,580                             |
| KIA Loan A09-09                    | 6,342,244                               | -                           | 366,479                          | 5,975,765                               | 373,845                            |
| KIA Loan A10-11                    | 13,279,644                              | -                           | 711,902                          | 12,567,742                              | 726,211                            |
| KIA Loan A11-13                    | 10,796,752                              | -                           | 220,854                          | 10,575,898                              | 448,356                            |
| KIA Loan A11-14                    | 3,405,781                               | 585,651                     | -                                | 3,991,432                               | -                                  |
| KIA Loan A12-02                    | 650,302                                 | -                           | 39,076                           | 611,226                                 | 39,861                             |
| KIA Loan A15-103                   | 1,961,467                               | -                           | 93,587                           | 1,867,880                               | 95,232                             |
| KIA Loan A209-02                   | 472,121                                 | -                           | 30,789                           | 441,332                                 | 31,409                             |
| KIA Loan A209-03                   | 497,953                                 | -                           | 33,899                           | 464,054                                 | 34,580                             |
| KIA Loan A209-01                   | 126,905                                 | -                           | 9,031                            | 117,874                                 | 9,213                              |
| KIA Loan A209-04                   | 295,934                                 | -                           | 18,514                           | 277,420                                 | 18,886                             |
| <b>Total Notes Payable</b>         | <b>131,411,482</b>                      | <b>585,651</b>              | <b>7,861,384</b>                 | <b>124,135,749</b>                      | <b>8,225,469</b>                   |
| Compensated Absences               | 939,883                                 | 278,530                     | 219,072                          | 999,341                                 | 259,392                            |
| Net Pension Liability              | 31,661,594                              | 495,520                     | -                                | 32,157,114                              | -                                  |
| Net OPEB Liability                 | 10,874,302                              | -                           | 1,499,856                        | 9,374,446                               | -                                  |
| <b>Total Long-Term Liabilities</b> | <b>\$ 499,507,419</b>                   | <b>\$ 1,359,701</b>         | <b>\$ 25,040,647</b>             | <b>\$ 475,826,473</b>                   | <b>\$ 21,306,341</b>               |

**NOTE 8 – PENSION PLAN**

**General Information about the Pension Plan**

*Plan description:* County Employees Retirement System (CERS) consists of two plans, Non-hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS. SD1 participates in the non-hazardous plan.

Benefits provided: The non-hazardous system provides for retirement, disability, and death benefits to system members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances.

**Tier 1: Retirement Eligibility for Members Whose Participation Began Before 09/01/2008**

| <u>Age</u> | <u>Years of Service</u> | <u>Allowance Reduction</u>   |
|------------|-------------------------|--|
| 65         | 1 month                 | None   |
| Any        | 27                      | None   |
| 55         | 5                       | 6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service. |
| Any        | 25                      | 6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service. |

**Tier 2: Retirement Eligibility for Members Whose Participation Began On or After 09/01/2008 but before 01/01/2014**

| <u>Age</u> | <u>Years of Service</u> | <u>Allowance Reduction</u>  |
|------------|-------------------------|---|
| 65         | 5                       | None  |
| 57         | Rule of 87              | None  |
| 60         | 10                      | 6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service). |

**Tier 3: Retirement Eligibility for Members Whose Participation Began On or After 01/01/2014**

| <u>Age</u> | <u>Years of Service</u> | <u>Allowance Reduction</u> |
|------------|-------------------------|----------------------------|
| 65         | 5                       | None                       |
| 57         | Rule of 87              | None                       |

NOTE 8 – PENSION PLAN (Continued)

| <b>Benefit Formula for Tiers 1 &amp; 2</b>   |          |  |   |  |
|--|----------|--|---|--|
| <b>Final Compensation</b>  | <b>X</b> | <b>Benefit Factor</b>  | <b>X</b>  | <b>Years of Service</b>  |
| Average of the five highest if participation began before 09/01/2008.                                  |          | 2.20% if:  |   | Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program). |
|  |          |  | Member begins participating prior to 08/01/2004.                          |  |
| Average of the last complete five if participation began on or after 09/01/2008 but before 01/01/2014. |          | 2.00% if:  |   | Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program). |
|  |          |  | Member begins participating on or after 08/01/2004 and before 09/01/2008. |  |
|  |          | Increasing percent based on service at retirement* plus 2.00% for each year of service over 30 if: | Member begins participating on or after 08/01/2004 but before 01/01/2014. |  |

\* **Service (and Benefit Factor): 10 years or less (1.10%); 10 - 20 years (1.30%); 20 - 26 years (1.50%); 26 - 30 years (1.75%)**

| <b>Benefit Formula for Tiers 3</b>             |                            |                                |                             |   |   |
|--|----------------------------|--------------------------------|-----------------------------|---|---|
| <b>(A-B) = C X 75% = D then B+D = Interest</b> |                            |                                |                             |   |   |
| <b>A</b>                                       | <b>B</b>                   | <b>C</b>                       | <b>D</b>                    | <b>Interest Rate Earned (4% + Upside)</b> | <b>Total Interest Credited to Members' Accounts</b> |
| <b>5 Year Geometric Average Return</b>         | <b>Less Guarantee Rate</b> | <b>Upside Sharing Interest</b> | <b>Interest Rate Earned</b> |   |   |
| 7.39%  | 4.00%                      | 3.39%                          | 2.54%                       | 6.54%                                     | \$ 4,786,000  |

For post-retirement death benefits, if the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

For disability benefits, members participating before August 1, 2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula. Members participating on or after August 1, 2004 but before January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed as the highest of 20% for non-hazardous and 25% for hazardous of final rate of pay or the amount calculated under the benefit formula based upon actual service. Members participating on or after January 1, 2014 may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account which includes member contributions, employer contributions, and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the larger of 20% for non-hazardous and 25% for hazardous of the member's monthly final rate of pay or the annuitized account into a single life annuity option. Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

For pre-retirement death benefits, the beneficiary of a deceased active member will be eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump sum payment of the member's contributions and any accumulated interest.

**NOTE 8 – PENSION PLAN (Continued)**

The Kentucky General Assembly has the authority to increase, suspend, or reduce Cost of Living Adjustments (COLAs). Senate Bill 2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100.00% funded or (2) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

During the 2018 legislative session, House Bill 185 was enacted, which provided increased pension benefits for the beneficiaries of active members who die in the line of duty.

There was no legislation enacted during the 2017 legislative session that had a material change in benefit provision for either system.

*Contributions:* The employee contribution rate is set by state statute. For the fiscal years ended June 30, 2019 and 2018, plan members who began participating prior to September 1, 2008, were required to contribute 5.00% non-hazardous of their annual creditable compensation. These members were classified in the Tier 1 structure of benefits.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These member were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5.00% non-hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2019 and 2018, participating employers contributed 21.48% (16.22% pension fund and 5.26% insurance fund) and 19.18% (14.48% pension fund and 4.70% insurance fund), respectively, of each employee's creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee's creditable compensation. Contributions to the pension fund from the SD1 were \$2,153,407 and \$1,934,330 for the years ended June 30, 2019 and 2018, respectively.

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

**Plan Information for June 30, 2019 Financial Statements**

At June 30, 2019, SD1 reported a liability of \$32,157,114, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. SD1's proportion of the net pension liability was based on SD1's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2019, SD1's proportion for the non-hazardous system was 0.528005%, which was a decrease of 0.012913% from its proportion measured as of June 30, 2018.

**NOTE 8 – PENSION PLAN (Continued)**

For the year ended June 30, 2019, SD1 recognized pension expense of \$2,585,443. At June 30, 2019, SD1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Net Difference Between Projected and Actual  |                                      |                                     |
| Earnings on Pension Plan Investments   | \$ -                                 | \$ 385,582                          |
| Difference Between Expected and Actual Experience  | 1,048,875                            | 470,712                             |
| Changes of Assumptions   | 3,142,685                            | -                                   |
| Changes in Proportion and Difference Between<br>Employer Contributions and Proportionate Share<br>of Contributions | -                                    | 596,457                             |
| Contributions After Measurement Date   | 2,153,407                            | -                                   |
| Total  | \$ 6,344,967                         | \$ 1,452,751                        |

The \$2,153,407 reported as deferred outflows of resources related to pensions resulting from SD1 contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending<br>June 30, |              |
|--------------------------|--------------|
| 2020                     | \$ 2,275,692 |
| 2021                     | 1,091,537    |
| 2022                     | (455,826)    |
| 2023                     | (172,594)    |
| Total                    | \$ 2,738,809 |

*Actuarial assumptions:* The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

|                                |   |
|--------------------------------|---|
| Valuation Date:                | June 30, 2017   |
| Experience Study:              | July 1, 2008 – June 30, 2013  |
| Actuarial Cost Method:         | Entry Age Normal  |
| Amortization Method:           | Level Percentage of Payroll   |
| Remaining Amortization Period: | 25 years  |
| Asset Valuation Method:        | 20% of the difference between the<br>market value of assets and the expected<br>actuarial value of assets is recognized |
| Inflation:                     | 2.30%   |
| Salary Increase:               | 3.05%, Average  |
| Investment Rate of Return:     | 6.25% Net of Pension Plan Investment<br>Expense, Including Inflation  |

**NOTE 8 – PENSION PLAN (Continued)**

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

| Asset Class             | Target Allocation   | Long Term Expected Nominal Return |
|-------------------------|---------------------|-----------------------------------|
| US Equity:              |                     |                                   |
| US Large Cap            | 5.00 %              | 4.50 %                            |
| US Mid Cap              | 6.00                | 4.50                              |
| US Small Cap            | 6.50                | 5.50                              |
| Non-US Equity:          |                     |                                   |
| International Developed | 12.50               | 6.50                              |
| Emerging Markets        | 5.00                | 7.25                              |
| Global Bonds            | 4.00                | 3.00                              |
| Credit Fixed:           |                     |                                   |
| Global IG Credit        | 2.00                | 3.75                              |
| High Yield              | 7.00                | 5.50                              |
| EMD                     | 5.00                | 6.00                              |
| Illiquid Private        | 10.00               | 8.50                              |
| Private Equity          | 10.00               | 6.50                              |
| Real Estate             | 5.00                | 9.00                              |
| Absolute Return         | 10.00               | 5.00                              |
| Real Return             | 10.00               | 7.00                              |
| Cash                    | 2.00                | 1.50                              |
| <br>Total               | <br><u>100.00</u> % |                                   |

*Discount rate:* The discount rate used to measure the total pension liability was 6.25%. The single discount rate was based on the expected rate of return on pension plan investments for the system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability for the system. The projection of cash flows used to determine the single discount rate assumes that the participating employers in the system contributes the actuarially determined contribution rate in all future years.

**NOTE 8 – PENSION PLAN (Continued)**

*Sensitivity of SD1’s proportionate share of the net pension liability to changes in the discount rate:* The following presents SD1’s proportionate share of the net pension liability using the discount rate of 6.25%, as well as what SD1’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

| <u>1% Decrease</u> | <u>Current<br/>Discount</u> | <u>1% Increase</u> |
|--------------------|-----------------------------|--------------------|
| \$ 40,482,746      | \$ 32,157,114               | \$ 25,181,918      |

**Plan Information for June 30, 2018 Financial Statements**

At June 30, 2018, SD1 reported a liability of \$31,661,594, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 and was rolled-forward from the valuation date to June 30, 2017, using generally accepted actuarial principles. SD1’s proportion of the net pension liability was based on SD1’s share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2018, SD1’s proportion for the non-hazardous system was 0.540918%, which was a decrease of 0.004077% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, SD1 recognized pension expense of \$3,224,119. At June 30, 2018, SD1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Net Difference Between Projected and Actual  |   |  |
| Earnings on Pension Plan Investments   | \$ 2,507,560                                  | \$ 2,115,943                                 |
| Difference Between Expected and Actual Experience  | 39,271  | 803,707                                      |
| Changes of Assumptions   | 5,842,422                                     | -  |
| Changes in Proportion and Difference Between<br>Employer Contributions and Proportionate Share<br>of Contributions | 7,464   | 429,260                                      |
| Contributions After Measurement Date   | <u>1,934,330</u>                              | <u>-</u>                                     |
| Total  | <u>\$ 10,331,047</u>                          | <u>\$ 3,348,910</u>                          |

The \$1,934,330 reported as deferred outflows of resources related to pensions resulting from SD1 contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Years Ending<br/>June 30,</u> |                     |
|----------------------------------|---------------------|
| 2019                             | \$ 2,153,409        |
| 2020                             | 2,258,452           |
| 2021                             | 1,042,502           |
| 2022                             | <u>(406,556)</u>    |
| Total                            | <u>\$ 5,047,807</u> |

**NOTE 8 – PENSION PLAN (Continued)**

*Actuarial assumptions:* The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

|                                |   |
|--------------------------------|---|
| Valuation Date:                | June 30, 2016   |
| Experience Study:              | July 1, 2008 – June 30, 2013  |
| Actuarial Cost Method:         | Entry Age Normal  |
| Amortization Method:           | Level Percentage of Payroll   |
| Remaining Amortization Period: | 28 Years, Closed  |
| Asset Valuation Method:        | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized |
| Inflation:                     | 3.25%   |
| Salary Increase:               | 4.00%, Average, Including Inflation   |
| Investment Rate of Return:     | 7.50% Net of Pension Plan Investment Expense, Including Inflation   |

The mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

| Asset Class          | Target Allocation | Long Term Expected Nominal Return |
|----------------------|-------------------|-----------------------------------|
| US Equity            | 17.50 %           | 5.97 %                            |
| International Equity | 17.50             | 7.85                              |
| Global Bonds         | 4.00              | 2.63                              |
| Global Credit        | 2.00              | 3.63                              |
| High Yield           | 7.00              | 5.75                              |
| Emerging Market Debt | 5.00              | 5.50                              |
| Private Equity       | 10.00             | 8.75                              |
| Real Estate          | 5.00              | 7.63                              |
| Absolute Return      | 10.00             | 5.63                              |
| Real Return          | 10.00             | 6.13                              |
| Private Equity       | 10.00             | 8.25                              |
| Cash                 | 2.00              | 1.88                              |
| Total                | <u>100.00 %</u>   |                                   |

**NOTE 8 – PENSION PLAN (Continued)**

*Discount rate:* The discount rate used to measure the total pension liability was 6.25%. The single discount rate was based on the expected rate of return on pension plan investments for the system. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan member. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the system. The projection of cash flows used to determine the single discount rate assumes that the participating employers in the system contributes the actuarially determined contribution rate in all future years.

*Sensitivity of SD1's proportionate share of the net pension liability to changes in the discount rate:* The following presents SD1's proportionate share of the net pension liability using the discount rate of 6.25%, as well as what SD1's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

| <u>1% Decrease</u> | <u>Current<br/>Discount</u> | <u>1% Increase</u> |
|--------------------|-----------------------------|--------------------|
| \$ 39,932,113      | \$ 31,661,594               | \$ 24,743,366      |

**Payables to the Pension Plan**

At June 30, 2019 and 2018, SD1 did not have any required contributions payable to the pension plan for the years then ended.

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**NOTE 9 – OPEB PLAN**

**General Information about the OPEB Plan**

*Plan description:* County Employees Retirement System consists of two plans, Non-Hazardous and Hazardous. Each plan is a cost-sharing multiple-employer defined benefit OPEB plan administered by the Kentucky Retirement Systems (KRS) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS. SD1 participates in the non-hazardous plan.

*Benefits provided:* The KRS' Insurance Fund was established to provide hospital and medical insurance for eligible members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. KRS submits the premium payments to DEI. The Board contracts with Humana to provide health care benefits to the eligible Medicare retirees through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

**NOTE 9 – OPEB PLAN (Continued)**

As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee’s spouse receives \$10 per month for insurance benefits for each year of the deceased employee’s earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5% based upon Kentucky Revised Statutes. This benefit is not protected under the inviolable contract provisions of KRS 61.692. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

The amount of contribution paid by the Insurance Fund is based on years of service. For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

| Portion Paid by Insurance Fund |                                  |
|--------------------------------|----------------------------------|
| Years<br>of<br>Service         | Paid by<br>Insurance<br>Fund (%) |
| 20 + Years                     | 100.00%                          |
| 15 - 19 Years                  | 75.00%                           |
| 10 - 14 Years                  | 50.00%                           |
| 4 - 9 Years                    | 25.00%                           |
| < 4 Years                      | 0.00%                            |

During the 2018 legislative session, House Bill 185 was enacted, which provided increased pension benefits for the beneficiaries of active members who die in the line of duty.

There was no legislation enacted during the 2017 legislative session that had a material change in benefit provision for either system.

*Contributions:* The employee contribution rate is set by state statute. For the fiscal years ended June 30, 2019 and 2018, plan members who began participating prior to September 1, 2008, were required to contribute 5.00% non-hazardous of their annual creditable compensation. These members were classified in the Tier 1 structure of benefits.

Plan members who began participating on, or after, September 1, 2008, were required to contribute a total of 6.00% for non-hazardous of their annual creditable compensation. The 1.00% was deposited to an account created for the payment of health insurance benefits under 26 USC section 401(h) in the Pension Fund. These members were classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members’ accounts at a rate of 2.50%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of contributions and interest; however, the 1.00% contribution to the 401(h) account is non-refundable and is forfeited.

**NOTE 9 – OPEB PLAN (Continued)**

Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. These member were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5.00% non-hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member’s account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member’s salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member’s account. A member’s account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2019 and 2018, participating employers contributed 21.48% (16.22% pension fund and 5.26% insurance fund) and 19.18% (14.48% pension fund and 4.70% insurance fund), respectively, of each employee’s creditable compensation. The actuarially determined rates set by the Board for the fiscal years was a percentage of each employee’s creditable compensation. Contributions to the insurance fund from SD1 were \$698,331 and \$627,856 for the year ended June 30, 2019 and 2018, respectively.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

***Plan Information for June 30, 2019 Financial Statements***

At June 30, 2019, SD1 reported a liability of \$9,374,446 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2018, using generally accepted actuarial principles. SD1’s proportion of the net OPEB liability was based on SD1’s share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2019, the SD1’s proportion for the non-hazardous system was 0.527995%, which was a decrease of 0.012923% from is proportion measured as of June 30, 2018.

For the year ended June 30, 2019, SD1 recognized OPEB expense of \$352,610. At June 30, 2019, SD1 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Difference Between Expected and Actual Experience   | \$ -  | \$ 1,092,468                                 |
| Net Difference Between Projected and Actual Earnings on OPEB Plan Investments                                 | -   | 645,715                                      |
| Changes Of Assumptions  | 1,872,215                                     | 21,659                                       |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | -   | 238,481                                      |
| Commission Contributions Subsequent to the Measurement Date   | <u>698,331</u>                                | <u>-</u>                                     |
| Total   | <u>\$ 2,570,546</u>                           | <u>\$ 1,998,323</u>                          |

**NOTE 9 – OPEB PLAN (Continued)**

\$698,331 reported as deferred outflows of resources related to OPEB resulting from SD1 contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Years Ending<br>June 30, |                     |
|--------------------------|---------------------|
| 2020                     | \$ (12,551)         |
| 2021                     | (12,551)            |
| 2022                     | (12,551)            |
| 2023                     | 112,858             |
| 2024                     | (127,262)           |
| Thereafter               | <u>(74,051)</u>     |
| Total                    | <u>\$ (126,108)</u> |

*Actuarial assumptions:* The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

|                                       |   |
|---------------------------------------|---|
| Valuation Date                        | June 30, 2017   |
| Experience Study                      | July 1, 2008 – June 30, 2013  |
| Actuarial Cost Method                 | Entry Age Normal  |
| Amortization Method                   | Level Percentage of Pay   |
| Amortization Period                   | 27 Years, Closed  |
| Asset Valuation Method                | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized     |
| Payroll Growth Rate                   | 4.00%   |
| Inflation                             | 3.25%   |
| Salary Increase                       | 4.00%, Average  |
| Investment Rate of Return             | 7.50%   |
| Healthcare Cost Trend Rates (Pre-65)  | Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years. |
| Healthcare Cost Trend Rates (Post-65) | Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years. |

The mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

**NOTE 9 – OPEB PLAN (Continued)**

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

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

| Asset Class             | Target Allocation | Long Term Expected Real Rate of Return |
|-------------------------|-------------------|--|
| US Equity:              |                   |  |
| US Large Cap            | 5.00 %            | 4.50 %                                 |
| US Mid Cap              | 6.00              | 4.50                                   |
| US Small Cap            | 6.50              | 5.50                                   |
| Non-US Equity:          |                   |  |
| International Developed | 12.50             | 6.50                                   |
| Emerging Markets        | 5.00              | 7.25                                   |
| Global Bonds            | 4.00              | 3.00                                   |
| Credit Fixed:           |                   |  |
| Global IG Credit        | 2.00              | 3.75                                   |
| High Yield              | 7.00              | 5.50                                   |
| EMD                     | 5.00              | 6.00                                   |
| Illiquid Private        | 10.00             | 8.50                                   |
| Private Equity          | 10.00             | 6.50                                   |
| Real Estate             | 5.00              | 9.00                                   |
| Absolute Return         | 10.00             | 5.00                                   |
| Real Return             | 10.00             | 7.00                                   |
| Cash                    | 2.00              | 1.50                                   |
| Total                   | <u>100.00 %</u>   |  |

*Discount rate:* The discount rate used to measure the total OPEB liability was 5.85% for non-hazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.25% and a municipal bond rate of 3.62%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

*Sensitivity of the SD1’s proportionate share of the net OPEB liability to changes in the discount rate:* The following present’s SD1’s proportionate share of the net OPEB liability, as well as what SD1’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85% for non-hazardous) or 1-percentage-point higher (6.85% for non-hazardous) than the current rate:

| 1% Decrease   | Current Discount Rate | 1% Increase  |
|---------------|-----------------------|--------------|
| \$ 12,175,903 | \$ 9,374,446          | \$ 6,988,117 |

**NOTE 9 – OPEB PLAN (Continued)**

*Sensitivity of SD1's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates:* The following present's SD1's proportionate share of the net OPEB liability, as well as what SD1's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|                | Current<br>Healthcare<br>Cost<br>Trend Rate |                |
|----------------|---|----------------|
| 1%<br>Decrease |   | 1%<br>Increase |
| \$ 6,979,368   | \$ 9,374,446                                | \$ 12,197,554  |

*Changes of assumptions:* There have been changes in actuarial assumptions since June 30, 2018.

**Plan Information for June 30, 2018 Financial Statements**

At June 30, 2018, SD1 reported a liability of \$10,874,302 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2017, using generally accepted actuarial principles. SD1's proportion of the net OPEB liability was based on SD1's share of contributions to the OPEB plan relative to the contributions of all participating employers. At June 30, 2017, SD1's proportion for the non-hazardous system was 0.540918%.

For the year ended June 30, 2018, SD1 recognized OPEB expense of \$551,050. At June 30, 2018, SD1 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Difference Between Expected and Actual Experience   | \$ -  | \$ 30,203                                    |
| Net Difference Between Projected and Actual Earnings on OPEB Plan Investments                                 | -   | 513,914                                      |
| Changes Of Assumptions  | 2,366,180                                     | -  |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | -   | 25,230                                       |
| Commission Contributions Subsequent to the Measurement Date   | <u>627,856</u>                                | <u>-</u>                                     |
| Total   | <u>\$ 2,994,036</u>                           | <u>\$ 569,347</u>                            |

**NOTE 9 – OPEB PLAN (Continued)**

\$627,856 reported as deferred outflows of resources related to OPEB resulting from SD1 contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Years Ending<br>June 30, |                     |
|--------------------------|---------------------|
| 2019                     | \$ 309,162          |
| 2020                     | 309,162             |
| 2021                     | 309,162             |
| 2022                     | 309,162             |
| 2023                     | 437,641             |
| Thereafter               | <u>122,544</u>      |
| Total                    | <u>\$ 1,796,833</u> |

*Actuarial assumptions:* The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

|                                       |   |
|---------------------------------------|---|
| Valuation Date                        | June 30, 2016   |
| Actuarial Cost Method                 | Entry Age Normal  |
| Amortization Method                   | Level Percentage of Pay   |
| Amortization Period                   | 28 Years, Closed  |
| Asset Valuation Method                | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized     |
| Payroll Growth Rate                   | 4.00%   |
| Inflation                             | 3.25%   |
| Salary Increase                       | 4.00%, Average  |
| Investment Rate of Return             | 7.50%   |
| Healthcare Cost Trend Rates (Pre-65)  | Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years. |
| Healthcare Cost Trend Rates (Post-65) | Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years. |

The mortality for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (male mortality rates are multiplied by 50% and female mortality rates are multiplied by 30%). The mortality table for healthy retired members and beneficiaries is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (female mortality rates are set back one year). The mortality table for disabled members is the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (male mortality rates are set back four years). There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The long-term expected return on plan assets was determined by using a building-block method in which best-estimate ranges of expected future real returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage.

**NOTE 9 – OPEB PLAN (Continued)**

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

| Asset Class          | Target Allocation | Long Term Expected Real Rate of Return |
|----------------------|-------------------|--|
| US Equity            | 17.50 %           | 5.97 %                                 |
| International Equity | 17.50             | 7.85                                   |
| Global Bonds         | 4.00              | 2.63                                   |
| Global Credit        | 2.00              | 3.63                                   |
| High Yield           | 7.00              | 5.75                                   |
| Emerging Market Debt | 5.00              | 5.50                                   |
| Private Equity       | 10.00             | 8.75                                   |
| Real Estate          | 5.00              | 7.63                                   |
| Absolute Return      | 10.00             | 5.63                                   |
| Real Return          | 10.00             | 6.13                                   |
| Private Equity       | 10.00             | 8.25                                   |
| Cash                 | 2.00              | 1.88                                   |
| Total                | 100.00 %          |  |

*Discount rate:* The discount rate used to measure the total OPEB liability was 5.84% for non-hazardous and 5.96% for hazardous. The single discount rate was based on the expected rate of return on the OPEB plan investments of 6.25% and a municipal bond rate of 3.56%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2017. Future contributions are projected in accordance with the Board’s current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (26 years as of June 30, 2017) and the actuarial assumptions and methods adopted by the Board of Trustees. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

*Sensitivity of SD1’s proportionate share of the net OPEB liability to changes in the discount rate:* The following present’s SD1’s proportionate share of the net OPEB liability, as well as what SD1’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84% for non-hazardous) or 1-percentage-point higher (6.84% for non-hazardous) than the current rate:

| 1% Decrease   | Current Discount Rate | 1% Increase  |
|---------------|-----------------------|--------------|
| \$ 13,836,946 | \$ 10,874,302         | \$ 8,408,916 |

**NOTE 9 – OPEB PLAN (Continued)**

*Sensitivity of SD1’s proportionate share of the net OPEB liability to changes in the healthcare cost trend rates:* The following present’s SD1’s proportionate share of the net OPEB liability, as well as what SD1’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| 1%<br>Decrease | Current<br>Healthcare<br>Cost<br>Trend Rate | 1%<br>Increase |
|----------------|---|----------------|
| \$ 8,341,149   | \$ 10,874,302                               | \$ 14,167,252  |

*Changes of assumptions:* Subsequent to the actuarial valuation date, but prior to the measurement dates, the KRS Board of Trustees adopted updated actuarial assumptions which will be used in performing the actuarial valuation as of June 30, 2017. Specifically, total OPEB liability as of June 30, 2017 is determined using a 2.30% price inflation assumption and an assumed rate of return of 6.25%.

**Payables to the OPEB Plan**

At June 30, 2019 and 2018, SD1 did not have any required contributions payable to the OPEB plan for the years then ended.

**OPEB Fiduciary Net Position**

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued Kentucky Retirement Systems Comprehensive Annual Financial Report on the KRS website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**NOTE 10 – LESSOR AGREEMENT**

SD1 entered into a lease agreement with the Kenton County Board of Education to lease 15,000 square feet of its building on July 1, 2017 through June 30, 2022. Previously, SD1 had an original agreement with a term of July 1, 2007 through July 1, 2012 and 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 the period July 1, 2012 through June 30, 2017 but entered into the new lease agreement. The cost of the portion of the building being leased is \$2,300,902. The total accumulated depreciation associated with this asset is \$1,377,902 for a net asset value of \$923,000.

Future minimum rentals to be received are as follows:

| Years Ending<br>June 30, |            |
|--------------------------|------------|
| 2020                     | \$ 157,404 |
| 2021                     | 162,126    |
| 2022                     | 166,989    |
| Total                    | \$ 486,519 |

**NOTE 11 – OPERATING LEASES**

SD1 is obligated under certain non-cancelable leases for equipment and towers. The leases expire at various dates through June, 2024. Lease expense for the years ended June 30, 2019 and 2018 were \$44,588 and \$52,544, respectively.

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year are:

| Years Ending<br>June 30, |    |         |
|--------------------------|----|---------|
| 2020                     | \$ | 52,720  |
| 2021                     |    | 49,925  |
| 2022                     |    | 23,852  |
| 2023                     |    | 19,820  |
| 2024                     |    | 5,300   |
| Total                    | \$ | 151,617 |

**NOTE 12 – REIMBURSEMENT COMMITMENTS**

SD1 has entered into inter-local agreements, whereby cities can apply for reimbursement of qualified expenses incurred to accomplish required storm water improvements. There were 13 new agreements totaling \$687,818 for the year ended June 30, 2019 and 12 new agreements totaling \$802,211 for the year ended June 30, 2018.

**NOTE 13 – 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 14 – 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.

Prior to January, 2018, SD1 offered a Health Reimbursement Account to full time eligible employees for out of pocket healthcare costs. SD1 annually credited various amounts to the accounts of eligible employees based on their participation in wellness programs. As of January, 2018, SD1 is no longer crediting amounts to the accounts as the Health Reimbursement Account is no longer being funded. However for amounts previously credited, the contributions became 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 \$351,115 and \$383,786 has been recorded in the accompanying financial statements which is management’s estimate of the unspent balances as of June 30, 2019 and 2018, respectively, that are likely to be paid in future periods.

**NOTE 15 – LITIGATION**

In October 2005, SD1 announced that it had reached a comprehensive settlement with the Kentucky Environmental and Public Protection Cabinet and the U.S. Environmental Protection Agency (EPA) to address sewer overflows and improve water quality in Northern Kentucky. The settlement is contained in a Consent Decree, which was logged with the U.S. District Court for the Eastern District of Kentucky on October 7, 2005. The Consent Decree establishes a 20-year plan to address combined sewer overflows (CSOs) consistent with U.S. EPA's 1994 CSO control policy, and separate sanitary sewer overflows (SSOs) consistent with the Clean Water Act. SD1 will implement the requirements of the Decree through a unique watershed approach, which will allow SD1 to comprehensively assess the cumulative impacts of all pollution sources on receiving waters. This holistic approach will lead to more efficient and cost-effective solutions for the improvement of water quality. The Consent Decree required SD1 to pay a civil penalty in the amount of \$476,400, which was paid during the year ended June 30, 2006, and to expend \$636,000 for supplemental environmental projects. It is estimated that full implementation of the Decree will cost approximately \$1.3 billion over the next 20 years. The Consent Decree was entered by the Court in April 2007 and is final and binding upon all parties. On May 22, 2019 the Court entered an Order approving the Amended Consent Decree giving SD1 until 2040 to comply with the Consent Decree.

SD1 is the defendant in 5 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 the lawsuits are covered, at least in part, by SD1's insurance company.

SD1 is a party to a breach of contract suit involving two other parties in the construction of a storm water pipe as part of a development project in the City of Dayton, Kentucky. Motion to dismiss has been granted to SD1 and the appeals court affirmed the decision. On March 15, 2018, Coppage appealed Judge Bartlett's ruling granting summary judgment to SD1 to the Kentucky Court of Appeals. The Court of Appeals will not hear oral argument, but render its judgment on the pleadings. A decision is expected late summer of 2020.

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

The owner of a shopping center development has claimed that storm water lines running through its property should be maintained by SD1. SD1 has denied this claim and the shopping center owner filed suit in Campbell County Circuit court. The trial court sustained SD1's motion for summary judgment on all of plaintiff's claims, with the exception of a negligent maintenance/repair claim. Trial took place in October, 2016, with the Court dismissing the case on a Rule 41.02 motion. Plaintiffs appealed the ruling. The Court of Appeals ruled in favor of SD1. Only one count (not a part of the summary judgment) is the negligence claim. SD1 is waiting to see whether or not Plaintiffs' will pursue that claim.

**NOTE 15 – LITIGATION (Continued)**

Property owners in Covington, Kentucky, along with the insurers for the Covington Independent School District have filed a punitive class action suit against SD1 asserting claims of negligence, inverse condemnation, trespass, and nuisance arising from flooding which occurred as a result of two significant rainfall events in July of 2010. The parties reached settlement and SD1 is awaiting the Judge entering the dismissal order. The case of the Property Owners has been settled, although the Covington Independence School District Case remains.

A consortium of property owners in Camp Springs, Kentucky have filed a complaint and temporary restraining order and injunction in Franklin Circuit Court to prevent the Kentucky Infrastructure Authority from releasing loan funds from the State Revolving Loan Fund to SD1 for construction of the Ash Street Pump Station Project. The suit claims that SD1 did not properly consider alternative force main routes and environmental concerns, and that the KIA commitment letter as allowed to expire and certain funding conditions were not met. The District is vigorously defending these claims and has submitted a motion to dismiss on various jurisdictional grounds. The case is pending and no further activity has occurred during this reporting period.

Rate payers in Boone County, which is within SD1's storm water service area, but are served by a private wastewater disposal system, are seeking class action status and challenge SD1's imposition of storm water fees because they do not receive wastewater services from SD1, and allege that the imposition of the storm water fee violates KRS 220.235, that the fee is not "reasonable," and that the imposition of the fee violates KRS 220.515. Further, Plaintiffs allege that "SD1 is comingled, and continues to comingle, the storm water fee it receives with improvements, maintenance and other benefits to the sanitary sewer system it maintains, further making the imposition of those fees illegal. Plaintiffs seek a declaration that the storm water fees are illegal as applied to them, an injunction prohibiting SD1 from charging the storm water fees, a refund for the storm water fees paid to date, and damages. SD1 filed a Motion to Dismiss the Complaint on April 1, 2016 and a hearing was held on May 24, 2016. The Judge entered an Order on July 11, 2016, granting in part and denying in part SD1's Civil Rule Motion to Dismiss the Complaint. The Judge's order affirmed that SD1 has the ability and authority to assess a storm water surcharge fee on Plaintiffs, even though they do not receive wastewater services from SD1. He also dismissed Plaintiffs' claim that the surcharge fee was illegal and void. Plaintiffs' surviving claim is whether SD1's fees are reasonable and that the funds are comingled. SD1 has filed its Answer and discovery has commenced. Counsel for Plaintiffs' have withdrawn from the case and Plaintiffs have been given 30 days to obtain new counsel.

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

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

**NOTE 16 – INSURANCE IN FORCE**

SD1 has the following insurance policies in force during the years ended June 30, 2019 and 2018:

| Type of Coverage                             | Amount of Coverage |                |
|--|--------------------|----------------|
|  | 2019               | 2018           |
| Property-Buildings, Pump Stations, Machinery | \$ 359,087,589     | \$ 328,130,483 |
| Earthquake                                   | 50,000,000         | 50,000,000     |
| Equipment Breakdown                          | 50,000,000         | 50,000,000     |
| Flood  | 50,000,000         | 50,000,000     |
| Vehicles                                     | 10,000,000         | 10,000,000     |
| Environmental Impairment                     | 25,000,000         | 25,000,000     |
| Public Entity Management Liability           | 10,000,000         | 10,000,000     |
| General Liability, Aggregate                 | 26,000,000         | 26,000,000     |
| Scheduled Equipment                          | 3,985,706          | 5,734,248      |
| Pipeline Policy                              | 5,000,000          | 5,000,000      |
| Employer's Liability                         | 10,000,000         | 10,000,000     |
| Crime - Employee Dishonesty                  | 3,000,000          | 3,000,000      |
| Cyber Liability                              | 3,000,000          | 3,000,000      |
| Property- Building Contents                  | 4,289,376          | 2,410,360      |
| EDP-Hardware, Software                       | 1,250,000          | 1,250,000      |
| Sewer Backup                                 | 1,000,000          | 1,000,000      |
| Telecommunications-Equipment                 | 467,814            | 467,814        |
| Electronic Vandalism                         | 100,000            | 100,000        |
| Telecommunications-Tower                     | 89,600             | 89,600         |

**NOTE 17 – SUBSEQUENT EVENTS**

SD1 has evaluated subsequent events through December 10, 2019, which is the date the financial statements were available to be issued.

In April, 2019, the Board of Directors approved a base-rate billing structure for all residential sanitary sewer customers. In May, 2019, the Boone County, Kenton County, and Campbell County Fiscal Courts approved the base-rate billing structure which is effective in July, 2019.

In September, 2019, SD1 issued the Sanitation District Revenue Refunding Bonds, Series 2019 in the amount of \$99,490,000 for the purpose of refunding the Revenue Bonds, Series 2009 and Series 2010 as well as Build America Bonds, Series 2010C.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SANITATION DISTRICT NO. 1**  
**SCHEDULE OF SD1'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30, 2019**

**County Employees Retirement System**  
**Last 10 Fiscal Years\***

|   | <u>2019</u>   | <u>2018</u>   | <u>2017</u>   | <u>2016</u>   | <u>2015</u>   |
|---|---------------|---------------|---------------|---------------|---------------|
| SD1's Proportion of the Net Pension Liability   | 0.528005%     | 0.540918%     | 0.544995%     | 0.566115%     | 0.564690%     |
| SD1's Proportionate Share of the Net Pension Liability  | \$ 32,157,114 | \$ 31,661,594 | \$ 26,833,461 | \$ 24,340,276 | \$ 18,320,686 |
| SD1's Covered Payroll   | \$ 13,358,633 | \$ 13,338,602 | \$ 13,241,319 | \$ 13,307,431 | \$ 12,954,902 |
| SD1's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll | 240.72%       | 237.37%       | 202.65%       | 182.91%       | 141.42%       |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                    | 53.54%        | 53.00%        | 56.00%        | 60.00%        | 67.00%        |

\* Only five years of information available. Additional years' information will be displayed as it becomes available.

See accompanying notes.

**SANITATION DISTRICT NO. 1  
SCHEDULE OF SD1'S PENSION CONTRIBUTIONS  
JUNE 30, 2019**

**County Employees Retirement System  
Last 10 Fiscal Years\***

|  | <u>2019</u>        | <u>2018</u>        | <u>2017</u>        | <u>2016</u>        | <u>2015</u>        | <u>2014</u>        |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually Required Contribution                                  | \$ 2,153,407       | \$ 1,934,330       | \$ 1,860,735       | \$ 1,644,572       | \$ 1,696,697       | \$ 1,780,004       |
| Contributions in Relation to the Contractually Required Contribution | <u>(2,153,407)</u> | <u>(1,934,330)</u> | <u>(1,860,735)</u> | <u>(1,644,572)</u> | <u>(1,696,697)</u> | <u>(1,780,004)</u> |
| Contribution Deficiency (Excess)                                     | <u>\$ -</u>        |
| SD1's Covered Payroll  | \$ 13,229,298      | \$ 13,358,633      | \$ 13,338,602      | \$ 13,241,319      | \$ 13,307,431      | \$ 12,954,902      |
| Contributions as a Percentage of Covered Payroll                     | 16.28%             | 14.48%             | 13.95%             | 12.42%             | 12.75%             | 13.74%             |

\* Only six years of information available. Additional years' information will be displayed as it becomes available.

See accompanying notes.

**SANITATION DISTRICT NO. 1**  
**SCHEDULE OF SD1'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**JUNE 30, 2019**

**County Employees Retirement System**  
**Last 10 Fiscal Years\***

|   | <b>2019</b>   | <b>2018</b>   |
|---|---------------|---------------|
| SD1's Proportion of the Net OPEB Liability  | 0.527995%     | 0.540918%     |
| SD1's Proportionate Share of the Net OPEB Liability   | \$ 9,374,446  | \$ 10,874,302 |
| SD1's Covered Payroll   | \$ 13,358,633 | \$ 13,338,602 |
| SD1's Proportionate Share of the Net OPEB Liability<br>as a Percentage of Its Covered Payroll | 70.18%        | 81.53%        |
| Plan Fiduciary Net Position as a Percentage of the<br>Total OPEB Liability                    | 57.62%        | 50.00%        |

*\* Only two years of information available. Additional years' information will be displayed as it becomes available.*

See accompanying notes.

**SANITATION DISTRICT NO. 1**  
**SCHEDULE OF SD1'S OPEB CONTRIBUTIONS**  
**June 30, 2019**

**County Employees Retirement System**  
**Last 10 Fiscal Years\***

|   | <b>2019</b>   | <b>2018</b>   | <b>2017</b>   |
|---|---------------|---------------|---------------|
| Contractually Required Contribution                                     | \$ 698,331    | \$ 627,856    | \$ 630,916    |
| Contributions in Relation to the Contractually<br>Required Contribution | (698,331)     | (627,856)     | (630,916)     |
| Contribution Deficiency (Excess)  | \$ -          | \$ -          | \$ -          |
| SD1's Covered Payroll   | \$ 13,229,298 | \$ 13,358,633 | \$ 13,338,602 |
| Contributions as a Percentage of<br>Covered Payroll                     | 5.28%         | 4.70%         | 4.73%         |

\* Only three years of information available. Additional years' information will be displayed as it becomes available.

See accompanying notes.

**OTHER SUPPLEMENTARY INFORMATION**

**SANITATION DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL  
GENERAL REVENUES  
YEAR ENDED JUNE 30, 2019**

|                          | <u>Budget</u>                | <u>Actual</u>                | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|--------------------------|------------------------------|------------------------------|---|
| <b>Revenues</b>          |                              |                              |   |
| Sewer Service Charges    | \$ 84,900,000                | \$ 86,065,606                | \$ 1,165,606  |
| Storm Water Charges      | 13,054,800                   | 13,604,462                   | 549,662   |
| Surcharges               | 2,746,150                    | 2,706,856                    | (39,294)  |
| Capacity Connection Fees | 3,000,000                    | 3,358,227                    | 358,227   |
| Penalties                | 1,466,500                    | 1,393,231                    | (73,269)  |
| Fines                    | 18,000                       | 22,650                       | 4,650   |
| Inspections              | 113,500                      | 217,307                      | 103,807   |
| Permits                  | 411,099                      | 433,752                      | 22,653  |
| Project Reimbursements   | -                            | 61,628                       | 61,628  |
| Contractual Services     | 150,000                      | 136,004                      | (13,996)  |
| Sludge Hauling           | 350,000                      | 914,722                      | 564,722   |
| Bad Debt Recoveries      | 21,500                       | 18,823                       | (2,677)   |
| Other Revenues           | 25,000                       | 84,313                       | 59,313  |
|                          | <u>                    </u>  | <u>                    </u>  | <u>                    </u>   |
| <b>Total Revenues</b>    | <b>\$ <u>106,256,549</u></b> | <b>\$ <u>109,017,581</u></b> | <b>\$ <u>2,761,032</u></b>  |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL  
GENERAL REVENUES  
YEAR ENDED JUNE 30, 2018**

|                          | <u>Budget</u>         | <u>Actual</u>         | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|--------------------------|-----------------------|-----------------------|---|
| <b>Revenues</b>          |                       |                       |   |
| Sewer Service Charges    | \$ 80,050,000         | \$ 81,496,054         | \$ 1,446,054  |
| Storm Water Charges      | 12,905,000            | 13,118,077            | 213,077   |
| Surcharges               | 2,339,000             | 2,816,861             | 477,861   |
| Capacity Connection Fees | 3,325,000             | 3,072,815             | (252,185)   |
| Penalties                | 1,535,000             | 1,399,127             | (135,873)   |
| Fines                    | 7,500                 | 19,046                | 11,546  |
| Inspections              | 144,500               | 173,623               | 29,123  |
| Permits                  | 410,500               | 428,968               | 18,468  |
| Project Reimbursements   | -                     | 131,856               | 131,856   |
| Contractual Services     | 155,000               | 160,732               | 5,732   |
| Sludge Hauling           | 250,000               | 401,941               | 151,941   |
| Bad Debt Recoveries      | 63,000                | 25,135                | (37,865)  |
| Other Revenues           | 50,000                | 32,021                | (17,979)  |
| <b>Total Revenues</b>    | <u>\$ 101,234,500</u> | <u>\$ 103,276,256</u> | <u>\$ 2,041,756</u>   |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL  
OPERATION, MAINTENANCE, AND ADMINISTRATION  
DRY CREEK TREATMENT PLANT OPERATIONS  
YEAR ENDED JUNE 30, 2019**

| <b>Expenses</b>                                 | <b>Budget</b>       | <b>Actual</b>       | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|---|---------------------|---------------------|---|
| Salaries and Wages                              | \$ 2,260,120        | \$ 2,108,013        | \$ 152,107  |
| Medical and Dental Self Insured Plan            | 692,685             | 630,342             | 62,343  |
| Pension Plan                                    | 478,389             | 429,382             | 49,007  |
| Payroll Taxes                                   | 172,899             | 155,301             | 17,598  |
| Employee Benefits                               | 36,438              | 30,825              | 5,613   |
| Credit Charged to Capital Projects              | (12,000)            | (5,005)             | (6,995)   |
| Insurance and Bond                              | 198,500             | 213,030             | (14,530)  |
| Professional and Contracted Services            | 222,046             | 136,786             | 85,260  |
| Postage   | 2,450               | 2,426               | 24  |
| Office and Operating Supplies                   | 156,000             | 163,183             | (7,183)   |
| Travel, Training, and Certification             | 42,700              | 46,642              | (3,942)   |
| Operating Maintenance - Building Grounds        | 101,000             | 112,203             | (11,203)  |
| Subscriptions                                   | 1,000               | 374                 | 626   |
| Legal Advertising                               | -                   | 774                 | (774)   |
| Electric and Gas                                | 1,176,480           | 1,284,243           | (107,763)   |
| Telephone and Radio                             | 45,460              | 38,276              | 7,184   |
| Water   | 36,000              | 60,259              | (24,259)  |
| Vehicle Fuels                                   | 57,000              | 44,266              | 12,734  |
| Auto and Truck Expense                          | 89,000              | 118,203             | (29,203)  |
| Sludge and Grit Removal                         | 750,000             | 821,455             | (71,455)  |
| Safety Equipment Expense                        | 18,000              | 16,137              | 1,863   |
| Rental  | 8,000               | 6,235               | 1,765   |
| Contract Labor - Building Maintenance           | 3,500               | 1,667               | 1,833   |
| Chemicals                                       | 879,880             | 1,096,282           | (216,402)   |
| Fuel Oil  | 39,000              | 45,362              | (6,362)   |
| Maintenance Material - Plant Equipment          | 226,000             | 204,000             | 22,000  |
| <b>Total Dry Creek Treatment Plant Expenses</b> | <b>\$ 7,680,547</b> | <b>\$ 7,760,661</b> | <b>\$ (80,114)</b>  |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL  
OPERATION, MAINTENANCE, AND ADMINISTRATION  
EASTERN REGIONAL RECLAMATION FACILITY  
YEAR ENDED JUNE 30, 2019**

|   | <u>Budget</u>              | <u>Actual</u>              | <u>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</u> |
|---|----------------------------|----------------------------|---|
| <b>Expenses</b>   |                            |                            |   |
| Salaries and Wages  | \$ 395,968                 | \$ 386,746                 | \$ 9,222  |
| Medical and Dental Self Insured Plan                            | 110,080                    | 95,780                     | 14,300  |
| Pension Plan  | 87,822                     | 80,952                     | 6,870   |
| Payroll Taxes   | 30,292                     | 28,149                     | 2,143   |
| Employee Benefits   | 6,841                      | 7,735                      | (894)   |
| Credit Charged to Capital Projects                              | (42,000)                   | (48,480)                   | 6,480   |
| Insurance and Bond  | 57,750                     | 45,280                     | 12,470  |
| Professional and Contracted Services                            | 58,900                     | 29,801                     | 29,099  |
| Postage   | 200                        | -                          | 200   |
| Office and Operating Supplies                                   | 20,454                     | 22,866                     | (2,412)   |
| Travel and Certification  | 11,606                     | 4,058                      | 7,548   |
| Operating Maintenance - Building Grounds                        | 27,929                     | 18,665                     | 9,264   |
| Subscriptions   | 400                        | 329                        | 71  |
| Electric and Gas  | 325,200                    | 324,400                    | 800   |
| Telephone and Radio   | 33,248                     | 11,191                     | 22,057  |
| Water   | 5,000                      | 5,120                      | (120)   |
| Vehicle Fuels   | 15,000                     | 10,499                     | 4,501   |
| Auto and Truck Expense  | 27,890                     | 8,183                      | 19,707  |
| Sludge and Grit Removal   | 103,900                    | 115,450                    | (11,550)  |
| Safety Equipment Expense  | 5,300                      | 5,704                      | (404)   |
| Rentals   | 1,000                      | -                          | 1,000   |
| Chemicals   | 90,153                     | 75,035                     | 15,118  |
| Fuel Oil  | 4,940                      | -                          | 4,940   |
| Maintenance Material - Plant Equipment                          | 110,000                    | 73,709                     | 36,291  |
| <b>Total Eastern Regional<br/>Reclamation Facility Expenses</b> | <b>\$ <u>1,487,873</u></b> | <b>\$ <u>1,301,172</u></b> | <b>\$ <u>186,701</u></b>  |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL  
OPERATION, MAINTENANCE, AND ADMINISTRATION  
WESTERN REGIONAL RECLAMATION FACILITY  
YEAR ENDED JUNE 30, 2019**

|   | <u>Budget</u>       | <u>Actual</u>       | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|---|---------------------|---------------------|---|
| <b>Expenses</b>   |                     |                     |   |
| Salaries and Wages  | \$ 640,619          | \$ 614,266          | \$ 26,353   |
| Medical and Dental Self Insured Plan                            | 204,180             | 186,393             | 17,787  |
| Pension Plan  | 142,428             | 129,652             | 12,776  |
| Payroll Taxes   | 49,007              | 44,246              | 4,761   |
| Employee Benefits   | 10,735              | 10,252              | 483   |
| Credit Charged to Capital Projects                              | -                   | (1,800)             | 1,800   |
| Insurance and Bond  | 88,500              | 80,845              | 7,655   |
| Professional and Contracted Services                            | 78,026              | 59,178              | 18,848  |
| Postage   | 500                 | 424                 | 76  |
| Office and Operating Supplies                                   | 34,752              | 38,455              | (3,703)   |
| Travel and Certification  | 5,226               | 2,995               | 2,231   |
| Operating Maintenance - Building Grounds                        | 35,716              | 44,170              | (8,454)   |
| Subscriptions   | 660                 | 520                 | 140   |
| Contract Labor - Building Maintenance                           | 2,040               | -                   | 2,040   |
| Electric and Gas  | 750,000             | 810,483             | (60,483)  |
| Telephone and Radio   | 22,281              | 19,194              | 3,087   |
| Water   | 3,060               | 666                 | 2,394   |
| Vehicle Fuels   | 3,497               | 3,969               | (472)   |
| Auto and Truck Expense  | 12,000              | 22,633              | (10,633)  |
| Sludge and Grit Removal   | 815,697             | 654,699             | 160,998   |
| Safety Equipment Expense  | 8,000               | 4,460               | 3,540   |
| Rental  | 3,000               | 1,111               | 1,889   |
| SD1 Penalties and Fines Paid                                    | 2,000               | -                   | 2,000   |
| Chemicals   | 89,783              | 100,081             | (10,298)  |
| Fuel Oil  | 5,668               | 2,132               | 3,536   |
| Maintenance Material - Plant Equipment                          | 95,500              | 182,879             | (87,379)  |
| <b>Total Western Regional<br/>Reclamation Facility Expenses</b> | <b>\$ 3,102,875</b> | <b>\$ 3,011,903</b> | <b>\$ 90,972</b>  |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL  
OPERATION, MAINTENANCE, AND ADMINISTRATION  
COLLECTION SYSTEM  
YEAR ENDED JUNE 30, 2019**

|   | <u>Budget</u>       | <u>Actual</u>       | <u>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</u> |
|---|---------------------|---------------------|---|
| <b>Expenses</b>                           |                     |                     |   |
| Salaries and Wages                        | \$ 2,702,665        | \$ 2,700,040        | \$ 2,625  |
| Medical and Dental Self Insured Plan      | 829,799             | 789,683             | 40,116  |
| Pension Plan                              | 592,618             | 562,219             | 30,399  |
| Payroll Taxes                             | 206,754             | 195,966             | 10,788  |
| Employee Benefits                         | 45,280              | 42,209              | 3,071   |
| Credit Charged to Capital Projects        | (808,746)           | (815,684)           | 6,938   |
| Insurance and Bond                        | 575,000             | 477,761             | 97,239  |
| Professional and Contracted Services      | 919,500             | 876,766             | 42,734  |
| Postage                                   | 3,800               | 4,292               | (492)   |
| Office and Operating Supplies             | 12,447              | 9,482               | 2,965   |
| Travel and Certification                  | 17,708              | 18,123              | (415)   |
| Subscriptions                             | 741                 | 1,581               | (840)   |
| Telephone and Radio                       | 53,512              | 34,729              | 18,783  |
| Vehicle Fuels                             | 115,583             | 126,784             | (11,201)  |
| Auto and Truck Expense                    | 289,634             | 344,149             | (54,515)  |
| Sludge and Grit Removal                   | 18,000              | 21,525              | (3,525)   |
| Safety Equipment Expense                  | 20,746              | 22,401              | (1,655)   |
| Maintenance Material - Collection Systems | 345,004             | 346,542             | (1,538)   |
| Private Lateral Program                   | 300,000             | 190,660             | 109,340   |
| Basement Backup Program                   | 300,000             | 46,108              | 253,892   |
|   | <u>6,540,045</u>    | <u>5,995,336</u>    | <u>544,709</u>  |
| <b>Total Collection System Expenses</b>   | <b>\$ 6,540,045</b> | <b>\$ 5,995,336</b> | <b>\$ 544,709</b>   |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL  
OPERATION, MAINTENANCE, AND ADMINISTRATION  
PUMP STATIONS / FIELD TECH  
YEAR ENDED JUNE 30, 2019**

| <b>Expenses</b>                                  | <u>Budget</u>              | <u>Actual</u>              | <b>Variance with<br/>Final Budget<br/>(Unfavorable)<br/>Favorable</b> |
|--|----------------------------|----------------------------|---|
| Salaries and Wages                               | \$ 785,864                 | \$ 797,244                 | \$ (11,380)   |
| Medical and Dental Self Insured Plan             | 235,660                    | 197,388                    | 38,272  |
| Pension Plan                                     | 171,994                    | 164,150                    | 7,844   |
| Payroll Taxes                                    | 60,119                     | 58,319                     | 1,800   |
| Employee Benefits                                | 13,344                     | 14,084                     | (740)   |
| Credit Charged to Capital Projects               | (32,700)                   | (55,263)                   | 22,563  |
| Insurance and Bond                               | 155,500                    | 123,716                    | 31,784  |
| Professional and Contracted Services             | 194,300                    | 198,513                    | (4,213)   |
| Office and Operating Supplies                    | 21,300                     | 14,465                     | 6,835   |
| Travel and Certification                         | 13,500                     | 13,451                     | 49  |
| Operating Maintenance - Building Grounds         | 27,000                     | 43,898                     | (16,898)  |
| Electric and Gas                                 | 1,650,933                  | 1,896,763                  | (245,830)   |
| Telephone and Radio                              | 27,487                     | 28,117                     | (630)   |
| Water  | 22,256                     | 22,781                     | (525)   |
| Vehicle Fuels                                    | 30,000                     | 37,183                     | (7,183)   |
| Auto and Truck Expense                           | 30,000                     | 47,349                     | (17,349)  |
| Sludge and Grit Removal                          | 150,000                    | 191,759                    | (41,759)  |
| Safety Equipment Expense                         | 8,500                      | 8,178                      | 322   |
| SD1 Penalties and Fines Paid                     | -                          | 30                         | (30)  |
| Rental   | 59,168                     | 50,499                     | 8,669   |
| Chemicals  | 1,581,177                  | 1,672,196                  | (91,019)  |
| Fuel Oil   | 10,500                     | 11,133                     | (633)   |
| Operating Maintenance - Pump Stations            | <u>200,000</u>             | <u>190,868</u>             | <u>9,132</u>  |
| <b>Total Pump Stations / Field Tech Expenses</b> | <b>\$ <u>5,415,902</u></b> | <b>\$ <u>5,726,821</u></b> | <b>\$ <u>(310,919)</u></b>  |

See accompanying notes.

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**OPERATIONS**  
**YEAR ENDED JUNE 30, 2019**

|  | <u>Budget</u>       | <u>Actual</u>       | <u>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</u> |
|--|---------------------|---------------------|---|
| <b>Expenses</b>                          |                     |                     |   |
| Salaries and Wages                       | \$ 1,107,944        | \$ 1,055,045        | \$ 52,899   |
| Medical and Dental Self Insured Plan     | 260,077             | 188,174             | 71,903  |
| Pension Plan                             | 236,350             | 201,600             | 34,750  |
| Payroll Taxes                            | 84,758              | 77,732              | 7,026   |
| Employee Benefits                        | 10,772              | 11,222              | (450)   |
| Credit Charged to Capital Projects       | -                   | (3,964)             | 3,964   |
| Insurance and Bond                       | 19,100              | 73,721              | (54,621)  |
| Professional and Contracted Services     | 279,401             | 183,706             | 95,695  |
| Office and Operating Supplies            | 8,784               | 12,463              | (3,679)   |
| Travel and Certification                 | 23,867              | 11,567              | 12,300  |
| Operating Maintenance - Building Grounds | 95,387              | 137,817             | (42,430)  |
| Subscriptions                            | 5,370               | 1,967               | 3,403   |
| Communications                           | 10,540              | 32,976              | (22,436)  |
| Electric and Gas                         | 117,088             | 114,668             | 2,420   |
| Telephone and Radio                      | 8,797               | 13,834              | (5,037)   |
| Water                                    | 20,667              | 20,153              | 514   |
| Vehicle Fuels                            | 7,578               | 4,463               | 3,115   |
| Auto and Truck Expense                   | 13,159              | 25,151              | (11,992)  |
| Safety Equipment Expense                 | 397                 | 785                 | (388)   |
| <b>Total Operations Expense</b>          | <u>\$ 2,310,036</u> | <u>\$ 2,163,080</u> | <u>\$ 146,956</u>   |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL  
OPERATION, MAINTENANCE, AND ADMINISTRATION  
ENGINEERING  
YEAR ENDED JUNE 30, 2019**

|                                      | <u>Budget</u>       | <u>Actual</u>       | <b>Variance with<br/>Final Budget<br/>(Unfavorable)<br/>Favorable</b> |
|--------------------------------------|---------------------|---------------------|---|
| <b>Expenses</b>                      |                     |                     |   |
| Salaries and Wages                   | \$ 1,048,177        | \$ 1,071,164        | \$ (22,987)   |
| Medical and Dental Self Insured Plan | 240,561             | 223,314             | 17,247  |
| Pension Plan                         | 229,661             | 221,098             | 8,563   |
| Payroll Taxes                        | 80,186              | 78,747              | 1,439   |
| Employee Benefits                    | 14,444              | 13,411              | 1,033   |
| Credit Charged to Capital Projects   | (376,377)           | (559,007)           | 182,630   |
| Insurance and Bond                   | 80,500              | 79,026              | 1,474   |
| Professional and Contracted Services | 391,500             | 630,013             | (238,513)   |
| Legal Services                       | 60,000              | 56,486              | 3,514   |
| Postage                              | 480                 | 550                 | (70)  |
| Office and Operating Supplies        | 9,808               | 8,120               | 1,688   |
| Travel and Certification             | 8,929               | 4,581               | 4,348   |
| Subscriptions                        | 1,078               | 1,531               | (453)   |
| Telephone and Radio                  | 10,798              | 13,844              | (3,046)   |
| Vehicle Fuels                        | 14,712              | 13,341              | 1,371   |
| Auto and Truck Expense               | 5,077               | 12,548              | (7,471)   |
| Safety Equipment Expense             | 3,397               | 71                  | 3,326   |
| <b>Total Engineering Expenses</b>    | <u>\$ 1,822,931</u> | <u>\$ 1,868,838</u> | <u>\$ (45,907)</u>  |

See accompanying notes.

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**STORM WATER PROGRAM**  
**YEAR ENDED JUNE 30, 2019**

| <b>Expenses</b>                           | <b>Budget</b>       | <b>Actual</b>       | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|---|---------------------|---------------------|---|
| Salaries and Wages                        | \$ 3,147,409        | \$ 2,969,317        | \$ 178,092  |
| Board of Directors                        | 6,729               | 6,730               | (1)   |
| Medical and Dental Self Insured Plan      | 784,611             | 658,697             | 125,914   |
| Pension Plan                              | 674,640             | 607,183             | 67,457  |
| Payroll Taxes                             | 240,777             | 218,813             | 21,964  |
| Employee Benefits                         | 42,823              | 39,749              | 3,074   |
| Unemployment Taxes                        | 2,747               | -                   | 2,747   |
| Credit Charged to Capital Projects        | (262,150)           | (364,982)           | 102,832   |
| Insurance and Bond                        | 50,200              | 33,383              | 16,817  |
| Professional and Contracted Services      | 878,850             | 780,130             | 98,720  |
| Legal Services                            | 30,000              | 43,168              | (13,168)  |
| Bank Services                             | 68,575              | 42,696              | 25,879  |
| Auditing Services                         | 8,011               | 7,990               | 21  |
| Collection Agency Services                | 721                 | 2,004               | (1,283)   |
| Postage                                   | 117,849             | 109,525             | 8,324   |
| Office and Operating Supplies             | 85,818              | 67,147              | 18,671  |
| Travel and Certification                  | 48,090              | 34,048              | 14,042  |
| Operating Maintenance - Building Grounds  | 32,113              | 40,191              | (8,078)   |
| Storm Water Program                       | 40,000              | 32,001              | 7,999   |
| Subscriptions                             | 74,326              | 61,995              | 12,331  |
| Communications                            | 2,720               | 8,509               | (5,789)   |
| Legal Advertising                         | 2,000               | -                   | 2,000   |
| Electric and Gas                          | 33,212              | 30,748              | 2,464   |
| Telephone and Radio                       | 55,047              | 48,158              | 6,889   |
| Water                                     | 5,333               | 5,200               | 133   |
| Vehicle Fuels                             | 60,186              | 47,850              | 12,336  |
| Auto and Truck Expense                    | 112,065             | 108,837             | 3,228   |
| Storm Water Facilities and Features       | 5,000               | 2,356               | 2,644   |
| Safety Equipment Expense                  | 15,115              | 8,520               | 6,595   |
| Rental                                    | -                   | 1,296               | (1,296)   |
| Maintenance Material - Collection Systems | 95,000              | 106,687             | (11,687)  |
| Culvert Cost Share Program                | 100,000             | -                   | 100,000   |
| Technical Assistance Program              | 40,000              | 8,145               | 31,855  |
| Assistance Cost Share Program             | 50,000              | 7,407               | 42,593  |
| <b>Total Storm Water Expenses</b>         | <b>\$ 6,647,817</b> | <b>\$ 5,773,498</b> | <b>\$ 874,319</b>   |

See accompanying notes.

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**ADMINISTRATION**  
**YEAR ENDED JUNE 30, 2019**

|  | <u>Budget</u>        | <u>Actual</u>        | <u>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</u> |
|--|----------------------|----------------------|---|
| <b>Expenses</b>  |                      |                      |   |
| Salaries and Wages   | \$ 2,232,308         | \$ 2,265,642         | \$ (33,334)   |
| Board of Directors   | 22,671               | 22,670               | 1   |
| Medical and Dental Self Insured Plan   | 504,137              | 474,280              | 29,857  |
| Pension Plan   | 484,554              | 455,500              | 29,054  |
| Payroll Taxes  | 170,772              | 162,848              | 7,924   |
| Employee Benefits  | 28,636               | 33,467               | (4,831)   |
| Unemployment Taxes   | 9,253                | -                    | 9,253   |
| Credit Charged to Capital Projects   | -                    | (185)                | 185   |
| Insurance and Bond   | 280,000              | 192,969              | 87,031  |
| Professional and Contracted Services   | 786,940              | 489,301              | 297,639   |
| Legal Services   | 120,000              | 46,284               | 73,716  |
| Bank Services  | 231,025              | 219,029              | 11,996  |
| Auditing Services  | 26,989               | 26,915               | 74  |
| Collection Agency Services   | 2,429                | 6,752                | (4,323)   |
| Postage  | 396,351              | 368,959              | 27,392  |
| Office and Operating Supplies  | 106,143              | 92,725               | 13,418  |
| Travel and Certification   | 59,761               | 37,062               | 22,699  |
| Subscriptions  | 56,589               | 68,521               | (11,932)  |
| Legal Advertising  | 10,000               | 9,968                | 32  |
| Telephone and Radio  | 74,082               | 76,120               | (2,038)   |
| Vehicle Fuels  | 2,275                | 1,708                | 567   |
| Auto and Truck Expense   | 2,853                | 4,017                | (1,164)   |
| Safety Equipment Expense   | 10,294               | 5,329                | 4,965   |
| SD1 Penalties and Fines Paid   | 3,000                | 1,201                | 1,799   |
| Rental   | 29,400               | 38,035               | (8,635)   |
|  | <u>5,650,462</u>     | <u>5,099,117</u>     | <u>551,345</u>  |
| <b>Total Administration Expenses</b>   |                      |                      |   |
|  | <u>5,650,462</u>     | <u>5,099,117</u>     | <u>551,345</u>  |
| <b>Total Operation, Maintenance, and<br/>Administration Expenses</b>   | <u>\$ 40,658,488</u> | <u>\$ 38,700,426</u> | <u>\$ 1,958,062</u>   |
| <b>Reconciliation of Budget to Actual to the<br/>Statements of Revenues, Expenses, and<br/>Changes in Net Position</b> |                      |                      |   |
| General Revenues   |                      | \$ 109,017,581       |   |
| Operating, Maintenance, and<br>Administrative Expenses   |                      | (38,700,426)         |   |
| Major Repair Expenses  |                      | (1,814,545)          |   |
| Depreciation   |                      | <u>(40,317,009)</u>  |   |
| <b>Net Operating Income</b>  |                      | <u>\$ 28,185,601</u> |   |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL  
OPERATION, MAINTENANCE, AND ADMINISTRATION  
DRY CREEK TREATMENT PLANT OPERATIONS  
YEAR ENDED JUNE 30, 2018**

| <b>Expenses</b>                                 | <b>Budget</b>       | <b>Actual</b>       | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|---|---------------------|---------------------|---|
| Salaries and Wages                              | \$ 2,324,922        | \$ 2,167,519        | \$ 157,403  |
| Medical and Dental Self Insured Plan            | 760,300             | 667,141             | 93,159  |
| Pension Plan                                    | 423,307             | 392,046             | 31,261  |
| Payroll Taxes                                   | 177,857             | 159,616             | 18,241  |
| Employee Benefits                               | 36,710              | 32,424              | 4,286   |
| Credit Charged to Capital Projects              | (60,000)            | (532)               | (59,468)  |
| Insurance and Bond                              | 225,537             | 197,620             | 27,917  |
| Professional and Contracted Services            | 166,000             | 184,398             | (18,398)  |
| Postage   | 5,000               | 1,597               | 3,403   |
| Office and Operating Supplies                   | 157,100             | 153,736             | 3,364   |
| Travel, Training, and Certification             | 42,700              | 31,695              | 11,005  |
| Operating Maintenance - Building Grounds        | 94,000              | 115,681             | (21,681)  |
| Subscriptions                                   | 1,000               | 282                 | 718   |
| Legal Advertising                               | -                   | 218                 | (218)   |
| Electric and Gas                                | 1,140,000           | 1,152,903           | (12,903)  |
| Telephone and Radio                             | 51,200              | 30,137              | 21,063  |
| Water   | 36,000              | 47,523              | (11,523)  |
| Vehicle Fuels                                   | 57,399              | 52,230              | 5,169   |
| Auto and Truck Expense                          | 89,648              | 90,331              | (683)   |
| Sludge and Grit Removal                         | 834,046             | 763,560             | 70,486  |
| Safety Equipment Expense                        | 12,000              | 15,424              | (3,424)   |
| Rental  | 8,000               | 5,512               | 2,488   |
| Contract Labor - Building Maintenance           | 5,000               | 1,772               | 3,228   |
| Chemicals                                       | 1,070,050           | 939,591             | 130,459   |
| Fuel Oil  | 50,000              | 53,300              | (3,300)   |
| Maintenance Material - Plant Equipment          | 199,000             | 227,207             | (28,207)  |
| <b>Total Dry Creek Treatment Plant Expenses</b> | <b>\$ 7,906,776</b> | <b>\$ 7,482,931</b> | <b>\$ 423,845</b>   |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL  
OPERATION, MAINTENANCE, AND ADMINISTRATION  
EASTERN REGIONAL RECLAMATION FACILITY  
YEAR ENDED JUNE 30, 2018**

|   | <u>Budget</u>              | <u>Actual</u>              | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|---|----------------------------|----------------------------|---|
| <b>Expenses</b>   |                            |                            |   |
| Salaries and Wages  | \$ 479,341                 | \$ 412,179                 | \$ 67,162   |
| Medical and Dental Self Insured Plan                            | 151,755                    | 107,197                    | 44,558  |
| Pension Plan  | 90,950                     | 74,759                     | 16,191  |
| Payroll Taxes   | 36,670                     | 30,235                     | 6,435   |
| Employee Benefits   | 8,289                      | 7,842                      | 447   |
| Credit Charged to Capital Projects                              | (47,000)                   | (49,335)                   | 2,335   |
| Insurance and Bond  | 58,292                     | 51,586                     | 6,706   |
| Professional and Contracted Services                            | 45,400                     | 36,501                     | 8,899   |
| Postage   | 200                        | -                          | 200   |
| Office and Operating Supplies                                   | 20,454                     | 24,643                     | (4,189)   |
| Travel and Certification  | 11,606                     | 8,687                      | 2,919   |
| Operating Maintenance - Building Grounds                        | 25,929                     | 14,252                     | 11,677  |
| Subscriptions   | 400                        | 308                        | 92  |
| Electric and Gas  | 336,000                    | 322,587                    | 13,413  |
| Telephone and Radio   | 38,100                     | 3,236                      | 34,864  |
| Water   | 5,000                      | 5,455                      | (455)   |
| Vehicle Fuels   | 29,020                     | 15,146                     | 13,874  |
| Auto and Truck Expense  | 29,040                     | 14,258                     | 14,782  |
| Sludge and Grit Removal   | 90,042                     | 103,268                    | (13,226)  |
| Safety Equipment Expense  | 4,900                      | 4,753                      | 147   |
| Rental  | 1,000                      | -                          | 1,000   |
| Chemicals   | 100,000                    | 54,895                     | 45,105  |
| Fuel Oil  | 6,000                      | 4,822                      | 1,178   |
| Maintenance Material - Plant Equipment                          | 105,500                    | 72,998                     | 32,502  |
| <b>Total Eastern Regional<br/>Reclamation Facility Expenses</b> | <b>\$ <u>1,626,888</u></b> | <b>\$ <u>1,320,272</u></b> | <b>\$ <u>306,616</u></b>  |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL  
OPERATION, MAINTENANCE, AND ADMINISTRATION  
WESTERN REGIONAL RECLAMATION FACILITY  
YEAR ENDED JUNE 30, 2018**

| <b>Expenses</b>   | <b>Budget</b>       | <b>Actual</b>       | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|---|---------------------|---------------------|---|
| Salaries and Wages  | \$ 645,881          | \$ 588,868          | \$ 57,013   |
| Medical and Dental Self Insured Plan                            | 219,195             | 170,990             | 48,205  |
| Pension Plan  | 123,535             | 111,327             | 12,208  |
| Payroll Taxes   | 49,563              | 42,540              | 7,023   |
| Employee Benefits   | 10,728              | 9,050               | 1,678   |
| Insurance and Bond  | 107,544             | 81,195              | 26,349  |
| Professional and Contracted Services                            | 56,300              | 45,065              | 11,235  |
| Postage   | 1,000               | -                   | 1,000   |
| Office and Operating Supplies                                   | 34,752              | 34,641              | 111   |
| Travel and Certification  | 5,226               | 2,077               | 3,149   |
| Operating Maintenance - Building Grounds                        | 35,016              | 40,148              | (5,132)   |
| Subscriptions   | 400                 | 527                 | (127)   |
| Contract Labor - Building Maintenance                           | 2,000               | -                   | 2,000   |
| Electric and Gas  | 750,000             | 848,254             | (98,254)  |
| Telephone and Radio   | 26,430              | 11,401              | 15,029  |
| Water   | 3,000               | 857                 | 2,143   |
| Vehicle Fuels   | 3,497               | 3,591               | (94)  |
| Auto and Truck Expense  | 10,000              | 13,907              | (3,907)   |
| Sludge and Grit Removal   | 660,744             | 787,342             | (126,598)   |
| Safety Equipment Expense  | 8,000               | 4,108               | 3,892   |
| Rental  | 3,000               | 928                 | 2,072   |
| SD1 Penalties and Fines Paid                                    | 1,000               | -                   | 1,000   |
| Chemicals   | 79,999              | 131,366             | (51,367)  |
| Fuel Oil  | 5,000               | 2,970               | 2,030   |
| Maintenance Material - Plant Equipment                          | 95,500              | 74,653              | 20,847  |
| <b>Total Western Regional<br/>Reclamation Facility Expenses</b> | <b>\$ 2,937,310</b> | <b>\$ 3,005,805</b> | <b>\$ (68,495)</b>  |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL  
OPERATION, MAINTENANCE, AND ADMINISTRATION  
COLLECTION SYSTEM  
YEAR ENDED JUNE 30, 2018**

|   | <u>Budget</u>              | <u>Actual</u>              | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|---|----------------------------|----------------------------|---|
| <b>Expenses</b>                           |                            |                            |   |
| Salaries and Wages                        | \$ 2,950,986               | \$ 2,720,746               | \$ 230,240  |
| Medical and Dental Self Insured Plan      | 959,274                    | 894,374                    | 64,900  |
| Pension Plan                              | 556,624                    | 522,389                    | 34,235  |
| Payroll Taxes                             | 225,751                    | 197,417                    | 28,334  |
| Employee Benefits                         | 48,032                     | 43,351                     | 4,681   |
| Credit Charged to Capital Projects        | (935,905)                  | (912,774)                  | (23,131)  |
| Insurance and Bond                        | 780,052                    | 491,336                    | 288,716   |
| Professional and Contracted Services      | 1,070,000                  | 913,981                    | 156,019   |
| Postage                                   | 3,800                      | 2,902                      | 898   |
| Office and Operating Supplies             | 17,426                     | 13,553                     | 3,873   |
| Travel and Certification                  | 38,324                     | 12,406                     | 25,918  |
| Operating Maintenance - Building Grounds  | -                          | 110                        | (110)   |
| Subscriptions                             | 1,000                      | 149                        | 851   |
| Telephone and Radio                       | 44,842                     | 31,984                     | 12,858  |
| Vehicle Fuels                             | 165,202                    | 127,466                    | 37,736  |
| Auto and Truck Expense                    | 237,926                    | 264,810                    | (26,884)  |
| Sludge and Grit Removal                   | 45,000                     | 11,134                     | 33,866  |
| Safety Equipment Expense                  | 24,500                     | 34,147                     | (9,647)   |
| SD1 Penalties and Fines Paid              | -                          | 1,500                      | (1,500)   |
| Rental                                    | -                          | 5,025                      | (5,025)   |
| Maintenance Material - Collection Systems | 335,000                    | 386,247                    | (51,247)  |
| Rental                                    | 300,000                    | 247,902                    | 52,098  |
| Maintenance Material - Collection Systems | 300,000                    | 34,835                     | 265,165   |
|   | <u>300,000</u>             | <u>34,835</u>              | <u>265,165</u>  |
| <b>Total Collection System Expenses</b>   | <b>\$ <u>7,167,834</u></b> | <b>\$ <u>6,044,990</u></b> | <b>\$ <u>1,122,844</u></b>  |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL  
OPERATION, MAINTENANCE, AND ADMINISTRATION  
PUMP STATIONS / FIELD TECH  
YEAR ENDED JUNE 30, 2018**

|  | <u>Budget</u>              | <u>Actual</u>              | <b>Variance with<br/>Final Budget<br/>(Unfavorable)<br/>Favorable</b> |
|--|----------------------------|----------------------------|---|
| <b>Expenses</b>                                |                            |                            |   |
| Salaries and Wages                             | \$ 768,159                 | \$ 801,126                 | \$ (32,967)   |
| Medical and Dental Self Insured Plan           | 252,985                    | 282,872                    | (29,887)  |
| Pension Plan                                   | 142,998                    | 148,782                    | (5,784)   |
| Payroll Taxes                                  | 58,764                     | 59,097                     | (333)   |
| Employee Benefits                              | 13,087                     | 13,427                     | (340)   |
| Credit Charged to Capital Projects             | (74,000)                   | (30,765)                   | (43,235)  |
| Insurance and Bond                             | 178,669                    | 148,814                    | 29,855  |
| Professional and Contracted Services           | 93,100                     | 175,186                    | (82,086)  |
| Postage  | 2,000                      | -                          | 2,000   |
| Office and Operating Supplies                  | 23,700                     | 14,649                     | 9,051   |
| Travel and Certification                       | 13,500                     | 4,655                      | 8,845   |
| Operating Maintenance - Building Grounds       | 27,000                     | 20,603                     | 6,397   |
| Subscriptions                                  | -                          | 300                        | (300)   |
| Electric and Gas                               | 1,750,000                  | 1,666,476                  | 83,524  |
| Telephone and Radio                            | 67,780                     | 18,198                     | 49,582  |
| Water  | 24,000                     | 26,243                     | (2,243)   |
| Vehicle Fuels                                  | 38,949                     | 33,541                     | 5,408   |
| Auto and Truck Expense                         | 32,311                     | 33,365                     | (1,054)   |
| Sludge and Grit Removal                        | 200,000                    | 132,412                    | 67,588  |
| Safety Equipment Expense                       | 10,000                     | 6,210                      | 3,790   |
| SD1 Penalties and Fines Paid                   | 1,000                      | -                          | 1,000   |
| Rental   | 60,000                     | 58,799                     | 1,201   |
| Chemicals                                      | 1,578,934                  | 1,641,377                  | (62,443)  |
| Fuel Oil                                       | 20,000                     | 11,282                     | 8,718   |
| Operating Maintenance - Pump Stations          | 225,000                    | 218,907                    | 6,093   |
| Operating Maintenance - Plant Equipment        | -                          | 2,270                      | (2,270)   |
| <b>Total Pump Stations/Field Tech Expenses</b> | <b>\$ <u>5,507,936</u></b> | <b>\$ <u>5,487,826</u></b> | <b>\$ <u>20,110</u></b>   |

See accompanying notes.

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**OPERATIONS**  
**YEAR ENDED JUNE 30, 2018**

|  | <u>Budget</u>     | <u>Actual</u>       | <b>Variance with<br/>Final Budget<br/>(Unfavorable)<br/>Favorable</b> |
|--|-------------------|---------------------|---|
| <b>Expenses</b>                          |                   |                     |   |
| Salaries and Wages                       | \$ 386,517        | \$ 1,003,379        | \$ (616,862)  |
| Medical and Dental Self Insured Plan     | 77,926            | 285,057             | (207,131)   |
| Pension Plan                             | 68,606            | 168,050             | (99,444)  |
| Payroll Taxes                            | 29,569            | 73,703              | (44,134)  |
| Employee Benefits                        | 3,682             | 8,890               | (5,208)   |
| Insurance and Bond                       | 18,369            | 23,276              | (4,907)   |
| Professional and Contracted Services     | -                 | 231,220             | (231,220)   |
| Office and Operating Supplies            | 1,345             | 3,987               | (2,642)   |
| Travel and Certification                 | 6,300             | 13,656              | (7,356)   |
| Operating Maintenance - Building Grounds | -                 | 144,836             | (144,836)   |
| Subscriptions                            | 1,860             | 2,802               | (942)   |
| Communications                           | -                 | 8,785               | (8,785)   |
| Electric and Gas                         | -                 | 114,570             | (114,570)   |
| Telephone and Radio                      | 3,677             | 23,602              | (19,925)  |
| Water                                    | -                 | 16,843              | (16,843)  |
| Vehicle Fuels                            | 4,025             | 3,924               | 101   |
| Auto and Truck Expense                   | 8,523             | 23,007              | (14,484)  |
| Safety Equipment Expense                 | -                 | 3,116               | (3,116)   |
| SD1 Penalties and Fines Paid             | -                 | 19                  | (19)  |
| Rentals                                  | 250               | 1,414               | (1,164)   |
|  | <u>        </u>   | <u>        </u>     | <u>        </u>   |
| <b>Total Operations Expense</b>          | <b>\$ 610,649</b> | <b>\$ 2,154,136</b> | <b>\$ (1,543,487)</b>   |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL  
OPERATION, MAINTENANCE, AND ADMINISTRATION  
ENGINEERING  
YEAR ENDED JUNE 30, 2018**

|   | <u>Budget</u>       | <u>Actual</u>       | <u>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</u> |
|---|---------------------|---------------------|---|
| <b>Expenses</b>                         |                     |                     |   |
| Salaries and Wages                      | \$ 1,454,820        | \$ 1,223,837        | \$ 230,983  |
| Medical and Dental Self Insured Plan    | 313,373             | 305,782             | 7,591   |
| Pension Plan                            | 264,641             | 217,111             | 47,530  |
| Payroll Taxes                           | 111,294             | 90,127              | 21,167  |
| Employee Benefits                       | 18,014              | 15,090              | 2,924   |
| Credit Charged to Capital Projects      | (822,070)           | (806,263)           | (15,807)  |
| Insurance and Bond                      | 102,843             | 58,994              | 43,849  |
| Professional and Contracted Services    | 380,000             | 724,873             | (344,873)   |
| Legal Services                          | 60,000              | 157,392             | (97,392)  |
| Postage                                 | 350                 | 524                 | (174)   |
| Office and Operating Supplies           | 13,597              | 8,888               | 4,709   |
| Travel and Certification                | 13,931              | 20,055              | (6,124)   |
| Subscriptions                           | 50,733              | 49,774              | 959   |
| Telephone and Radio                     | 21,409              | 16,422              | 4,987   |
| Vehicle Fuels                           | 18,857              | 18,322              | 535   |
| Auto and Truck Expense                  | 7,009               | 9,611               | (2,602)   |
| Safety Equipment Expense                | 1,500               | 3,599               | (2,099)   |
| Inflow and Infiltration Removal Program | -                   | 5,000               | (5,000)   |
| <b>Total Engineering Expenses</b>       | <u>\$ 2,010,301</u> | <u>\$ 2,119,138</u> | <u>\$ (108,837)</u>   |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL  
OPERATION, MAINTENANCE, AND ADMINISTRATION  
STORM WATER PROGRAM  
YEAR ENDED JUNE 30, 2018**

| <b>Expenses</b>                           | <b>Budget</b>       | <b>Actual</b>       | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|---|---------------------|---------------------|---|
| Salaries and Wages                        | \$ 3,117,308        | \$ 2,964,483        | \$ 152,825  |
| Board of Directors                        | 6,561               | 6,736               | (175)   |
| Medical and Dental Self Insured Plan      | 862,507             | 768,156             | 94,351  |
| Pension Plan                              | 570,276             | 534,676             | 35,600  |
| Payroll Taxes                             | 238,474             | 218,113             | 20,361  |
| Employee Benefits                         | 42,109              | 36,889              | 5,220   |
| Unemployment Taxes                        | 2,678               | -                   | 2,678   |
| Credit Charged to Capital Projects        | (407,479)           | (209,680)           | (197,799)   |
| Insurance and Bond                        | 49,386              | 46,517              | 2,869   |
| Professional and Contracted Services      | 827,000             | 750,348             | 76,652  |
| Legal Services                            | 68,000              | 23,643              | 44,357  |
| Bank Services                             | 196,407             | 103,288             | 93,119  |
| Auditing Services                         | 8,033               | 7,348               | 685   |
| Collections Agency Services               | 710                 | 442                 | 268   |
| Postage                                   | 103,161             | 109,905             | (6,744)   |
| Office and Operating Supplies             | 81,051              | 82,550              | (1,499)   |
| Travel and Certification                  | 13,800              | 9,714               | 4,086   |
| Operating Maintenance - Building Grounds  | 52,336              | 80,612              | (28,276)  |
| Storm Water Program                       | 40,000              | 29,572              | 10,428  |
| Subscriptions                             | 54,440              | 53,957              | 483   |
| Communications                            | 2,455               | 1,718               | 737   |
| Legal Advertising                         | 2,000               | -                   | 2,000   |
| Electric and Gas                          | 33,125              | 35,867              | (2,742)   |
| Telephone and Radio                       | 52,296              | 51,505              | 791   |
| Water                                     | 4,351               | 5,098               | (747)   |
| Vehicle Fuels                             | 74,850              | 47,464              | 27,386  |
| Auto and Truck Expense                    | 99,610              | 87,903              | 11,707  |
| Storm Water Facilities and Features       | 5,000               | 1,102               | 3,898   |
| Safety Equipment Expense                  | 2,800               | 2,000               | 800   |
| Maintenance Material - Collection Systems | 95,000              | 84,961              | 10,039  |
| <b>Total Storm Water Program Expenses</b> | <b>\$ 6,298,245</b> | <b>\$ 5,934,887</b> | <b>\$ 363,358</b>   |

See accompanying notes.

**SANITATION DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL  
OPERATION, MAINTENANCE, AND ADMINISTRATION  
ADMINISTRATION  
YEAR ENDED JUNE 30, 2018**

|  | <u>Budget</u>        | <u>Actual</u>        | <b>Variance with<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|--|----------------------|----------------------|---|
| <b>Expenses</b>  |                      |                      |   |
| Salaries and Wages   | \$ 2,641,115         | \$ 2,200,263         | \$ 440,852  |
| Board of Directors   | 22,839               | 22,364               | 475   |
| Medical and Dental Self Insured Plan   | 649,456              | 476,020              | 173,436   |
| Pension Plan   | 478,785              | 393,046              | 85,739  |
| Payroll Taxes  | 202,045              | 158,418              | 43,627  |
| Employee Benefits  | 29,588               | 29,147               | 441   |
| Unemployment Taxes   | 9,322                | -                    | 9,322   |
| Credit Charged to Capital Projects   | -                    | 3                    | (3)   |
| Insurance and Bond   | 293,753              | 266,199              | 27,554  |
| Professional and Contracted Services   | 1,064,533            | 507,292              | 557,241   |
| Legal Services   | 222,500              | 131,315              | 91,185  |
| Bank Services  | 673,313              | 427,618              | 245,695   |
| Auditing Services  | 27,967               | 24,132               | 3,835   |
| Collection Agency Services   | 2,470                | 2,598                | (128)   |
| Postage  | 358,439              | 365,629              | (7,190)   |
| Office and Operating Supplies  | 106,079              | 105,872              | 207   |
| Travel and Certification   | 86,002               | 60,186               | 25,816  |
| Operating Maintenance - Building Grounds   | 83,589               | -                    | 83,589  |
| Subscriptions  | 49,650               | 22,701               | 26,949  |
| Communications   | 8,545                | -                    | 8,545   |
| Legal Advertising  | 10,000               | 6,971                | 3,029   |
| Electric and Gas   | 104,875              | -                    | 104,875   |
| Telephone and Radio  | 75,145               | 79,274               | (4,129)   |
| Water  | 15,149               | -                    | 15,149  |
| Vehicle Fuels  | 2,950                | 3,018                | (68)  |
| Auto and Truck Expense   | 3,700                | 5,800                | (2,100)   |
| Safety Equipment Expense   | 5,750                | 4,589                | 1,161   |
| SD1 Penalties and Fines Paid   | 2,000                | 1,077                | 923   |
| Rental   | 25,400               | 27,132               | (1,732)   |
|  | <u>7,254,959</u>     | <u>5,320,664</u>     | <u>1,934,295</u>  |
| <b>Total Administration Expenses</b>   |                      |                      |   |
|  | <u>7,254,959</u>     | <u>5,320,664</u>     | <u>1,934,295</u>  |
| <b>Total Operation, Maintenance, and<br/>Administration Expenses</b>   | <u>\$ 41,320,898</u> | <u>\$ 38,870,649</u> | <u>\$ 2,450,249</u>   |
| <b>Reconciliation of Budget to Actual to the<br/>Statements of Revenues, Expenses, and<br/>Changes in Net Position</b> |                      |                      |   |
| General Revenues   |                      | \$ 103,276,256       |   |
| Operating, Maintenance, and<br>Administrative Expenses   |                      | (38,870,649)         |   |
| Major Repair Expenses  |                      | (429,175)            |   |
| Depreciation   |                      | <u>(39,965,919)</u>  |   |
| <b>Net Operating Income</b>  |                      | <u>\$ 24,010,513</u> |   |

See accompanying notes.

**STATISTICAL SECTION**

**STATISTICAL SECTION NARRATIVE**

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.

**CONTENTS:** **PAGE**

***Financial Trends:*** **90 – 96**

These schedules contain trend information to help readers understand how SD1's financial performance and position have changed over time. These schedules include adjustments for the implementation of GASB 65, GASB 68, and GASB 75 for only the years presented during the year of implementation.

***Revenue Capacity:*** **97 – 100**

These schedules contain information to help readers assess SD1's most significant revenue sources.

***Debt Service Coverage:*** **101 – 103**

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.

***Demographic and Economic Information:*** **104 – 108**

These schedules provide information about the environment in which SD1 operates.

***Operating Information:*** **109 – 110**

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**  
**Last Ten Fiscal Years**

|   | Fiscal Year             |                         |                         |                         |                         |                         |                         |                         |                         |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|   | 2010                    | 2011                    | 2012                    | 2013                    | 2014                    | 2015                    | 2016                    | 2017                    | 2018                    | 2019                    |
| <b>Assets and Deferred Outflow of Resources</b>       |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| <b>Current Assets</b>                                 |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Cash and Cash Equivalents                             | \$ 9,692,641            | \$ 7,352,683            | \$ 9,464,525            | \$ 19,058,529           | \$ 32,688,855           | \$ 38,748,815           | \$ 45,131,172           | \$ 54,193,357           | \$ 62,802,884           | \$ 80,813,023           |
| Investments   | 6,607,843               | 6,693,573               | -                       | -                       | -                       | -                       | -                       | -                       | -                       | -                       |
| Accounts Receivable                                   |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Customers, Net of Allowance                           | 7,242,816               | 8,201,544               | 10,108,461              | 11,031,115              | 10,257,908              | 9,952,571               | 10,138,377              | 9,014,025               | 8,546,145               | 9,078,639               |
| Communities   | 22,653                  | 13,728                  | 20,731                  | 24,631                  | 12,068                  | 14,484                  | 14,450                  | 13,506                  | 12,231                  | 13,361                  |
| KIA Loan Receivable                                   | -                       | 11,555,668              | 6,940,435               | 4,235,102               | 1,204,334               | 274,991                 | -                       | -                       | -                       | -                       |
| Others  | 5,432,371               | 4,269,523               | 3,834,336               | 3,741,641               | 4,004,172               | 4,011,851               | 3,750,928               | 4,246,702               | 4,339,856               | 3,629,261               |
| Due From Other Fund                                   | 4,840,698               | 6,898,795               | 7,302,667               | 11,461,121              | 14,313,219              | -                       | -                       | -                       | -                       | -                       |
| Accrued Unbilled Charges                              | 7,725,400               | 8,698,483               | 9,615,400               | 9,190,400               | 9,344,329               | 9,800,840               | 9,615,950               | 10,053,930              | 10,653,130              | 11,022,325              |
| Prepays and Deposits                                  | 533,981                 | 619,705                 | 637,983                 | 596,152                 | 1,363,240               | 695,557                 | 765,868                 | 703,728                 | 894,254                 | 929,123                 |
| Accrued Interest Income                               | 33,250                  | 28,238                  | 27,324                  | 15,778                  | 13,980                  | 28,170                  | 22,208                  | 26,267                  | 34,001                  | 34,473                  |
| <b>Total Current Assets</b>                           | <b>42,131,653</b>       | <b>54,331,940</b>       | <b>47,951,862</b>       | <b>59,354,469</b>       | <b>73,202,105</b>       | <b>63,527,279</b>       | <b>69,438,953</b>       | <b>78,251,515</b>       | <b>87,282,501</b>       | <b>105,520,205</b>      |
| <b>Noncurrent Assets</b>                              |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| <b>Restricted Assets</b>                              |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Cash  | 52,780,640              | 51,090,511              | 32,583,239              | 19,577,365              | 11,596,453              | 7,099,462               | 3,633,285               | 2,366,227               | 999,364                 | 1,916,051               |
| Investments   | 64,012,084              | 73,766,771              | 80,747,604              | 82,613,373              | 83,424,890              | 84,756,917              | 85,017,276              | 83,531,917              | 83,376,441              | 81,381,605              |
| Accrued Interest                                      | 261,423                 | 206,456                 | 162,673                 | 152,282                 | 108,183                 | 124,195                 | 130,370                 | 161,677                 | 220,016                 | 243,323                 |
| Prepaid Items   | 233,390                 | 59,708                  | 98,519                  | 49,354                  | 188                     | -                       | -                       | -                       | -                       | -                       |
| <b>Total Restricted Assets</b>                        | <b>117,287,537</b>      | <b>125,123,446</b>      | <b>113,592,035</b>      | <b>102,392,374</b>      | <b>95,129,714</b>       | <b>91,980,574</b>       | <b>88,780,931</b>       | <b>86,059,821</b>       | <b>84,595,821</b>       | <b>83,540,979</b>       |
| <b>Receivables</b>                                    |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Assessments   | 1,958,351               | 1,849,302               | 1,738,719               | 1,644,649               | 1,555,201               | 1,470,191               | 1,380,740               | 1,321,474               | 1,254,547               | 1,200,981               |
| Improvement Notes                                     | 5,524                   | 5,525                   | 5,443                   | 5,130                   | 5,130                   | 5,130                   | 5,130                   | 5,130                   | 5,130                   | 5,130                   |
| <b>Total Receivables</b>                              | <b>1,963,875</b>        | <b>1,854,827</b>        | <b>1,744,162</b>        | <b>1,649,779</b>        | <b>1,560,331</b>        | <b>1,475,321</b>        | <b>1,385,870</b>        | <b>1,326,604</b>        | <b>1,259,677</b>        | <b>1,206,111</b>        |
| <b>Capital Assets</b>                                 |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Land  | 6,966,183               | 12,044,458              | 15,031,043              | 15,203,408              | 15,387,159              | 15,414,160              | 15,845,697              | 16,140,009              | 16,580,850              | 17,548,769              |
| Building, System, Equipment, and Vehicles             | 920,961,591             | 1,065,271,271           | 1,333,571,611           | 1,390,132,192           | 1,443,001,679           | 1,461,709,177           | 1,485,535,837           | 1,509,064,756           | 1,532,787,878           | 1,560,416,295           |
| Construction in Progress                              | 197,579,699             | 250,483,024             | 50,114,839              | 41,833,765              | 8,030,328               | 12,613,822              | 11,444,632              | 11,914,610              | 18,309,156              | 17,430,531              |
| Less: Accumulated Depreciation                        | (205,906,143)           | (240,156,122)           | (275,551,547)           | (312,805,206)           | (347,835,200)           | (386,548,850)           | (424,805,547)           | (462,048,715)           | (500,137,767)           | (537,838,619)           |
| <b>Total Capital Assets</b>                           | <b>919,601,330</b>      | <b>1,087,642,631</b>    | <b>1,123,165,946</b>    | <b>1,134,364,159</b>    | <b>1,118,583,966</b>    | <b>1,103,188,309</b>    | <b>1,088,020,618</b>    | <b>1,075,070,660</b>    | <b>1,067,540,117</b>    | <b>1,057,556,976</b>    |
| <b>Total Noncurrent Assets</b>                        | <b>1,038,852,742</b>    | <b>1,214,620,904</b>    | <b>1,238,502,143</b>    | <b>1,238,406,312</b>    | <b>1,215,274,011</b>    | <b>1,196,644,204</b>    | <b>1,178,187,419</b>    | <b>1,162,457,085</b>    | <b>1,153,395,615</b>    | <b>1,142,304,066</b>    |
| <b>Total Assets</b>                                   | <b>1,080,984,395</b>    | <b>1,268,952,844</b>    | <b>1,286,454,005</b>    | <b>1,297,760,781</b>    | <b>1,288,476,116</b>    | <b>1,260,171,483</b>    | <b>1,247,626,372</b>    | <b>1,240,708,600</b>    | <b>1,240,678,116</b>    | <b>1,247,824,271</b>    |
| <b>Deferred Outflow of Resources</b>                  |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Deferred Outflows Related to Pension                  | -                       | -                       | -                       | -                       | 2,447,181               | 1,696,697               | 4,556,240               | 5,944,107               | 10,331,047              | 6,344,967               |
| Deferred Outflows Related to OPEB                     | -                       | -                       | -                       | -                       | -                       | -                       | -                       | 630,915                 | 2,994,036               | 2,570,546               |
| Deferred Loss on Refundings                           | 1,725,432               | 4,722,311               | 4,071,573               | 3,458,564               | 2,904,792               | 2,415,774               | 1,993,406               | 6,681,318               | 6,362,645               | 6,049,739               |
| <b>Total Deferred Outflow of Resources</b>            | <b>1,725,432</b>        | <b>4,722,311</b>        | <b>4,071,573</b>        | <b>3,458,564</b>        | <b>5,351,973</b>        | <b>4,112,471</b>        | <b>6,549,646</b>        | <b>13,256,340</b>       | <b>19,687,728</b>       | <b>14,965,252</b>       |
| <b>Total Assets and Deferred Outflow of Resources</b> | <b>\$ 1,082,709,827</b> | <b>\$ 1,273,675,155</b> | <b>\$ 1,290,525,578</b> | <b>\$ 1,301,219,345</b> | <b>\$ 1,293,828,089</b> | <b>\$ 1,264,283,954</b> | <b>\$ 1,254,176,018</b> | <b>\$ 1,253,964,940</b> | <b>\$ 1,260,365,844</b> | <b>\$ 1,262,789,523</b> |

**Sanitation District No. 1**  
**Statements of Net Position**  
**Last Ten Fiscal Years**

|   | Fiscal Year             |                         |                         |                         |                         |                         |                         |                         |                         |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|   | 2010                    | 2011                    | 2012                    | 2013                    | 2014                    | 2015                    | 2016                    | 2017                    | 2018                    | 2019                    |
| <b>Liabilities and Deferred Inflow of Resources</b>       |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| <b>Current Liabilities</b>                                |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Bond Indebtedness   | \$ 7,240,000            | \$ 10,815,000           | \$ 11,115,000           | \$ 11,430,000           | \$ 11,770,000           | \$ 12,140,000           | \$ 12,545,000           | \$ 15,234,259           | \$ 15,442,759           | \$ 12,821,480           |
| Notes Payable   | 1,297,838               | 1,571,658               | 1,866,517               | 7,008,249               | 6,377,235               | 7,158,744               | 7,375,823               | 7,506,790               | 7,640,534               | 8,225,469               |
| Accounts Payable  | 25,742,021              | 19,108,718              | 14,378,762              | 9,843,063               | 6,208,453               | 6,228,639               | 4,644,185               | 6,714,215               | 5,458,450               | 7,087,218               |
| Accrued Payroll and Benefits                              | 935,612                 | 558,366                 | 647,174                 | 794,074                 | 872,739                 | 905,503                 | 967,085                 | 1,031,245               | 1,053,226               | 1,081,829               |
| Accrued Interest Payable                                  | 6,473,959               | 8,671,851               | 8,350,350               | 8,230,475               | 8,095,295               | 7,927,725               | 7,730,150               | 7,061,301               | 6,827,681               | 6,579,611               |
| Accrued Taxes and Pension                                 | 136                     | 425                     | (104)                   | 2,772                   | 11,008                  | (24)                    | (176)                   | 1,166                   | 3,715                   | (838)                   |
| Compensated Absences                                      | 367,179                 | 311,802                 | 303,127                 | 342,729                 | 342,242                 | 315,970                 | 315,335                 | 322,350                 | 297,652                 | 259,392                 |
| Due to Other Fund   | 4,840,698               | 6,898,795               | 7,302,667               | 11,461,121              | 14,313,219              | -                       | -                       | -                       | -                       | -                       |
| Communities   | 2,033                   | 346                     | 733                     | 156                     | 47                      | 47                      | -                       | -                       | -                       | -                       |
| Other Liabilities   | 79,060                  | 78,201                  | 67,578                  | 45,183                  | 31,076                  | 74,923                  | 167,636                 | 142,544                 | 141,785                 | 140,710                 |
| Sales Tax Payable   | 155                     | (450)                   | -                       | 47,590                  | 61                      | 102                     | (643)                   | 150,286                 | 35,713                  | 30,885                  |
| <b>Total Current Liabilities</b>                          | <b>46,978,691</b>       | <b>48,014,712</b>       | <b>44,031,804</b>       | <b>49,205,412</b>       | <b>48,021,375</b>       | <b>34,751,629</b>       | <b>33,744,395</b>       | <b>38,164,156</b>       | <b>36,901,515</b>       | <b>36,225,756</b>       |
| <b>Long-Term Liabilities (Net of Current Portion)</b>     |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Bonds Payable, Net of Amortization                        | 347,290,647             | 400,125,967             | 388,323,266             | 379,143,277             | 366,369,937             | 353,243,540             | 339,745,207             | 324,620,158             | 309,177,399             | 296,338,343             |
| Notes Payable   | 60,501,607              | 101,353,944             | 134,708,581             | 145,790,516             | 147,034,138             | 140,802,264             | 135,506,662             | 129,217,631             | 123,770,948             | 115,910,280             |
| Compensated Absences                                      | 654,691                 | 555,952                 | 540,485                 | 611,096                 | 610,228                 | 563,384                 | 562,252                 | 574,760                 | 642,231                 | 739,949                 |
| Net Pension Liability                                     | -                       | -                       | -                       | -                       | 20,730,248              | 18,320,686              | 24,340,276              | 26,833,461              | 31,661,594              | 32,157,114              |
| Net OPEB Liability  | -                       | -                       | -                       | -                       | -                       | -                       | 8,529,478               | 8,529,478               | 10,874,302              | 9,374,446               |
| <b>Total Noncurrent Liabilities</b>                       | <b>408,446,945</b>      | <b>502,035,863</b>      | <b>523,572,332</b>      | <b>525,544,889</b>      | <b>534,744,551</b>      | <b>512,929,874</b>      | <b>508,683,875</b>      | <b>489,775,488</b>      | <b>476,126,474</b>      | <b>454,520,132</b>      |
| <b>Total Liabilities</b>                                  | <b>455,425,636</b>      | <b>550,050,575</b>      | <b>567,604,136</b>      | <b>574,750,301</b>      | <b>582,765,926</b>      | <b>547,681,503</b>      | <b>542,428,270</b>      | <b>527,939,644</b>      | <b>513,027,989</b>      | <b>490,745,888</b>      |
| <b>Deferred Inflow of Resources</b>                       |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Deferred Inflows Related to Pension                       | -                       | -                       | -                       | -                       | -                       | 2,045,032               | -                       | 565,983                 | 3,348,910               | 1,452,751               |
| Deferred Inflows Related to OPEB                          | -                       | -                       | -                       | -                       | -                       | -                       | -                       | -                       | 569,347                 | 1,998,323               |
| <b>Total Deferred Inflow of Resources</b>                 | <b>-</b>                | <b>-</b>                | <b>-</b>                | <b>-</b>                | <b>-</b>                | <b>2,045,032</b>        | <b>-</b>                | <b>565,983</b>          | <b>3,918,257</b>        | <b>3,451,074</b>        |
| <b>Total Liabilities and Deferred Inflow of Resources</b> | <b>455,425,636</b>      | <b>550,050,575</b>      | <b>567,604,136</b>      | <b>574,750,301</b>      | <b>582,765,926</b>      | <b>549,726,535</b>      | <b>542,428,270</b>      | <b>528,505,627</b>      | <b>516,946,246</b>      | <b>494,196,962</b>      |
| <b>Net Assets (Position)</b>                              |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Net Investment in Capital Assets                          | 504,996,670             | 578,498,373             | 591,224,155             | 594,450,681             | 589,937,448             | 592,259,535             | 594,841,332             | 605,173,140             | 617,871,122             | 630,311,143             |
| Restricted for:   |                         |                         |                         |                         |                         |                         |                         |                         |                         |                         |
| Debt Service Funds, Net of Current Liabilities            | 39,727,521              | 49,499,075              | 49,114,073              | 49,231,611              | 49,333,440              | 50,453,417              | 50,870,334              | 48,973,964              | 48,802,255              | 46,027,233              |
| Operations, Infrastructure, and Insurance Reserves        | 24,622,294              | 24,849,919              | 31,882,577              | 33,582,825              | 34,202,584              | 34,427,560              | 34,277,222              | 34,719,619              | 34,794,202              | 35,597,695              |
| Capital Improvement/Programs                              | 51,772,937              | 49,752,990              | 31,648,215              | 19,063,723              | 10,657,785              | 6,161,886               | 2,683,670               | 1,416,270               | 36,750                  | 933,096                 |
| Other Purposes  | 1,164,785               | 1,021,462               | 947,170                 | 514,215                 | 939,102                 | 937,711                 | 949,705                 | 949,968                 | 962,614                 | 982,955                 |
| Unrestricted  | 4,999,984               | 20,002,761              | 18,105,252              | 29,625,989              | 25,995,001              | 30,317,310              | 28,125,485              | 34,226,352              | 40,952,655              | 54,740,439              |
| <b>Total Net Assets (Position)</b>                        | <b>627,284,191</b>      | <b>723,624,580</b>      | <b>722,921,442</b>      | <b>726,469,044</b>      | <b>711,065,360</b>      | <b>714,557,419</b>      | <b>711,747,748</b>      | <b>725,459,313</b>      | <b>743,419,598</b>      | <b>768,592,561</b>      |
| <b>Total Liabilities and Net Position</b>                 | <b>\$ 1,082,709,827</b> | <b>\$ 1,273,675,155</b> | <b>\$ 1,290,525,578</b> | <b>\$ 1,301,219,345</b> | <b>\$ 1,293,831,286</b> | <b>\$ 1,264,283,954</b> | <b>\$ 1,254,176,018</b> | <b>\$ 1,253,964,940</b> | <b>\$ 1,260,365,844</b> | <b>\$ 1,262,789,523</b> |

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

|  | Fiscal Year       |                   |                   |                   |                   |                   |                   |                   |                    |                    |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
|  | 2010              | 2011              | 2012              | 2013              | 2014              | 2015              | 2016              | 2017              | 2018               | 2019               |
| <b>Operating Revenues</b>                                  |                   |                   |                   |                   |                   |                   |                   |                   |                    |                    |
| Sewer Service Charges                                      | \$ 53,994,128     | \$ 61,887,891     | \$ 68,369,740     | \$ 73,562,515     | \$ 74,221,151     | \$ 76,583,543     | \$ 75,730,322     | \$ 79,746,166     | \$ 84,312,915      | \$ 88,772,462      |
| Storm Water Charges  | 10,810,291        | 11,091,977        | 11,388,734        | 11,751,183        | 11,899,106        | 12,405,055        | 12,745,499        | 12,965,299        | 13,118,077         | 13,604,462         |
| Permits and Tap-in Fees                                    | 2,732,120         | 2,283,388         | 1,765,957         | 2,340,792         | 3,173,486         | 3,117,162         | 3,566,331         | 3,848,229         | 3,501,783          | 3,791,979          |
| Sludge Hauling   | 92,429            | 144,505           | 147,409           | 120,776           | 84,480            | 72,692            | 101,621           | 274,630           | 401,941            | 914,722            |
| Inspections  | 34,878            | 33,416            | 69,300            | 69,682            | 74,348            | 177,073           | 217,454           | 158,531           | 173,623            | 217,307            |
| Penalties and Fines  | 1,292,685         | 1,332,674         | 1,431,386         | 1,581,774         | 1,573,674         | 1,619,161         | 1,502,174         | 1,466,407         | 1,418,173          | 1,415,881          |
| Contractual Services                                       | 103,219           | 137,694           | 141,038           | 125,689           | 128,752           | 132,614           | 136,592           | 140,689           | 160,732            | 136,004            |
| Bad Debt Recoveries  | 49,938            | 35,355            | 19,097            | 35,392            | 21,873            | 70,916            | 138,003           | 50,134            | 25,135             | 18,823             |
| Other Revenues   | 119,992           | 7,017             | 69,044            | 50,993            | 33,287            | 230,623           | 297,083           | 325,918           | 32,021             | 84,313             |
| Project Reimbursements                                     | 165,830           | 1,442,406         | 549,579           | 68,321            | 1,450,000         | 53,274            | -                 | -                 | 131,856            | 61,628             |
| <b>Total Operating Revenues</b>                            | <b>69,395,510</b> | <b>78,396,323</b> | <b>83,951,284</b> | <b>89,707,117</b> | <b>92,660,157</b> | <b>94,462,113</b> | <b>94,435,079</b> | <b>98,976,003</b> | <b>103,276,256</b> | <b>109,017,581</b> |
| <b>Operating Expenses</b>                                  |                   |                   |                   |                   |                   |                   |                   |                   |                    |                    |
| Operation, Maintenance and Administration                  |                   |                   |                   |                   |                   |                   |                   |                   |                    |                    |
| Salary and Wages   | 6,824,325         | 7,666,779         | 7,875,727         | 10,352,734        | 11,423,914        | 11,545,248        | 11,657,207        | 12,215,331        | 12,102,154         | 12,142,502         |
| Employee Benefit and Incentive Expenses                    | 5,819,271         | 5,776,673         | 6,628,400         | 7,539,280         | 7,046,809         | 8,160,719         | 7,934,077         | 8,710,860         | 7,745,153          | 7,518,863          |
| Professional and Contractual Services                      | 2,779,872         | 3,063,454         | 3,778,654         | 5,216,695         | 4,918,068         | 6,090,769         | 6,142,324         | 6,281,104         | 5,812,174          | 5,155,245          |
| Office Administration Expenses                             | 1,743,401         | 1,434,543         | 1,742,980         | 1,903,439         | 1,759,589         | 1,895,657         | 1,777,837         | 1,661,077         | 1,682,284          | 1,707,261          |
| Utilities, Fuels Oil and Chemicals Expense                 | 7,198,145         | 7,316,763         | 7,362,096         | 7,685,268         | 7,311,989         | 7,403,662         | 6,999,416         | 7,179,355         | 7,348,041          | 7,861,165          |
| Vehicle Operation Expenses                                 | 1,096,654         | 1,163,239         | 1,276,021         | 1,087,065         | 1,068,097         | 983,314           | 885,648           | 824,241           | 847,695            | 981,150            |
| Infrastructure, Equipment and<br>Other Expenses            | 2,372,647         | 1,997,122         | 2,355,828         | 2,760,362         | 2,824,155         | 2,818,327         | 3,192,058         | 3,104,240         | 3,333,148          | 3,334,240          |
| Supplemental/State<br>Environmental Projects               | 283,029           | 202,182           | 61,218            | -                 | 1,924             | -                 | -                 | -                 | -                  | -                  |
| <b>Total Operation, Maintenance<br/>and Administration</b> | <b>28,117,344</b> | <b>28,620,755</b> | <b>31,080,924</b> | <b>36,544,843</b> | <b>36,354,545</b> | <b>38,897,696</b> | <b>38,588,567</b> | <b>39,976,208</b> | <b>38,870,649</b>  | <b>38,700,426</b>  |
| Major Repairs and Other<br>Depreciation                    | 4,797,653         | 6,172,970         | 4,912,935         | 4,495,306         | 1,291,040         | 1,414,072         | 1,720,103         | 876,520           | 429,175            | 1,814,545          |
|  | 32,414,412        | 36,621,695        | 38,424,118        | 39,062,492        | 39,519,391        | 39,662,425        | 39,578,854        | 39,616,114        | 39,965,919         | 40,317,009         |
| <b>Total Operating Expenses</b>                            | <b>65,329,409</b> | <b>71,415,420</b> | <b>74,417,977</b> | <b>80,102,641</b> | <b>77,164,975</b> | <b>79,974,193</b> | <b>79,887,524</b> | <b>80,468,842</b> | <b>79,265,743</b>  | <b>80,831,980</b>  |
| <b>Operating Income</b>                                    | <b>4,066,101</b>  | <b>6,980,903</b>  | <b>9,533,307</b>  | <b>9,604,476</b>  | <b>15,495,182</b> | <b>14,487,921</b> | <b>14,547,555</b> | <b>18,507,161</b> | <b>24,010,513</b>  | <b>28,185,601</b>  |

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

|   | Fiscal Year           |                      |                     |                     |                     |                     |                     |                      |                      |                      |
|---|-----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
|   | 2010                  | 2011                 | 2012                | 2013                | 2014                | 2015                | 2016                | 2017                 | 2018                 | 2019                 |
| <b>Non-Operating Income</b>                         |                       |                      |                     |                     |                     |                     |                     |                      |                      |                      |
| Interest Income                                     | 1,693,641             | 1,272,736            | 723,911             | 831,632             | 567,152             | 686,943             | 906,611             | 1,264,451            | 1,777,381            | 2,917,957            |
| Federal Credits on Build America Bonds              | 561,428               | 3,853,736            | 3,805,832           | 3,590,813           | 3,530,769           | 3,435,087           | 3,406,317           | 3,353,778            | 3,303,372            | 3,251,747            |
| Gain/(Loss) on Sale of Fixed Assets                 | (4,646,167)           | (2,411,613)          | (2,392,458)         | (1,810,778)         | (1,105,803)         | (323,186)           | (407,480)           | (160,790)            | (202,205)            | (264,890)            |
| Pension Expense                                     |                       |                      |                     |                     |                     | (385,954)           | (1,115,015)         | (1,671,301)          | (3,224,119)          | (2,585,443)          |
| OPEB Expense  |                       |                      |                     |                     |                     |                     | 630,915             | (551,050)            | (352,610)            |                      |
| Net Increase in Fair Market Value of Investments    | 104,496               | (443,536)            | 286,941             | (486,536)           | 165,073             | 68,787              | 287,462             | (655,619)            | (603,600)            | 1,099,877            |
| <b>Total Non-Operating Income (Expense)</b>         | <b>(2,286,602)</b>    | <b>2,271,323</b>     | <b>2,424,226</b>    | <b>2,125,131</b>    | <b>3,157,191</b>    | <b>3,481,677</b>    | <b>3,077,895</b>    | <b>2,761,434</b>     | <b>499,779</b>       | <b>4,066,638</b>     |
| <b>Interest and Other Charges</b>                   |                       |                      |                     |                     |                     |                     |                     |                      |                      |                      |
| Interest on Long-Term Debt                          | 11,174,829            | 16,025,760           | 18,254,771          | 19,331,456          | 20,828,408          | 20,658,530          | 20,096,326          | 16,836,216           | 16,091,496           | 15,675,211           |
| Amortization of Bond Discount and Expense           | 186,054               | 255,805              | 395,549             | 43,097              | 44,515              | 46,031              | 47,182              | 835,292              | -                    |                      |
| <b>Total Interest and Other Charges</b>             | <b>11,360,883</b>     | <b>16,281,565</b>    | <b>18,650,320</b>   | <b>19,374,553</b>   | <b>20,872,923</b>   | <b>20,704,561</b>   | <b>20,143,508</b>   | <b>17,671,508</b>    | <b>16,091,496</b>    | <b>15,675,211</b>    |
| Change in Net Position Before Capital Contributions | (9,581,384)           | (7,029,339)          | (6,692,787)         | (7,644,946)         | (2,220,551)         | (2,734,964)         | (2,518,058)         | 3,597,087            | 8,418,796            | 16,577,028           |
| <b>Capital Contributions</b>                        | <b>193,400,384</b>    | <b>103,871,701</b>   | <b>5,989,648</b>    | <b>14,468,617</b>   | <b>5,331,548</b>    | <b>6,230,218</b>    | <b>8,237,866</b>    | <b>10,114,478</b>    | <b>9,541,489</b>     | <b>8,595,935</b>     |
| <b>Change in Net Asset (Position)</b>               | <b>\$ 183,819,000</b> | <b>\$ 96,842,362</b> | <b>\$ (703,139)</b> | <b>\$ 6,823,671</b> | <b>\$ 3,110,998</b> | <b>\$ 3,495,255</b> | <b>\$ 5,719,808</b> | <b>\$ 13,711,565</b> | <b>\$ 17,960,285</b> | <b>\$ 25,172,963</b> |

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

|  | Fiscal Year          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2010                 | 2011                 | 2012                 | 2013                 | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 | 2019                 |
| <b>Cash Flow From Operating Activities</b>                                 |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Received From Customers  | \$ 70,408,423        | \$ 71,358,359        | \$ 81,151,762        | \$ 85,139,804        | \$ 90,177,369        | \$ 94,283,021        | \$ 94,695,120        | \$ 99,167,545        | \$ 103,053,057       | \$ 108,825,357       |
| Paid to Suppliers for Goods and Services                                   | (17,039,076)         | (25,862,095)         | (19,991,822)         | (22,699,507)         | (20,071,035)         | (20,919,150)         | (22,866,427)         | (17,581,717)         | (21,014,142)         | (19,265,607)         |
| Paid to or on Behalf of Employees for Services                             | (11,943,516)         | (13,974,524)         | (13,829,679)         | (17,013,644)         | (17,776,165)         | (19,142,626)         | (18,536,538)         | (20,841,173)         | (19,780,002)         | (19,577,860)         |
| <b>Net Cash Provided by Operating Activities</b>                           | <b>41,425,831</b>    | <b>31,521,740</b>    | <b>47,330,261</b>    | <b>45,426,653</b>    | <b>52,330,169</b>    | <b>54,221,245</b>    | <b>53,292,155</b>    | <b>60,744,655</b>    | <b>62,258,913</b>    | <b>69,981,890</b>    |
| <b>Cash Flows From Capital and Related Financing Activities</b>            |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Principal Received on Notes and Bonds                                      | 154,921,293          | 139,316,551          | 39,963,916           | 20,938,245           | 10,003,959           | 2,513,642            | 2,355,212            | 1,217,757            | 2,193,852            | 585,651              |
| Federal Credits on Build America Bonds                                     | 561,428              | 3,853,736            | 3,805,832            | 3,590,813            | 3,530,769            | 3,452,910            | 3,406,316            | 3,353,778            | 3,303,372            | 3,251,747            |
| Proceeds From Sale of Capital Assets                                       | 51,782               | 18,195               | 203,895              | 223,786              | 83,100               | 140,528              | 22,420               | 229,710              | 62,010               | 17,359               |
| Bond Issuance Costs  | -                    | -                    | -                    | -                    | -                    | -                    | -                    | (835,292)            | -                    | -                    |
| Payment To Bond Refunding Agent  | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Bond Premium (Discount)  | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |
| Payments Made on Long Term Debt  | (7,164,762)          | (50,903,395)         | (12,514,188)         | (13,124,245)         | (17,790,582)         | (18,804,665)         | (19,298,744)         | (160,275,821)        | (20,001,791)         | (20,841,384)         |
| Proceeds on Bond Refunding   | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 141,450,636          | -                    | -                    |
| Interest Paid, Net of Capitalized Interest                                 | (9,969,117)          | (15,293,072)         | (19,008,783)         | (19,907,475)         | (21,457,672)         | (21,369,509)         | (20,872,047)         | (20,847,960)         | (13,267,184)         | (18,090,710)         |
| Acquisition and Construction of Capital Assets, Net of Contributed Capital | (149,994,886)        | (103,723,075)        | (70,554,138)         | (37,826,653)         | (19,596,553)         | (18,500,262)         | (16,603,198)         | (16,824,092)         | (23,158,102)         | (22,020,182)         |
| Principal Received on Assessments  | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 59,266               | 66,927               | 53,566               |
| Assessment Interest Income   | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 39,804               | 38,247               | 37,599               |
| (Increase)/Decrease in Restricted Funds                                    | 5,435,407            | 130,471              | (6,390,514)          | (1,234,258)          | (1,185,570)          | 515,580              | (319,435)            | -                    | -                    | -                    |
| <b>Net Cash Used by Capital and Related Financing Activities</b>           | <b>(6,158,855)</b>   | <b>(26,600,589)</b>  | <b>(64,493,980)</b>  | <b>(47,339,787)</b>  | <b>(46,412,549)</b>  | <b>(52,051,776)</b>  | <b>(51,309,476)</b>  | <b>(52,432,214)</b>  | <b>(50,762,669)</b>  | <b>(57,006,354)</b>  |
| <b>Cash Flows From Investing Activities</b>                                |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Investment Income  | 1,687,158            | 1,332,715            | 768,608              | 853,569              | 613,049              | 656,740              | 906,398              | 345,624              | 782,270              | 1,590,001            |
| Proceeds From the Sale of Investments                                      | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 5,312,777            | 16,829,301           | 21,604,760           |
| Purchase of Investments  | -                    | -                    | -                    | -                    | -                    | -                    | -                    | (6,175,715)          | (21,865,151)         | (17,243,471)         |
| Net (Increase) Decrease on Investments                                     | (10,199,292)         | (10,283,953)         | (319)                | (2,352,305)          | (646,444)            | (1,263,240)          | 27,103               | -                    | -                    | -                    |
| <b>Net Cash (Used) Provided by Investing Activities</b>                    | <b>(8,512,134)</b>   | <b>(8,951,238)</b>   | <b>768,289</b>       | <b>(1,498,736)</b>   | <b>(33,395)</b>      | <b>(606,500)</b>     | <b>933,501</b>       | <b>(517,314)</b>     | <b>(4,253,580)</b>   | <b>5,951,290</b>     |
| <b>Increase (Decrease) in Cash and Cash Equivalents</b>                    | <b>26,754,842</b>    | <b>(4,030,087)</b>   | <b>(16,395,430)</b>  | <b>(3,411,870)</b>   | <b>5,884,225</b>     | <b>1,562,969</b>     | <b>2,916,180</b>     | <b>7,795,127</b>     | <b>7,242,664</b>     | <b>18,926,826</b>    |
| <b>Cash and Cash Equivalents Beginning of Year</b>                         | <b>35,483,628</b>    | <b>62,238,470</b>    | <b>58,208,383</b>    | <b>41,812,953</b>    | <b>38,401,083</b>    | <b>44,285,308</b>    | <b>45,848,277</b>    | <b>48,764,457</b>    | <b>56,559,584</b>    | <b>63,802,248</b>    |
| <b>Cash and Cash Equivalents End of Year</b>                               | <b>\$ 62,238,470</b> | <b>\$ 58,208,383</b> | <b>\$ 41,812,953</b> | <b>\$ 38,401,083</b> | <b>\$ 44,285,308</b> | <b>\$ 45,848,277</b> | <b>\$ 48,764,457</b> | <b>\$ 56,559,584</b> | <b>\$ 63,802,248</b> | <b>\$ 82,729,074</b> |

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

|   | Fiscal Year           |                       |                         |                         |                         |                         |                         |                         |                         |                         |
|---|-----------------------|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|   | 2010                  | 2011                  | 2012                    | 2013                    | 2014                    | 2015                    | 2016                    | 2017                    | 2018                    | 2019                    |
| <b>Capital Assets Not Depreciated</b>         |                       |                       |                         |                         |                         |                         |                         |                         |                         |                         |
| Land/Easements                                | \$ 6,966,183          | \$ 12,020,310         | \$ 14,621,314           | \$ 14,736,419           | \$ 14,859,087           | \$ 14,859,088           | \$ 15,125,674           | \$ 15,278,071           | \$ 15,567,591           | \$ 16,310,617           |
| Construction in Progress                      | 187,722,253           | 242,536,861           | 46,654,791              | 40,814,200              | 6,286,209               | 9,836,028               | 8,984,555               | 8,445,318               | 13,592,546              | 15,080,010              |
| <b>Total Capital Assets Not Depreciated</b>   | <b>194,688,436</b>    | <b>254,557,171</b>    | <b>61,276,105</b>       | <b>55,550,619</b>       | <b>21,145,295</b>       | <b>24,695,116</b>       | <b>24,110,229</b>       | <b>23,723,389</b>       | <b>29,160,137</b>       | <b>31,390,627</b>       |
| <b>Capital Assets Being Depreciated</b>       |                       |                       |                         |                         |                         |                         |                         |                         |                         |                         |
| Land Improvements                             | 3,081,703             | 3,130,238             | 3,224,918               | 3,249,750               | 3,249,750               | 3,249,751               | 3,249,751               | 3,986,902               | 4,271,907               | 4,615,156               |
| Collection System                             | 431,156,468           | 456,348,371           | 623,052,699             | 649,183,792             | 662,016,791             | 670,488,000             | 679,709,357             | 693,385,908             | 705,609,183             | 718,449,853             |
| Pump Stations                                 | 69,077,820            | 73,392,465            | 72,614,473              | 83,128,822              | 91,447,112              | 92,656,350              | 97,798,125              | 98,210,442              | 98,977,593              | 101,489,975             |
| Treatment and Disposal                        | 139,355,921           | 148,165,179           | 235,726,818             | 237,671,535             | 262,857,645             | 263,781,508             | 263,994,437             | 264,269,368             | 264,661,708             | 264,780,931             |
| General Buildings and Structures              | 29,335,709            | 29,954,485            | 29,965,363              | 30,028,238              | 30,028,238              | 30,028,238              | 30,028,238              | 30,028,238              | 30,096,796              | 30,096,796              |
| Office Furniture and Equipment                | 6,804,614             | 6,853,265             | 7,016,020               | 7,214,182               | 7,209,897               | 7,322,966               | 7,571,419               | 7,742,850               | 7,842,167               | 8,023,896               |
| Machinery and Equipment                       | 2,929,343             | 3,052,184             | 3,520,150               | 4,051,862               | 5,002,506               | 5,455,902               | 5,538,344               | 5,391,878               | 5,668,102               | 5,646,769               |
| Vehicles and Accessories                      | 8,453,437             | 8,451,349             | 9,361,895               | 9,697,562               | 9,822,479               | 9,747,902               | 9,753,125               | 8,852,228               | 8,731,079               | 8,730,255               |
| Software Model Development                    | 15,550,396            | 15,493,371            | 15,908,870              | 15,908,870              | 15,908,870              | 15,908,869              | 15,908,869              | 15,908,869              | 15,908,869              | 15,908,869              |
| <b>Total Capital Assets Being Depreciated</b> | <b>705,745,411</b>    | <b>744,840,907</b>    | <b>1,000,391,206</b>    | <b>1,040,134,613</b>    | <b>1,087,543,288</b>    | <b>1,098,639,486</b>    | <b>1,113,551,665</b>    | <b>1,127,776,683</b>    | <b>1,141,767,404</b>    | <b>1,157,742,500</b>    |
| <b>Total Capital Assets</b>                   | <b>\$ 900,433,847</b> | <b>\$ 999,398,078</b> | <b>\$ 1,061,667,311</b> | <b>\$ 1,095,685,232</b> | <b>\$ 1,108,688,583</b> | <b>\$ 1,123,334,602</b> | <b>\$ 1,137,661,894</b> | <b>\$ 1,151,500,072</b> | <b>\$ 1,170,927,541</b> | <b>\$ 1,189,133,127</b> |
| <b>Less Accumulated Depreciation</b>          |                       |                       |                         |                         |                         |                         |                         |                         |                         |                         |
| Land Improvements                             | \$ (1,241,117)        | \$ (1,358,578)        | \$ (1,477,798)          | \$ (1,591,572)          | \$ (1,635,696)          | \$ (1,679,858)          | \$ (1,724,145)          | \$ (1,786,574)          | \$ (1,891,584)          | \$ (1,883,872)          |
| Collection System                             | (93,300,798)          | (102,850,841)         | (113,355,140)           | (125,774,905)           | (138,496,498)           | (151,767,136)           | (165,176,207)           | (178,628,652)           | (192,159,290)           | (206,011,244)           |
| Pump Stations                                 | (25,108,665)          | (27,382,032)          | (28,693,839)            | (31,526,428)            | (33,571,403)            | (37,884,201)            | (41,952,508)            | (46,447,420)            | (50,812,132)            | (54,114,514)            |
| Treatment and Disposal                        | (49,548,628)          | (51,539,907)          | (55,643,376)            | (60,692,552)            | (65,061,274)            | (70,564,654)            | (76,142,502)            | (82,018,599)            | (87,806,209)            | (93,749,800)            |
| General Buildings and Structures              | (7,995,310)           | (9,955,759)           | (11,008,015)            | (12,051,636)            | (13,095,891)            | (14,140,146)            | (15,039,381)            | (15,541,233)            | (16,065,913)            | (16,571,791)            |
| Office Furniture and Equipment                | (5,255,778)           | (5,435,284)           | (5,620,625)             | (5,756,378)             | (5,907,818)             | (6,054,188)             | (6,211,401)             | (6,447,209)             | (6,583,159)             | (6,861,416)             |
| Machinery and Equipment                       | (1,883,592)           | (2,190,830)           | (2,493,010)             | (2,829,882)             | (3,195,826)             | (3,594,893)             | (4,041,980)             | (3,972,588)             | (4,178,933)             | (4,345,320)             |
| Vehicles and Accessories                      | (5,339,115)           | (6,205,755)           | (6,875,711)             | (7,631,498)             | (8,055,730)             | (8,407,105)             | (8,894,194)             | (8,398,025)             | (8,474,171)             | (8,521,785)             |
| Software Model Development                    | (6,105,960)           | (11,254,166)          | (14,740,868)            | (15,699,700)            | (15,839,493)            | (15,908,869)            | (15,908,869)            | (15,908,869)            | (15,908,869)            | (15,908,869)            |
| <b>Total Accumulated Depreciation</b>         | <b>(195,778,963)</b>  | <b>(218,173,152)</b>  | <b>(239,908,382)</b>    | <b>(263,554,551)</b>    | <b>(284,859,629)</b>    | <b>(310,001,050)</b>    | <b>(335,091,187)</b>    | <b>(359,149,169)</b>    | <b>(383,880,260)</b>    | <b>(407,968,611)</b>    |
| <b>Total Capital Assets, Net</b>              | <b>\$ 704,654,884</b> | <b>\$ 781,224,927</b> | <b>\$ 821,758,929</b>   | <b>\$ 832,130,680</b>   | <b>\$ 823,828,954</b>   | <b>\$ 813,333,552</b>   | <b>\$ 802,570,707</b>   | <b>\$ 792,350,903</b>   | <b>\$ 787,047,281</b>   | <b>\$ 781,164,516</b>   |

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

|   | Fiscal Year           |                       |                       |                       |                       |                       |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2010                  | 2011                  | 2012                  | 2013                  | 2014                  | 2015                  | 2016                  | 2017                  | 2018                  | 2019                  |
| <b>Capital Assets Not Depreciated</b>   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Land/Easements                          | \$ -                  | \$ 24,147             | \$ 409,729            | \$ 466,990            | \$ 528,073            | \$ 555,072            | \$ 720,023            | \$ 861,938            | \$ 1,013,259          | \$ 1,238,152          |
| Construction in Progress                | 9,857,446             | 7,946,163             | 3,460,048             | 1,019,566             | 1,744,120             | 2,777,794             | 2,460,077             | 3,469,292             | 4,716,610             | 2,350,521             |
| Total Capital Assets Not Depreciated    | 9,857,446             | 7,970,310             | 3,869,777             | 1,486,556             | 2,272,192             | 3,332,866             | 3,180,100             | 4,331,230             | 5,729,869             | 3,588,673             |
| <b>Capital Assets Being Depreciated</b> |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Collection System                       | 211,699,487           | 316,944,265           | 327,535,247           | 344,296,322           | 349,713,097           | 357,317,547           | 366,212,311           | 375,456,019           | 385,148,489           | 396,792,114           |
| Machinery and Equipment                 |                       |                       |                       | 56,096                | 47,634                | 54,485                | 74,201                | 103,041               | 116,881               | 126,577               |
| Vehicles and Accessories                | -                     | -                     | -                     | -                     | 52,500                | 52,499                | 52,499                | 83,853                | 109,944               | 109,944               |
| Software Model Development              | 3,516,692             | 3,486,100             | 5,645,160             | 5,645,160             | 5,645,160             | 5,645,160             | 5,645,160             | 5,645,160             | 5,645,160             | 5,645,160             |
| Total Capital Assets Being Depreciated  | 215,216,180           | 320,430,365           | 333,180,406           | 349,997,578           | 355,458,391           | 363,069,691           | 371,984,171           | 381,288,073           | 391,020,474           | 402,673,795           |
| <b>Total Capital Assets</b>             | <b>\$ 225,073,626</b> | <b>\$ 328,400,675</b> | <b>\$ 337,050,183</b> | <b>\$ 351,484,133</b> | <b>\$ 357,730,583</b> | <b>\$ 366,402,557</b> | <b>\$ 375,164,271</b> | <b>\$ 385,619,303</b> | <b>\$ 396,750,343</b> | <b>\$ 406,262,468</b> |
| <b>Less Accumulated Depreciation</b>    |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Collection System                       | \$ (8,370,439)        | \$ (19,079,479)       | \$ (31,796,566)       | \$ (44,681,003)       | \$ (57,675,238)       | \$ (70,871,373)       | \$ (84,020,968)       | \$ (97,132,324)       | \$ (110,471,189)      | \$ (124,065,774)      |
| Machinery and Equipment                 | -                     | -                     | -                     | (4,021)               | (5,466)               | (10,566)              | (17,008)              | (48,990)              | (58,226)              | (69,650)              |
| Vehicles and Accessories                | -                     | -                     | -                     | -                     | (10,207)              | (20,701)              | (31,224)              | (73,072)              | (82,932)              | (89,424)              |
| Software Model Development              | (1,756,740)           | (2,903,491)           | (3,846,600)           | (4,565,630)           | (5,284,660)           | (5,645,160)           | (5,645,160)           | (5,645,160)           | (5,645,160)           | (5,645,160)           |
| Total Accumulated Depreciation          | (10,127,180)          | (21,982,970)          | (35,643,166)          | (49,250,654)          | (62,975,571)          | (76,547,800)          | (89,714,360)          | (102,899,546)         | (116,257,507)         | (129,870,008)         |
| <b>Total Capital Assets, Net</b>        | <b>\$ 214,946,446</b> | <b>\$ 306,417,705</b> | <b>\$ 301,407,017</b> | <b>\$ 302,233,479</b> | <b>\$ 294,755,012</b> | <b>\$ 289,854,757</b> | <b>\$ 285,449,911</b> | <b>\$ 282,719,757</b> | <b>\$ 280,492,836</b> | <b>\$ 276,392,460</b> |

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

|  | Fiscal Year |     |       |     |       |     |       |     |       |    |       |    |       |    |       |    |       |    |       |    |
|--|-------------|-----|-------|-----|-------|-----|-------|-----|-------|----|-------|----|-------|----|-------|----|-------|----|-------|----|
|  | 2010        |     | 2011  |     | 2012  |     | 2013  |     | 2014  |    | 2015  |    | 2016  |    | 2017  |    | 2018  |    | 2019  |    |
| <b>Non-Residential (1)</b>             |             |     |       |     |       |     |       |     |       |    |       |    |       |    |       |    |       |    |       |    |
| Water Usage<br>in 100 Cubic Feet (HCF) | Rate        | %   | Rate  | %   | Rate  | %   | Rate  | %   | Rate  | %  | Rate  | %  | Rate  | %  | Rate  | %  | Rate  | %  | Rate  | %  |
| 0-1,700                                | 4.40        | 15% | 5.06  | 15% | 5.82  | 15% | 6.69  | 15% | 6.69  | 0% | 7.02  | 5% | 7.02  | 0% | 7.37  | 5% | 7.73  | 5% | 8.11  | 5% |
| 1,701-8,400                            | 3.95        | 15% | 4.54  | 15% | 5.22  | 15% | 6.00  | 15% | 6.00  | 0% | 6.30  | 5% | 6.30  | 0% | 6.61  | 5% | 6.94  | 5% | 7.28  | 5% |
| Over 8,400                             | 3.05        | 15% | 3.51  | 15% | 4.04  | 15% | 4.65  | 15% | 4.65  | 0% | 4.88  | 5% | 4.88  | 0% | 5.12  | 5% | 5.37  | 5% | 5.63  | 5% |
| Monthly minimum bill                   | 8.80        | 15% | 10.12 | 15% | 11.64 | 15% | 13.38 | 15% | 13.38 | 0% | 14.04 | 5% | 14.04 | 0% | 14.74 | 5% | 15.46 | 5% | 16.22 | 5% |
| <b>Residential (2)</b>                 |             |     |       |     |       |     |       |     |       |    |       |    |       |    |       |    |       |    |       |    |
| Water Usage<br>in 100 Cubic Feet (HCF) | Rate        | %   | Rate  | %   | Rate  | %   | Rate  | %   | Rate  | %  | Rate  | %  | Rate  | %  | Rate  | %  | Rate  | %  | Rate  | %  |
| Flat rate per 100 Cubic Feet (HCF)     | 4.40        | 15% | 5.06  | 15% | 5.82  | 15% | 6.69  | 15% | 6.69  | 0% | 7.02  | 5% | 7.02  | 0% | 7.37  | 5% | 7.73  | 5% | 8.11  | 5% |
| Monthly minimum bill                   | 8.80        | 15% | 10.12 | 15% | 11.64 | 15% | 13.38 | 15% | 13.38 | 0% | 14.04 | 5% | 14.04 | 0% | 14.74 | 5% | 15.46 | 5% | 16.22 | 5% |
| <b>Unmetered Service</b>               |             |     |       |     |       |     |       |     |       |    |       |    |       |    |       |    |       |    |       |    |
| 1 or 2 room house                      | 13.15       | 15% | 15.12 | 15% | 17.39 | 15% | 20.00 | 15% | 20.00 | 0% | 21.00 | 5% | 21.00 | 0% | 22.05 | 5% | 23.15 | 5% | 24.30 | 5% |
| 3 to 6 room house                      | 21.59       | 15% | 24.83 | 15% | 28.55 | 15% | 32.84 | 15% | 32.84 | 0% | 34.48 | 5% | 34.48 | 0% | 36.20 | 5% | 38.01 | 5% | 39.91 | 5% |
| More than 6 rooms                      | 28.56       | 15% | 32.84 | 15% | 37.77 | 15% | 43.43 | 15% | 43.43 | 0% | 45.60 | 5% | 45.60 | 0% | 47.88 | 5% | 50.27 | 5% | 52.78 | 5% |

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 |      |       |       |       |      |       |      |       |      |
|------------------------|-------------|------|-------|-------|-------|------|-------|------|-------|------|
|                        | 2010        |      | 2011  |       | 2012  |      | 2013  |      | 2014  |      |
| 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% |
|                        | Fiscal Year |      |       |       |       |      |       |      |       |      |
|                        | 2015        |      | 2016  |       | 2017  |      | 2018  |      | 2019  |      |
| Monthly Rate Per ERU   | 5.04        | 5.0% | 5.04  | 0.0%  | 5.04  | 0.0% | 5.04  | 0.0% | 5.04  | 0.0% |
| Quarterly Rate Per ERU | 15.12       | 5.0% | 15.12 | 0.0%  | 15.12 | 0.0% | 15.12 | 0.0% | 15.12 | 0.0% |

Equivalent Residential Unit (ERU) =2,600 square feet  
 All residential properties are based on one ERU  
 Non-residential properties are based on total amount of impervious area.

Source: SD1 accounting records

**Sanitation District No. 1**  
**Sewer and Storm Water Revenues Breakdown By Billing Class**  
**Fiscal Year 2010 through Fiscal Year 2019**

| Account Name  | Fiscal Year          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2010                 | 2011                 | 2012                 | 2013                 | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 | 2019                 |
| <b>Sewer Service Revenues</b>                                     |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Residential Class   | \$ 32,011,985        | \$ 33,987,557        | \$ 38,916,405        | \$ 40,985,970        | \$ 41,300,498        | \$ 43,019,252        | \$ 42,189,429        | \$ 44,543,360        | \$ 46,921,754        | \$ 49,511,050        |
| Non-Residential Class   | 19,788,357           | 25,182,674           | 28,057,913           | 31,467,481           | 31,042,184           | 32,419,163           | 32,478,944           | 34,499,155           | 35,937,824           | 37,565,671           |
| Less Special Meter Refunds  | (355,601)            | (364,411)            | (465,147)            | (750,438)            | (449,965)            | (558,031)            | (549,176)            | (553,822)            | (377,293)            | (486,906)            |
| <b>Total Sewer Revenues</b>                                       | <b>51,444,741</b>    | <b>58,805,820</b>    | <b>66,509,171</b>    | <b>71,703,013</b>    | <b>71,892,717</b>    | <b>74,880,384</b>    | <b>74,119,197</b>    | <b>78,488,693</b>    | <b>82,482,286</b>    | <b>86,589,815</b>    |
| <b>Sewer Service Penalties</b>                                    |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Residential Class   | 899,148              | 851,939              | 979,052              | 1,066,267            | 1,099,704            | 1,163,565            | 1,076,486            | 1,042,725            | 998,859              | 993,641              |
| Non-Residential Class   | 206,748              | 300,463              | 270,058              | 310,258              | 275,121              | 258,129              | 230,315              | 246,169              | 238,989              | 226,913              |
| <b>Total Sewer Service Penalties</b>                              | <b>1,105,896</b>     | <b>1,152,402</b>     | <b>1,249,110</b>     | <b>1,376,525</b>     | <b>1,374,825</b>     | <b>1,421,694</b>     | <b>1,306,801</b>     | <b>1,288,894</b>     | <b>1,237,848</b>     | <b>1,220,554</b>     |
| <b>Total Sewer Service Write Offs</b>                             | <b>(721,412)</b>     | <b>(1,175,977)</b>   | <b>(1,100,084)</b>   | <b>(1,286,550)</b>   | <b>(1,408,117)</b>   | <b>(1,386,469)</b>   | <b>(1,213,562)</b>   | <b>(1,087,236)</b>   | <b>(986,232)</b>     | <b>(524,209)</b>     |
| <b>Percentage of Write Off's to Revenues and Penalties Billed</b> | <b>1.37%</b>         | <b>1.96%</b>         | <b>1.62%</b>         | <b>1.76%</b>         | <b>1.92%</b>         | <b>1.82%</b>         | <b>1.61%</b>         | <b>1.36%</b>         | <b>1.18%</b>         | <b>0.60%</b>         |
| <b>Net Sewer Service Revenues</b>                                 | <b>\$ 51,829,225</b> | <b>\$ 58,782,245</b> | <b>\$ 66,658,197</b> | <b>\$ 71,792,988</b> | <b>\$ 71,859,425</b> | <b>\$ 74,915,609</b> | <b>\$ 74,212,436</b> | <b>\$ 78,690,351</b> | <b>\$ 82,733,902</b> | <b>\$ 87,286,160</b> |
| <b>Storm Water Revenues</b>                                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Residential Class   | \$ 4,743,013         | \$ 4,605,646         | \$ 4,728,292         | \$ 4,873,021         | \$ 4,974,835         | \$ 5,214,488         | \$ 5,239,075         | \$ 5,293,698         | \$ 5,362,028         | \$ 5,359,996         |
| Non-Residential Class   | 6,183,085            | 6,589,598            | 6,780,700            | 7,027,579            | 7,148,676            | 7,482,093            | 7,643,149            | 7,816,638            | 8,021,471            | 8,345,718            |
| <b>Total Storm Water Revenues</b>                                 | <b>10,926,098</b>    | <b>11,195,244</b>    | <b>11,508,992</b>    | <b>11,900,600</b>    | <b>12,123,511</b>    | <b>12,696,581</b>    | <b>12,882,224</b>    | <b>13,110,336</b>    | <b>13,383,500</b>    | <b>13,705,714</b>    |
| <b>Storm Water Service Penalties</b>                              |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Residential Class   | 107,583              | 91,001               | 96,906               | 106,411              | 102,955              | 110,868              | 107,938              | 102,673              | 90,571               | 87,868               |
| Non-Residential Class   | 68,419               | 79,470               | 71,120               | 81,675               | 73,648               | 76,849               | 72,686               | 67,540               | 70,708               | 84,809               |
| <b>Total Sewer Service Penalties</b>                              | <b>176,002</b>       | <b>170,471</b>       | <b>168,026</b>       | <b>188,086</b>       | <b>176,603</b>       | <b>187,717</b>       | <b>180,624</b>       | <b>170,213</b>       | <b>161,279</b>       | <b>172,677</b>       |
| <b>Total Storm Water Write Offs</b>                               | <b>(115,806)</b>     | <b>(103,267)</b>     | <b>(120,258)</b>     | <b>(149,417)</b>     | <b>(224,405)</b>     | <b>(291,526)</b>     | <b>(136,726)</b>     | <b>(145,039)</b>     | <b>(265,423)</b>     | <b>(101,252)</b>     |
| <b>Percentage of Write Off's to Revenues and Penalties Billed</b> | <b>1.04%</b>         | <b>0.91%</b>         | <b>1.03%</b>         | <b>1.24%</b>         | <b>1.82%</b>         | <b>2.26%</b>         | <b>1.05%</b>         | <b>1.09%</b>         | <b>1.96%</b>         | <b>0.73%</b>         |
| <b>Net Storm Water Revenues</b>                                   | <b>\$ 10,986,294</b> | <b>\$ 11,262,448</b> | <b>\$ 11,556,760</b> | <b>\$ 11,939,269</b> | <b>\$ 12,075,709</b> | <b>\$ 12,592,772</b> | <b>\$ 12,926,122</b> | <b>\$ 13,135,510</b> | <b>\$ 13,279,356</b> | <b>\$ 13,777,139</b> |
| <b>Customer Accounts</b>  |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| <b>Sewer Service Accounts Estimates</b>                           |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Residential Class   | \$ 90,646            | \$ 91,920            | \$ 92,374            | \$ 92,924            | \$ 93,366            | \$ 94,021            | \$ 94,821            | \$ 95,438            | \$ 96,299            | \$ 97,138            |
| Non-Residential Class   | 9,891                | 10,076               | 9,752                | 9,489                | 9,481                | 9,551                | 9,679                | 10,059               | 10,311               | 10,255               |
| <b>Total Sewer Accounts</b>                                       | <b>\$ 100,537</b>    | <b>\$ 101,996</b>    | <b>\$ 102,126</b>    | <b>\$ 102,413</b>    | <b>\$ 102,847</b>    | <b>\$ 103,572</b>    | <b>\$ 104,500</b>    | <b>\$ 105,497</b>    | <b>\$ 106,610</b>    | <b>\$ 107,393</b>    |
| <b>Storm Water Accounts Estimates</b>                             |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Residential Class   | \$ 85,726            | \$ 86,143            | \$ 86,579            | \$ 87,092            | \$ 86,576            | \$ 86,634            | \$ 87,100            | \$ 87,855            | \$ 89,583            | \$ 88,906            |
| Non-Residential Class   | 8,162                | 8,283                | 7,921                | 7,674                | 7,594                | 7,567                | 7,558                | 7,900                | 8,364                | 8,398                |
| <b>Total Storm Water Accounts</b>                                 | <b>\$ 93,888</b>     | <b>\$ 94,426</b>     | <b>\$ 94,500</b>     | <b>\$ 94,766</b>     | <b>\$ 94,170</b>     | <b>\$ 94,201</b>     | <b>\$ 94,658</b>     | <b>\$ 95,755</b>     | <b>\$ 97,947</b>     | <b>\$ 97,304</b>     |

Source: SD1 Billing Registers

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

| Account Name                    | 2010 |            | 2011 |            | 2012 |              | 2013 |              | 2014 |              | 2015 |            | 2016 |            | 2017 |              | 2018 |              | 2019 |            |
|---------------------------------|------|------------|------|------------|------|--------------|------|--------------|------|--------------|------|------------|------|------------|------|--------------|------|--------------|------|------------|
|                                 | Rank | Amount     | Rank | Amount     | Rank | Amount       | Rank | Amount       | Rank | Amount       | Rank | Amount     | Rank | Amount     | Rank | Amount       | Rank | Amount       | Rank | Amount     |
| Tastemaker                      | 5    | \$ 587,362 | 4    | \$ 837,632 | 1    | \$ 1,157,417 | 3    | \$ 1,028,552 | 3    | \$ 1,146,195 | 4    | \$ 822,642 | 4    | \$ 958,373 | 1    | \$ 1,107,495 | 2    | \$ 1,091,896 | 1    | \$ 983,493 |
| Lyons-Magnus                    | 1    | 843,285    | 7    | 546,871    | 3    | 1,019,216    | 2    | 1,182,776    | 1    | 1,538,917    | 2    | 1,204,321  | 1    | 1,615,030  | 2    | 1,100,900    | 1    | 1,152,207    | 2    | 975,274    |
| Club Chef                       | 4    | 623,082    | 1    | 1,251,689  | 2    | 1,069,091    | 1    | 1,311,655    | 2    | 1,372,054    | 1    | 1,372,423  | 2    | 1,088,042  | 3    | 975,106      | 4    | 925,591      | 3    | 899,723    |
| Sara Lee Foods                  | 2    | 791,861    | 3    | 895,635    | 4    | 723,700      | 4    | 782,726      | 4    | 825,285      | 3    | 903,273    | 3    | 972,766    | 4    | 922,489      | 3    | 1,046,087    | 4    | 820,839    |
| Safran Landing Systems, KY      | NR   | -          | NR   | -          | NR   | -            | NR   | -            | NR   | -            | NR   | -          | NR   | -          | NR   | -            | 14   | 238,572      | 5    | 774,173    |
| Kenton County Airport           | 8    | 393,043    | 8    | 435,974    | 5    | 552,602      | 8    | 394,268      | 6    | 522,655      | 8    | 502,826    | 5    | 608,236    | 5    | 611,417      | 5    | 666,115      | 6    | 760,076    |
| Environmental Services Inc.     | 25   | 22,065     | 27   | 30,466     | 25   | 25,848       | 24   | 33,490       | 22   | 58,276       | 25   | 48,577     | 23   | 45,696     | 20   | 59,588       | 10   | 353,896      | 7    | 655,455    |
| L'Oreal USA Florence            | 6    | 549,274    | 6    | 637,404    | 10   | 280,710      | 7    | 420,436      | 12   | 340,063      | 9    | 499,568    | 8    | 419,843    | 9    | 443,709      | 6    | 523,746      | 8    | 529,862    |
| Wild Flavors, Inc.              | 7    | 411,851    | 12   | 238,096    | 12   | 244,354      | 11   | 242,264      | 9    | 421,525      | 12   | 259,187    | 10   | 349,419    | 10   | 441,625      | 9    | 375,782      | 9    | 513,509    |
| St. Elizabeth Medical Center    | 9    | 379,980    | 9    | 389,315    | 8    | 451,730      | 6    | 446,716      | 8    | 482,879      | 7    | 508,252    | 11   | 226,020    | 7    | 472,598      | 7    | 463,810      | 10   | 490,723    |
| Global Supply Chain             | 10   | 377,462    | 5    | 702,878    | 6    | 523,358      | 5    | 614,053      | 5    | 549,175      | 6    | 509,262    | 6    | 497,523    | 11   | 317,909      | 11   | 348,313      | 11   | 353,557    |
| Camco Chemical Company          | 18   | 57,255     | 13   | 170,993    | 18   | 94,871       | 15   | 132,931      | 14   | 127,565      | 13   | 170,205    | 15   | 146,778    | 12   | 265,518      | 13   | 281,930      | 12   | 281,680    |
| Northern KY University          | 11   | 228,095    | 10   | 269,716    | 9    | 299,722      | 9    | 353,675      | 11   | 343,137      | 11   | 377,734    | 7    | 475,052    | 8    | 454,166      | 8    | 400,505      | 13   | 271,365    |
| A.O. Smith                      | 16   | 114,038    | 14   | 152,804    | 15   | 115,562      | 14   | 140,546      | 13   | 160,667      | 14   | 145,003    | 12   | 160,920    | 13   | 240,921      | 15   | 212,042      | 14   | 188,992    |
| Aristech Acrylics LLC           | 13   | 167,111    | 20   | 85,342     | 19   | 79,541       | 18   | 84,969       | 18   | 87,439       | 16   | 103,218    | 16   | 118,494    | 15   | 127,129      | 17   | 123,776      | 15   | 129,510    |
| Bluegrass Quality Meats         | 12   | 173,946    | 16   | 130,240    | 13   | 198,196      | 13   | 171,155      | 16   | 119,736      | 17   | 100,049    | 13   | 159,854    | 14   | 147,238      | 16   | 158,787      | 16   | 120,384    |
| Van Melle USA, Inc.             | 28   | 15,576     | 26   | 31,162     | 21   | 66,437       | 21   | 54,612       | 20   | 65,541       | 20   | 70,274     | 18   | 88,321     | 19   | 65,020       | 18   | 108,688      | 17   | 114,609    |
| White Castle Distributing, Inc. | 15   | 119,507    | 15   | 148,151    | 16   | 109,605      | 16   | 98,080       | 15   | 126,327      | 15   | 144,594    | 14   | 148,104    | 16   | 114,072      | 19   | 105,799      | 18   | 93,125     |
| Amer/Pride-WPS Energy Service   | 21   | 43,468     | 21   | 53,490     | 22   | 63,856       | 19   | 76,559       | 17   | 89,950       | 18   | 95,567     | 19   | 86,217     | 17   | 69,492       | 21   | 76,052       | 19   | 93,115     |
| Emerald Industries, Inc.        | 20   | 47,654     | 18   | 105,251    | 20   | 67,987       | 20   | 73,309       | 21   | 64,365       | 23   | 56,222     | 20   | 63,396     | 18   | 69,171       | 20   | 84,862       | 20   | 88,804     |
| Signode Plastic Recycling       | 14   | 140,662    | 11   | 253,423    | 11   | 264,883      | 10   | 346,203      | 7    | 507,622      | 10   | 426,273    | 17   | 112,122    | 23   | 42,269       | 29   | 17,557       | 21   | 76,299     |
| Northern KY Water District      | 17   | 107,123    | 19   | 91,264     | 14   | 156,749      | 17   | 88,530       | 24   | 34,940       | 22   | 65,537     | 21   | 53,282     | 21   | 54,064       | 24   | 43,569       | 22   | 58,060     |
| Duro Paper Bag                  | 19   | 48,558     | 23   | 41,278     | 27   | 23,581       | 22   | 48,402       | 19   | 77,187       | 21   | 68,451     | 24   | 44,801     | 25   | 37,309       | 26   | 34,592       | 23   | 45,739     |
| Domino's National Comm.         | 24   | 24,538     | 24   | 32,864     | 26   | 24,318       | 26   | 27,592       | 26   | 30,558       | 29   | 24,191     | 30   | 10,702     | 27   | 24,914       | 23   | 45,856       | 24   | 42,974     |
| IOFINA Chemical Inc.            | 23   | 27,000     | 25   | 31,800     | 24   | 31,097       | 25   | 30,206       | 27   | 29,886       | 24   | 51,695     | 22   | 49,986     | 22   | 44,076       | 22   | 47,347       | 25   | 42,543     |
| Turfway Park                    | 22   | 32,497     | 22   | 42,440     | 23   | 41,769       | 23   | 41,622       | 23   | 51,378       | 19   | 82,742     | 26   | 40,804     | 24   | 41,575       | 25   | 40,142       | 26   | 37,381     |
| Savannah Foods and Industries   | 31   | 8,840      | 33   | 7,726      | 29   | 15,980       | 27   | 22,168       | 25   | 32,642       | 27   | 25,843     | 27   | 22,482     | 26   | 29,636       | 27   | 22,984       | 27   | 29,956     |
| Highway Transport Chemical LLC  | 27   | 17,820     | 28   | 17,030     | 28   | 17,981       | 29   | 15,506       | 28   | 19,519       | 28   | 24,638     | 28   | 17,279     | 28   | 22,488       | 28   | 21,848       | 28   | 24,843     |
| Boge Rubber and Plastics        | NR   | -          | NR   | -          | NR   | -            | NR   | -            | NR   | -            | 26   | 26,014     | 25   | 41,811     | 29   | 14,764       | 30   | 16,351       | 29   | 15,180     |
| Newly Weds Foods                | NR   | -          | NR   | -          | NR   | -            | NR   | -            | NR   | -            | NR   | -          | NR   | -          | NR   | -            | NR   | 1,733        | 30   | 13,318     |
| Louis Trauth Dairy              | 3    | 747,035    | 2    | 1,172,055  | 7    | 509,831      | NR   | -            | NR   | -            | NR   | -          | NR   | -          | NR   | -            | NR   | -            | NR   | -          |
| Messier Bugatti / A. Carb, LLC  | 26   | 21,619     | 17   | 129,319    | 17   | 98,778       | 12   | 223,102      | 10   | 379,003      | 5    | 607,446    | 9    | 361,952    | 6    | 600,269      | 12   | 344,806      | 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   | Company Name             | Type of Business   |
|--------------------------------|--|--------------------------|--|
| A.O. Smith                     | Protective coatings for appliances, automotive and metallurgical markets division.                   | Louis Trauth Dairy       | Full line dairy processor. No longer in business locally.  |
| Amer/Pride-WPS Energy Service  | Uniforms, towels and linen sales, rentals and services. Restroom and floor care products.            | Lyons-Magnus             | Develops and markets quality juices and food products.   |
| Aristech Acrylics LLC          | Produces continuous cast acrylic sheet products for solid surface bath, marine and funeral industry. | Messier Bugatti / A. Car | Aircraft wheels and carbon brakes facility.  |
| Boge Rubber and Plastics       | Lightweight Auto Components Producer.  | Northern KY University   | Metropolitan State University with more than 16,000 Students.  |
| Bluegrass Quality Meats        | Deli meats and packaged meats plant.   | Northern KY Water Dist   | Water supply Utility for Kenton and Campbell Counties.   |
| Cabot Industrial Prop LLP      | Immudyne - Biotechnology company specializing in scientifically formulated dietary supplements an    | Safran Landing System    | Aircraft Landing and braking systems.  |
| Camco Chemical Company         | Contract packaging and chemical manufacturer.  | Sara Lee Foods           | Meat and meat products processor.  |
| Club Chef                      | Producer of fresh cut produce.   | Savannah Foods and Ir    | Bulk sugar refinery.   |
| Domino's National Comm.        | Dominos pizza dough distribution center.   | Signode Plastic Recycli  | Manufacturer and distributor of protective packaging systems.  |
| Duro Paper Bag                 | Largest paper bag manufacturer in the world.   | St. Elizabeth Medical C  | General medicine and surgical hospital.  |
| Emerald Industries, Inc.       | Kellogg's - Cookie and cracker manufacturer.   | Tastemaker               | Givaudan Flavors - Swiss manufacturer of flavorings and fragrances.  |
| Environmental Services Inc.    | Uita Environmental Service Inc. - Liquid waste collection and disposal.                              | Tressa Inc.              | Hair care product manufacturing including shampoos.  |
| Globel Supply Chain            | Schwan's - Produces Freshcetta pizza products.   | Turfway Park             | Thoroughbred horse racing track.   |
| Highway Transport Chemical LLC | Tanker truck washing facility.   | Van Melle USA, Inc.      | Perfetti Van Melle-Manufactures variety of confectionery items including flavored gums and Airheads brand fruit chews. |
| IOFINA Chemical Inc.           | Production of iodine, iodine specialty chemical derivatives, produced water and natural gas.         | White Castle Distributi  | Markets and distributes frozen and microwavable hamburgers.  |
| Kenton County Airport          | Greater Cincinnati Northern Kentucky International Airport (CVG)                                     | Wild Flavors, Inc.       | Produces natural flavors and ingredients for the beverage industry.  |
| L'Oreal USA Florence           | Produces shampoos, conditioners and styling products   |                          |  |

Source: SD1 billing records/invoices

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

|   | Fiscal Year          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2010                 | 2011                 | 2012                 | 2013                 | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 | 2019                 |
| <b>System Revenues</b>  |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Total Operating Revenues  | \$ 69,395,510        | \$ 78,396,323        | \$ 83,951,284        | \$ 89,707,117        | \$ 92,660,157        | \$ 94,462,113        | \$ 94,435,079        | \$ 98,976,003        | \$ 103,276,256       | \$ 109,017,581       |
| Total Non-Operating Revenues                                    | 2,255,069            | 5,126,472            | 4,529,743            | 4,422,445            | 4,097,921            | 4,122,030            | 4,312,928            | 4,618,229            | 5,080,753            | 6,169,704            |
| <b>Total System Revenues</b>                                    | <b>71,650,579</b>    | <b>83,522,795</b>    | <b>88,481,027</b>    | <b>94,129,562</b>    | <b>96,758,078</b>    | <b>98,584,143</b>    | <b>98,748,007</b>    | <b>103,594,232</b>   | <b>108,357,009</b>   | <b>115,187,285</b>   |
| <b>Operating Expenses</b>                                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| <b>Operation, Maintenance and Administration</b>                |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Salary Expense  | 6,824,325            | 7,666,779            | 7,875,727            | 10,352,734           | 11,423,914           | 11,545,248           | 11,657,207           | 12,215,331           | 12,102,154           | 12,142,502           |
| Employee Benefit and Incentive Expenses                         | 5,819,271            | 5,776,673            | 6,628,400            | 7,539,280            | 7,046,809            | 8,160,719            | 7,934,077            | 8,710,860            | 7,745,153            | 7,518,863            |
| Professional and Contractual Services                           | 2,779,872            | 3,063,454            | 3,778,654            | 5,216,695            | 4,918,068            | 6,090,769            | 6,142,324            | 6,281,104            | 5,812,174            | 5,155,245            |
| Office Administration Expenses                                  | 1,743,401            | 1,434,543            | 1,742,980            | 1,903,439            | 1,759,589            | 1,895,657            | 1,777,837            | 1,661,077            | 1,682,284            | 1,707,261            |
| Utilities, Fuel Oil and Chemical Expenses                       | 7,198,145            | 7,316,763            | 7,362,096            | 7,685,268            | 7,311,989            | 7,403,662            | 6,999,416            | 7,179,355            | 7,348,041            | 7,861,165            |
| Vehicle Operation Expenses                                      | 1,096,654            | 1,163,239            | 1,276,021            | 1,087,065            | 1,068,097            | 983,314              | 885,648              | 824,241              | 847,695              | 981,150              |
| Infrastructure, Equipment and Other Expenses                    | 2,372,647            | 1,997,122            | 2,355,828            | 2,760,362            | 2,824,155            | 2,818,327            | 3,192,058            | 3,104,240            | 3,333,148            | 3,334,240            |
| Supplemental / State Environmental Projects                     | 283,029              | 202,182              | 61,218               | -                    | 1,924                | -                    | -                    | -                    | -                    | -                    |
| <b>Total Operation, Maintenance and Administration</b>          | <b>28,117,344</b>    | <b>28,620,755</b>    | <b>31,080,924</b>    | <b>36,544,843</b>    | <b>36,354,545</b>    | <b>38,897,696</b>    | <b>38,588,567</b>    | <b>39,976,208</b>    | <b>38,870,649</b>    | <b>38,700,426</b>    |
| <b>Major Repairs and Other Expenses</b>                         | <b>4,797,653</b>     | <b>6,172,970</b>     | <b>4,912,935</b>     | <b>4,495,306</b>     | <b>1,291,040</b>     | <b>1,414,072</b>     | <b>1,720,103</b>     | <b>876,520</b>       | <b>429,175</b>       | <b>1,814,545</b>     |
| <b>Net System Revenues</b>                                      | <b>\$ 38,735,582</b> | <b>\$ 48,729,070</b> | <b>\$ 52,487,168</b> | <b>\$ 53,089,413</b> | <b>\$ 59,112,493</b> | <b>\$ 58,272,375</b> | <b>\$ 58,439,337</b> | <b>\$ 62,741,504</b> | <b>\$ 69,057,185</b> | <b>\$ 74,672,314</b> |
| <b>Revenue Bonds (Senior Debt) - Principal and Interest Due</b> |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Series 2001A - (Revenue Bonds)                                  | \$ 3,393,700         | \$ 2,335,025         | \$ 1,271,000         | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 |
| Series 2005A - (Refunding Bonds)                                | 4,205,300            | 4,198,100            | 4,196,300            | 4,194,600            | 4,187,900            | 4,186,000            | 4,183,600            | 4,010,500            | -                    | -                    |
| Series 2006A - (Revenue Bonds)                                  | 3,021,441            | 3,021,236            | 3,019,311            | 3,015,666            | 3,010,301            | 3,008,109            | 3,008,874            | 2,126,859            | -                    | -                    |
| Series 2007A - (Revenue Bonds)                                  | 5,946,850            | 5,956,850            | 5,969,750            | 5,980,450            | 6,003,650            | 6,019,150            | 6,025,375            | 3,748,500            | -                    | -                    |
| Series 2009A - (Build America Bonds)                            | 1,649,911            | 4,375,599            | 4,368,726            | 4,359,976            | 4,348,839            | 4,329,816            | 4,314,924            | 4,295,341            | 4,274,666            | 4,248,676            |
| Series 2010A - (Build America Bonds)                            | -                    | 2,821,606            | 5,459,545            | 5,452,139            | 5,439,214            | 5,428,479            | 5,409,567            | 5,388,239            | 5,366,686            | 5,339,304            |
| Series 2010B - (Refunding Bonds)                                | -                    | 522,196              | 1,770,625            | 3,031,725            | 3,019,825            | 3,012,475            | 3,005,425            | 2,998,488            | 2,995,613            | 2,991,738            |
| Series 2010C - (Build America Bonds)                            | -                    | 56,819               | 1,984,364            | 1,976,149            | 1,973,859            | 1,965,253            | 1,953,390            | 1,940,278            | 1,921,009            | 1,905,615            |
| Series 2010D - (Recovery Zone Economic Dev. Bonds)              | -                    | 226,225              | 2,467,913            | 2,467,913            | 2,467,913            | 2,467,913            | 2,467,913            | 2,467,913            | 2,467,913            | 2,467,913            |
| Series 2016A - (Refunding Bonds)                                | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 1,377,110            | 11,625,081           | 11,626,581           |
| <b>Total Principal and Interest on Revenue Bonds</b>            | <b>\$ 18,217,202</b> | <b>\$ 23,513,656</b> | <b>\$ 30,507,534</b> | <b>\$ 30,478,618</b> | <b>\$ 30,451,500</b> | <b>\$ 30,417,194</b> | <b>\$ 30,369,068</b> | <b>\$ 28,353,227</b> | <b>\$ 28,650,967</b> | <b>\$ 28,579,827</b> |
| <b>Debt Service Coverage Ratio - Bonds (Senior Debt)</b>        |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| * Calculated  | 213%                 | 207%                 | 172%                 | 174%                 | 194%                 | 192%                 | 192%                 | 221%                 | 241%                 | 261%                 |
| ** Required   | 125%                 | 125%                 | 125%                 | 125%                 | 125%                 | 125%                 | 125%                 | 125%                 | 125%                 | 125%                 |

\* Bond Debt Service Coverage Calculation = Total Net System Revenues divided by Total Current Portion of Principal and 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          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2010                 | 2011                 | 2012                 | 2013                 | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 | 2019                 |
| <b>KIA and Other Notes (Subordinate Debt) Principal and Interest Due</b> |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| A04-09 Eastern Regional Water Reclamation Facility                       | \$ 2,229,761         | \$ 2,227,222         | \$ 2,224,607         | \$ 2,221,913         | \$ 2,216,315         | \$ 2,208,243         | \$ 2,205,308         | \$ 2,202,284         | \$ 2,199,169         | \$ 2,195,959         |
| A08-04 Western Regional Water Reclamation Facility Construction Project  | 122,229              | 397,353              | 612,243              | 696,509              | 3,974,631            | 3,968,312            | 3,961,931            | 3,955,485            | 3,948,975            | 3,942,400            |
| A09-04 Dry Creek WWTP Clarifier Project                                  | -                    | 18,742               | 175,650              | 309,015              | 309,102              | 308,683              | 308,255              | 307,819              | 307,374              | 306,920              |
| A09-05 Sunnybrook Sewer Project  | -                    | 167,114              | 343,158              | 342,702              | 342,238              | 341,763              | 341,280              | 340,786              | 340,283              | 339,769              |
| A09-06 South Fork / Gunpowder Interceptor Construction Project           | -                    | -                    | 98,453               | 245,559              | 800,930              | 799,877              | 798,803              | 797,708              | 796,591              | 795,451              |
| A09-07 Frogtown Interceptor  | -                    | -                    | 30,258               | 187,232              | 297,079              | 296,685              | 296,282              | 295,872              | 295,453              | 295,026              |
| A09-08 Turkeyfoot Rd / Industrial Rd. Force Main Project                 | -                    | 8,674                | 14,234               | 32,496               | 135,410              | 134,996              | 134,815              | 134,630              | 134,442              | 134,249              |
| A09-09 Narrows Road Diversion Pump Station Construction Project          | -                    | -                    | 54,142               | 146,658              | 507,838              | 506,806              | 506,126              | 505,432              | 504,724              | 504,002              |
| A10-11 Dry Creek Headworks Construction Project                          | -                    | -                    | -                    | 112,407              | 269,750              | 1,003,396            | 1,004,284            | 1,002,936            | 1,001,560            | 1,000,158            |
| A11-13 - Church St, Lakeview, and KY Aire Pump Station Replacement       | -                    | -                    | -                    | -                    | 114,300              | 174,829              | 202,912              | 213,112              | 214,179              | 456,580              |
| A11-14 Lakeside Park and Vernon Lane Projects                            | -                    | -                    | -                    | -                    | 9,195                | 21,538               | 23,245               | 26,840               | 46,408               | 74,826               |
| A12-02 Wolpert Pump station Rehab and Force Main Replacement             | -                    | -                    | -                    | 26,903               | 53,539               | 53,468               | 53,395               | 53,321               | 53,246               | 53,169               |
| A15-103 Patton and 8th Street Wet Well Rehab                             | -                    | -                    | -                    | -                    | -                    | -                    | 12,525               | 132,558              | 131,566              | 131,381              |
| A209-01 ARRA Banklick Creek Sewer Project                                | -                    | 5,155                | 11,891               | 11,876               | 11,860               | 11,843               | 11,826               | 11,809               | 11,792               | 11,774               |
| A209-02 ARRA Banklick Creek Wetlands Project                             | -                    | 343                  | 19,424               | 41,385               | 41,299               | 41,243               | 41,187               | 41,128               | 41,068               | 41,008               |
| A209-03 ARRA Regional Bioretention Project                               | -                    | -                    | 26,510               | 45,050               | 44,989               | 44,928               | 44,865               | 44,801               | 44,735               | 44,668               |
| A209-04 ARRA Terraced Reforestation Project                              | -                    | -                    | 2,496                | 23,455               | 25,098               | 25,065               | 25,030               | 24,995               | 24,959               | 24,923               |
| <b>Total KIA and Other Notes Principal and Interest</b>                  | <b>\$ 2,351,990</b>  | <b>\$ 2,824,603</b>  | <b>\$ 3,613,066</b>  | <b>\$ 4,443,161</b>  | <b>\$ 9,153,571</b>  | <b>\$ 9,941,675</b>  | <b>\$ 9,972,069</b>  | <b>\$ 10,091,516</b> | <b>\$ 10,096,524</b> | <b>\$ 10,352,262</b> |
| <b>All Bonds and Notes-Annual Principal and Interest Payments</b>        | <b>\$ 20,569,192</b> | <b>\$ 26,338,260</b> | <b>\$ 34,120,600</b> | <b>\$ 34,921,779</b> | <b>\$ 39,605,071</b> | <b>\$ 40,358,870</b> | <b>\$ 40,341,137</b> | <b>\$ 38,444,743</b> | <b>\$ 38,747,490</b> | <b>\$ 38,932,089</b> |
| <b>All Debt Service Coverage Ratio</b>                                   |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| *** Calculated   | 188%                 | 185%                 | 154%                 | 152%                 | 149%                 | 144%                 | 145%                 | 163%                 | 178%                 | 192%                 |

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

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

| Fiscal Year | Revenue Bonds<br>(1) | Notes Payable | Total Outstanding Debt | Sewer Service Accounts<br>(2) | Outstanding Debt per Sewer Service Account | Total Total Assets | Debt to Assets Ratio |
|-------------|----------------------|---------------|------------------------|-------------------------------|--|--------------------|----------------------|
| 2010        | \$ 354,530,647       | \$ 60,501,607 | \$ 415,032,254         | \$ 100,537                    | \$ 4,128                                   | \$ 1,080,984,395   | 38.4%                |
| 2011        | 410,940,967          | 102,925,602   | 513,866,569            | 101,996                       | 5,038                                      | 1,268,952,844      | 40.5%                |
| 2012        | 399,438,266          | 136,575,098   | 536,013,364            | 102,126                       | 5,249                                      | 1,286,454,005      | 41.7%                |
| 2013        | 390,573,277          | 152,798,766   | 543,372,043            | 102,413                       | 5,306                                      | 1,297,760,781      | 41.9%                |
| 2014        | 378,139,936          | 153,411,373   | 531,551,310            | 102,847                       | 5,168                                      | 1,288,476,116      | 41.3%                |
| 2015        | 365,383,540          | 147,961,008   | 513,344,549            | 103,572                       | 4,956                                      | 1,260,171,483      | 40.7%                |
| 2016        | 352,290,207          | 142,882,485   | 495,172,692            | 104,500                       | 4,738                                      | 1,247,626,372      | 39.7%                |
| 2017        | 339,854,417          | 136,724,421   | 476,578,838            | 105,497                       | 4,517                                      | 1,240,708,600      | 38.4%                |
| 2018        | 324,620,158          | 131,411,482   | 456,031,640            | 106,610                       | 4,278                                      | 1,240,678,116      | 36.8%                |
| 2019        | 309,159,823          | 124,135,749   | 433,295,572            | 107,393                       | 4,035                                      | 1,247,824,271      | 34.7%                |

(1) Presented net of original issuance discounts and premiums

(2) Source: SD1 billing registers

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

| <u>NORTHERN KY COUNTIES</u>   | <u>2008 (ACS 3-Year Estimates)</u> |                 |               |                 | <u>2009 (ACS 5-Year Estimates)</u> |                 |               |                 | <u>2010 (ACS 5-Year Estimates)</u> |                 |               |                 |
|---|------------------------------------|-----------------|---------------|-----------------|------------------------------------|-----------------|---------------|-----------------|------------------------------------|-----------------|---------------|-----------------|
|   | <u>BOONE</u>                       | <u>CAMPBELL</u> | <u>KENTON</u> | <u>COMBINED</u> | <u>BOONE</u>                       | <u>CAMPBELL</u> | <u>KENTON</u> | <u>COMBINED</u> | <u>BOONE</u>                       | <u>CAMPBELL</u> | <u>KENTON</u> | <u>COMBINED</u> |
| <b>POPULATION</b>   |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| Total Population  | 112,096                            | 86,862          | 156,414       | 355,372         | 112,514                            | 87,509          | 156,399       | 356,422         | 114,723                            | 89,016          | 158,034       | 361,773         |
| Median Age (years)  | 34.2                               | 38.1            | 36.7          | n/a             | 35.0                               | 37.1            | 35.5          | n/a             | 35.1                               | 37.2            | 36.0          | n/a             |
| <b>HOUSEHOLDS</b>   |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| Total Households  | 40,769                             | 35,255          | 63,064        | 139,088         | 40,722                             | 35,185          | 63,276        | 139,183         | 41,612                             | 35,300          | 61,912        | 138,824         |
| Average Household Size  | 2.73                               | 2.35            | 2.44          | 2.50            | 2.74                               | 2.38            | 2.44          | 2.51            | 2.74                               | 2.41            | 2.52          | 2.56            |
| Populations in Households   | 111,292                            | 82,976          | 154,130       | 348,398         | 111,699                            | 83,569          | 154,415       | 349,683         | 114,026                            | 84,982          | 155,997       | 355,005         |
| Population 25 years and older   | 77,489                             | 61,841          | 110,320       | 249,650         | 77,848                             | 63,072          | 111,613       | 252,533         | 78,519                             | 63,859          | 112,276       | 254,654         |
| <b>HOUSING OCCUPANCY</b>  |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| Total Housing Units   | 44,168                             | 38,921          | 70,244        | 153,333         | 43,933                             | 38,961          | 70,043        | 152,937         | 45,053                             | 39,185          | 68,768        | 153,006         |
| Occupied Housing Units  | 40,769                             | 35,255          | 63,064        | 139,088         | 40,722                             | 35,185          | 63,276        | 139,183         | 41,612                             | 35,300          | 61,912        | 138,824         |
| Owner-Occupied Units  | 30,700                             | 25,638          | 43,337        | 99,675          | 30,931                             | 25,691          | 43,983        | 100,605         | 31,777                             | 25,516          | 42,867        | 100,160         |
| Renter-Occupied Units   | 10,069                             | 9,617           | 19,727        | 39,413          | 9,791                              | 9,494           | 19,293        | 38,578          | 9,835                              | 9,784           | 19,045        | 38,664          |
| Vacant Housing Units  | 3,399                              | 3,666           | 7,180         | 14,245          | 3,211                              | 3,776           | 6,767         | 13,754          | 3,441                              | 3,885           | 6,856         | 14,182          |
| Vacant Housing Rate   | 7.7%                               | 9.4%            | 10.2%         | 9.3%            | 7.3%                               | 9.7%            | 9.7%          | 9.0%            | 7.6%                               | 9.9%            | 10.0%         | 9.3%            |
| Median (Value)  | \$ 177,700                         | \$ 142,900      | \$ 146,200    | n/a             | \$ 173,800                         | \$ 141,300      | \$ 142,700    | n/a             | \$ 175,900                         | \$ 146,300      | \$ 145,200    | n/a             |
| <b>EMPLOYMENT STATUS</b>  |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| Population 16 years and older   | 84,660                             | 68,579          | 120,424       | 273,663         | 84,532                             | 69,611          | 121,683       | 275,826         | 85,506                             | 71,034          | 122,683       | 279,223         |
| Population in Civilian Labor Force                                    | 64,266                             | 46,308          | 84,219        | 194,793         | 62,676                             | 47,081          | 84,983        | 194,740         | 63,072                             | 48,127          | 85,333        | 196,532         |
| Employed  | 61,637                             | 43,735          | 80,294        | 185,666         | 59,337                             | 44,305          | 79,911        | 183,553         | 59,510                             | 44,793          | 79,683        | 183,986         |
| Employed Percentage   | 72.8%                              | 63.8%           | 66.7%         | 67.8%           | 70.2%                              | 63.6%           | 65.7%         | 66.5%           | 69.6%                              | 63.1%           | 65.0%         | 65.9%           |
| Unemployed  | 2,570                              | 2,573           | 3,925         | 9,068           | 3,339                              | 2,776           | 5,072         | 11,187          | 3,562                              | 3,334           | 5,650         | 12,546          |
| Unemployed Percentage   | 3.0%                               | 3.8%            | 3.3%          | 3.3%            | 3.9%                               | 4.0%            | 4.2%          | 4.1%            | 4.2%                               | 4.7%            | 4.6%          | 4.5%            |
| <b>INCOME</b>   |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| Median Household Income   | \$ 65,979                          | \$ 50,830       | \$ 53,872     | n/a             | \$ 65,964                          | \$ 51,890       | \$ 53,219     | n/a             | \$ 66,549                          | \$ 51,482       | \$ 53,213     | n/a             |
| Mean Household Income   | \$ 76,889                          | \$ 67,908       | \$ 68,609     | \$ 70,858       | \$ 76,035                          | \$ 66,448       | \$ 67,358     | \$ 69,667       | \$ 77,789                          | \$ 66,869       | \$ 68,247     | \$ 70,757       |
| Per Capita Income   | \$ 28,526                          | \$ 27,700       | \$ 27,485     | \$ 27,869       | \$ 28,112                          | \$ 27,138       | \$ 27,305     | \$ 27,523       | \$ 28,520                          | \$ 27,096       | \$ 27,205     | \$ 27,601       |
| <b>POVERTY LEVEL</b>  |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| Percentage whose Income in the past 12-months is below Poverty Level. |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| All Families  | 4.2%                               | 7.9%            | 8.2%          | 6.8%            | 5.0%                               | 7.5%            | 8.7%          | 7.0%            | 5.8%                               | 8.8%            | 8.4%          | 7.3%            |
| All People  | 5.8%                               | 11.1%           | 10.4%         | 9.1%            | 6.6%                               | 10.4%           | 10.9%         | 9.4%            | 7.5%                               | 11.3%           | 11.4%         | 10.1%           |
| Under 18 Years  | 6.5%                               | 16.6%           | 14.4%         | n/a             | 8.8%                               | 15.2%           | 16.0%         | 13.4%           | 9.2%                               | 16.5%           | 16.5%         | 13.9%           |
| 65 Years and Older  | 7.7%                               | 10.9%           | 8.4%          | n/a             | 6.7%                               | 8.4%            | 7.6%          | 7.6%            | 8.5%                               | 8.2%            | 7.5%          | 8.0%            |

Source: factfinder2.census.gov/

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

| <b>NORTHERN KY COUNTIES</b>   | <b>2011 (ACS 5-Year Estimates)</b> |                 |               |                 | <b>2012 (ACS 5-Year Estimates)</b> |                 |               |                 | <b>2013 (ACS 5-Year Estimates)</b> |                 |               |                 |
|---|------------------------------------|-----------------|---------------|-----------------|------------------------------------|-----------------|---------------|-----------------|------------------------------------|-----------------|---------------|-----------------|
|   | <b>BOONE</b>                       | <b>CAMPBELL</b> | <b>KENTON</b> | <b>COMBINED</b> | <b>BOONE</b>                       | <b>CAMPBELL</b> | <b>KENTON</b> | <b>COMBINED</b> | <b>BOONE</b>                       | <b>CAMPBELL</b> | <b>KENTON</b> | <b>COMBINED</b> |
| <b>POPULATION</b>   |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| Total Population  | 117,216                            | 89,598          | 159,008       | 365,822         | 119,406                            | 90,119          | 159,926       | 369,451         | 121,214                            | 90,606          | 160,828       | 372,648         |
| Median Age (years)  | 35.4                               | 37.0            | 36.0          | n/a             | 35.7                               | 36.9            | 36.2          | n/a             | 36.0                               | 37.0            | 36.4          | n/a             |
| <b>HOUSEHOLDS</b>   |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| Total Households  | 41,843                             | 35,258          | 62,054        | 139,155         | 42,617                             | 35,235          | 62,260        | 140,112         | 43,255                             | 35,203          | 61,800        | 140,258         |
| Average Household Size  | 2.78                               | 2.47            | 2.52          | 2.59            | 2.78                               | 2.48            | 2.53          | 2.59            | 2.78                               | 2.49            | 2.56          | 2.61            |
| Populations in Households   | 116,487                            | 86,930          | 156,402       | 359,819         | 118,644                            | 87,391          | 157,383       | 363,418         | 120,390                            | 87,830          | 158,303       | 366,523         |
| Population 21 years and older   | 80,378                             | 64,499          | 113,339       | 258,216         | 82,033                             | 65,184          | 114,494       | 261,711         | 83,378                             | 65,772          | 115,346       | 264,496         |
| Population 65 years and older   | 11,024                             | 11,475          | 17,745        | 40,244          | 11,539                             | 11,680          | 18,098        | 41,317          | 12,107                             | 11,856          | 18,552        | 42,515          |
| <b>HOUSING OCCUPANCY</b>  |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| Total Housing Units   | 45,694                             | 39,385          | 68,901        | 153,980         | 46,196                             | 39,497          | 69,053        | 154,746         | 46,635                             | 39,560          | 69,081        | 155,276         |
| Occupied Housing Units  | 41,843                             | 35,258          | 62,054        | 139,155         | 42,617                             | 35,235          | 62,260        | 140,112         | 43,255                             | 35,203          | 61,800        | 140,258         |
| Owner-Occupied Units  | 32,316                             | 25,201          | 42,640        | 100,157         | 32,362                             | 24,857          | 42,361        | 99,580          | 32,649                             | 24,643          | 42,038        | 99,330          |
| Renter-Occupied Units   | 9,527                              | 10,057          | 19,414        | 38,998          | 10,255                             | 10,378          | 19,899        | 40,532          | 10,606                             | 10,560          | 19,762        | 40,928          |
| Vacant Housing Units  | 3,851                              | 4,127           | 6,847         | 14,825          | 3,579                              | 4,262           | 6,793         | 14,634          | 3,380                              | 4,357           | 7,281         | 15,018          |
| Vacant Housing Rate   | 8.4%                               | 10.5%           | 9.9%          | 9.6%            | 7.7%                               | 10.8%           | 9.8%          | 9.5%            | 7.2%                               | 11.0%           | 10.5%         | 9.7%            |
| Median (Value) Owner-occupied units                                   | \$ 175,200                         | \$ 145,500      | \$ 146,700    | n/a             | \$ 173,000                         | \$ 147,600      | \$ 146,200    | n/a             | \$ 172,700                         | \$ 146,300      | \$ 144,300    | n/a             |
| <b>EMPLOYMENT STATUS</b>  |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| Population 16 years and older   | 87,382                             | 71,593          | 123,695       | 282,670         | 89,053                             | 72,133          | 124,387       | 285,573         | 90,433                             | 72,430          | 125,242       | 288,105         |
| Population in Civilian Labor Force                                    | 63,267                             | 49,150          | 84,808        | 197,225         | 63,730                             | 49,122          | 84,991        | 197,843         | 64,347                             | 49,548          | 85,459        | 199,354         |
| Employed  | 59,801                             | 45,535          | 78,617        | 183,953         | 59,622                             | 45,175          | 78,089        | 182,886         | 59,917                             | 45,336          | 77,880        | 183,133         |
| Employed Percentage   | 68.4%                              | 63.6%           | 63.6%         | 65.1%           | 67.0%                              | 62.6%           | 62.8%         | 64.0%           | 66.3%                              | 62.6%           | 62.2%         | 63.6%           |
| Unemployed  | 3,466                              | 3,615           | 6,191         | 13,272          | 4,108                              | 3,947           | 6,902         | 14,957          | 4,430                              | 4,212           | 7,579         | 16,221          |
| Unemployed Percentage   | 4.0%                               | 5.0%            | 5.0%          | 4.7%            | 4.6%                               | 5.5%            | 5.5%          | 5.2%            | 4.9%                               | 5.8%            | 6.1%          | 5.6%            |
| <b>INCOME</b>   |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| Median Household Income   | \$ 68,087                          | \$ 53,018       | \$ 53,375     | n/a             | \$ 67,125                          | \$ 53,580       | \$ 53,900     | n/a             | \$ 67,225                          | \$ 54,306       | \$ 54,270     | n/a             |
| Mean Household Income   | \$ 79,126                          | \$ 67,773       | \$ 69,117     | \$ 71,786       | \$ 78,904                          | \$ 67,013       | \$ 69,366     | \$ 71,675       | \$ 80,339                          | \$ 67,244       | \$ 69,687     | \$ 72,359       |
| Per Capita Income   | \$ 28,630                          | \$ 27,501       | \$ 27,484     | \$ 27,859       | \$ 28,640                          | \$ 27,063       | \$ 27,669     | \$ 27,840       | \$ 29,235                          | \$ 26,945       | \$ 27,704     | \$ 28,025       |
| <b>POVERTY LEVEL</b>  |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| Percentage whose Income in the past 12-months is below Poverty Level. |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| All Families  | 5.5%                               | 8.6%            | 9.5%          | 8.0%            | 6.4%                               | 9.5%            | 10.1%         | 8.7%            | 7.4%                               | 10.0%           | 10.5%         | 9.3%            |
| All People  | 7.2%                               | 11.3%           | 12.6%         | 10.5%           | 8.3%                               | 12.4%           | 13.2%         | 11.4%           | 9.0%                               | 13.0%           | 13.7%         | 12.0%           |
| Under 18 Years  | 8.5%                               | 15.8%           | 18.6%         | 14.4%           | 10.6%                              | 17.2%           | 19.8%         | 15.9%           | 12.2%                              | 17.5%           | 20.8%         | 17.0%           |
| 65 Years and Older  | 7.8%                               | 7.4%            | 7.2%          | 7.4%            | 8.0%                               | 6.5%            | 7.5%          | 7.4%            | 6.9%                               | 8.0%            | 8.3%          | 7.8%            |

Source: factfinder2.census.gov/

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

| <b>NORTHERN KY COUNTIES</b>   | <b>2014 (ACS 5-Year Estimates)</b> |                 |               |                 | <b>2015 (ACS 5-Year Estimates)</b> |                 |               |                 | <b>2016 (ACS 5-Year Estimates)</b> |                 |               |                 |
|---|------------------------------------|-----------------|---------------|-----------------|------------------------------------|-----------------|---------------|-----------------|------------------------------------|-----------------|---------------|-----------------|
|   | <b>BOONE</b>                       | <b>CAMPBELL</b> | <b>KENTON</b> | <b>COMBINED</b> | <b>BOONE</b>                       | <b>CAMPBELL</b> | <b>KENTON</b> | <b>COMBINED</b> | <b>BOONE</b>                       | <b>CAMPBELL</b> | <b>KENTON</b> | <b>COMBINED</b> |
| <b>POPULATION</b>   |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| Total Population  | 123,030                            | 91,268          | 161,915       | 376,213         | 124,617                            | 91,475          | 163,007       | 379,099         | 125,656                            | 91,456          | 163,393       | 380,505         |
| Median Age (years)  | 36.1                               | 37.0            | 36.3          | n/a             | 36.2                               | 37.3            | 36.4          | n/a             | 36.6                               | 37.9            | 36.7          | n/a             |
| <b>HOUSEHOLDS</b>   |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| Total Households  | 43,903                             | 35,478          | 61,962        | 141,343         | 44,709                             | 35,477          | 62,225        | 142,411         | 45,649                             | 35,954          | 62,746        | 144,349         |
| Average Household Size  | 2.78                               | 2.49            | 2.57          | 2.62            | 2.77                               | 2.49            | 2.58          | 2.62            | 2.73                               | 2.46            | 2.57          | 2.59            |
| Populations in Households   | 122,141                            | 88,307          | 159,438       | 369,886         | 123,644                            | 88,421          | 160,718       | 372,783         | 124,657                            | 88,314          | 161,085       | 374,056         |
| Population 21 years and older   | 84,911                             | 66,322          | 116,400       | 267,633         | 86,329                             | 66,896          | 117,493       | 270,718         | 87,486                             | 67,314          | 118,478       | 273,278         |
| Population 65 years and older   | 12,724                             | 12,004          | 19,225        | 43,953          | 13,236                             | 12,365          | 19,988        | 45,589          | 13,980                             | 12,702          | 20,747        | 47,429          |
| <b>HOUSING OCCUPANCY</b>  |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| Total Housing Units   | 47,052                             | 39,705          | 69,242        | 155,999         | 47,466                             | 39,754          | 69,369        | 156,589         | 47,878                             | 39,873          | 69,520        | 157,271         |
| Occupied Housing Units  | 43,903                             | 35,478          | 61,962        | 141,343         | 44,709                             | 35,477          | 62,225        | 142,411         | 45,649                             | 35,954          | 62,746        | 144,349         |
| Owner-Occupied Units  | 32,561                             | 24,417          | 41,536        | 98,514          | 32,785                             | 24,368          | 40,956        | 98,109          | 32,880                             | 24,530          | 41,155        | 98,565          |
| Renter-Occupied Units   | 11,342                             | 11,061          | 20,426        | 42,829          | 11,924                             | 11,109          | 21,269        | 44,302          | 12,769                             | 11,424          | 21,591        | 45,784          |
| Vacant Housing Units  | 3,149                              | 4,227           | 7,280         | 14,656          | 2,757                              | 4,277           | 7,144         | 14,178          | 2,229                              | 3,919           | 6,774         | 12,922          |
| Vacant Housing Rate   | 6.7%                               | 10.6%           | 10.5%         | 9.4%            | 5.8%                               | 10.8%           | 10.3%         | 9.1%            | 4.7%                               | 9.8%            | 9.7%          | 8.2%            |
| Median (Value) Owner-occupied units                                   | \$ 174,200                         | \$ 147,700      | \$ 143,900    | n/a             | \$ 175,100                         | \$ 150,400      | \$ 145,200    | n/a             | \$ 178,300                         | \$ 156,600      | \$ 147,000    | n/a             |
| <b>EMPLOYMENT STATUS</b>  |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| Population 16 years and older   | 92,145                             | 73,165          | 126,093       | 291,403         | 93,587                             | 73,523          | 127,102       | 294,212         | 95,134                             | 73,934          | 127,720       | 296,788         |
| Population in Civilian Labor Force                                    | 65,546                             | 49,526          | 85,229        | 200,301         | 66,346                             | 49,211          | 86,096        | 201,653         | 67,334                             | 49,093          | 87,231        | 203,658         |
| Employed  | 61,454                             | 45,481          | 78,082        | 185,017         | 62,624                             | 45,872          | 79,447        | 187,943         | 63,757                             | 46,233          | 81,588        | 191,578         |
| Employed Percentage   | 66.7%                              | 62.2%           | 61.9%         | 63.5%           | 66.9%                              | 62.4%           | 62.5%         | 63.9%           | 67.0%                              | 62.5%           | 63.9%         | 64.6%           |
| Unemployed  | 4,092                              | 4,045           | 7,147         | 15,284          | 3,722                              | 3,339           | 6,649         | 13,710          | 3,577                              | 2,860           | 5,643         | 12,080          |
| Unemployed Percentage   | 4.4%                               | 5.5%            | 5.7%          | 5.2%            | 4.0%                               | 4.5%            | 5.2%          | 4.7%            | 3.8%                               | 3.9%            | 4.4%          | 4.1%            |
| <b>INCOME</b>   |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| Median Household Income   | \$ 67,286                          | \$ 54,482       | \$ 54,817     | n/a             | \$ 66,730                          | \$ 54,621       | \$ 54,296     | n/a             | \$ 69,165                          | \$ 56,772       | \$ 56,568     | n/a             |
| Mean Household Income   | 81,417                             | 68,553          | 70,126        | \$ 73,238       | 81,500                             | 70,780          | 70,236        | \$ 73,908       | 85,590                             | 74,223          | 72,452        | \$ 77,048       |
| Per Capita Income   | 29,656                             | 27,479          | 27,788        | 28,331          | 29,866                             | 28,248          | 27,847        | 28,612          | 31,593                             | 29,834          | 28,785        | 29,968          |
| <b>POVERTY LEVEL</b>  |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| Percentage whose Income in the past 12-months is below Poverty Level. |                                    |                 |               |                 |                                    |                 |               |                 |                                    |                 |               |                 |
| All Families  | 7.1%                               | 10.4%           | 11.1%         | 9.5%            | 6.6%                               | 10.3%           | 11.8%         | 9.6%            | 6.5%                               | 11.0%           | 10.9%         | 9.4%            |
| All People  | 8.7%                               | 14.0%           | 14.3%         | 12.4%           | 8.2%                               | 14.6%           | 14.6%         | 12.5%           | 7.9%                               | 14.9%           | 13.6%         | 12.0%           |
| Under 18 Years  | 11.7%                              | 19.2%           | 21.8%         | 17.6%           | 11.2%                              | 20.5%           | 23.0%         | 18.2%           | 11.4%                              | 22.0%           | 21.5%         | 18.0%           |
| 65 Years and Older  | 8.2%                               | 8.0%            | 8.8%          | 8.4%            | 5.9%                               | 9.8%            | 8.5%          | 8.1%            | 6.3%                               | 10.2%           | 8.0%          | 8.1%            |

Source: factfinder2.census.gov/

|   |
|---|
| <b>Sanitation District No. 1</b><br><b>Northern Kentucky Demographic and Census Information</b><br><b>Ten Years</b> |
|---|

| <u><b>NORTHERN KY COUNTIES</b></u>                                    | <u><b>2017 (ACS 5-Year Estimates)</b></u> |                        |                      |                        |
|---|---|------------------------|----------------------|------------------------|
|   | <u><b>BOONE</b></u>                       | <u><b>CAMPBELL</b></u> | <u><b>KENTON</b></u> | <u><b>COMBINED</b></u> |
| <b>POPULATION</b>   |   |                        |                      |                        |
| Total Population  | 127,682                                   | 91,804                 | 163,987              | 383,473                |
| Median Age (years)  | 37.1                                      | 38.0                   | 36.9                 | n/a                    |
| <b>HOUSEHOLDS</b>   |   |                        |                      |                        |
| Total Households  | 46,095                                    | 35,870                 | 62,929               | 144,894                |
| Average Household Size  | 2.75                                      | 2.46                   | 2.57                 | 2.60                   |
| Populations in Households   | 126,649                                   | 88,392                 | 161,610              | 376,651                |
| Population 21 years and older   | 89,342                                    | 67,938                 | 119,155              | 276,435                |
| Population 65 years and older   | 15,414                                    | 13,264                 | 21,556               | 50,234                 |
| <b>HOUSING OCCUPANCY</b>  |   |                        |                      |                        |
| Total Housing Units   | 48,499                                    | 39,929                 | 69,484               | 157,912                |
| Occupied Housing Units  | 46,095                                    | 35,870                 | 62,929               | 144,894                |
| Owner-Occupied Units  | 33,885                                    | 24,675                 | 41,329               | 99,889                 |
| Renter-Occupied Units   | 12,210                                    | 11,195                 | 21,600               | 45,005                 |
| Vacant Housing Units  | 2,404                                     | 4,059                  | 6,555                | 13,018                 |
| Vacant Housing Rate   | 5.0%                                      | 10.2%                  | 9.4%                 | 8.2%                   |
| Median (Value) Owner-occupied units                                   | \$ 183,700                                | \$ 160,700             | \$ 149,700           | n/a                    |
| <b>EMPLOYMENT STATUS</b>  |   |                        |                      |                        |
| Population 16 years and older   | 97,459                                    | 74,589                 | 128,542              | 300,590                |
| Population in Civilian Labor Force                                    | 67,873                                    | 48,795                 | 87,172               | 203,840                |
| Employed  | 64,527                                    | 46,154                 | 82,552               | 193,233                |
| Employed Percentage   | 66.2%                                     | 61.9%                  | 64.2%                | 64.3%                  |
| Unemployed  | 3,346                                     | 2,641                  | 4,620                | 10,607                 |
| Unemployed Percentage   | 3.4%                                      | 3.5%                   | 3.6%                 | 3.5%                   |
| <b>INCOME</b>   |   |                        |                      |                        |
| Median Household Income   | \$ 72,731                                 | \$ 57,208              | \$ 58,674            | n/a                    |
| Mean Household Income   | \$ 90,790                                 | \$ 77,224              | \$ 76,160            | \$ 81,078              |
| Per Capita Income   | \$ 33,553                                 | \$ 31,065              | \$ 30,195            | \$ 31,528              |
| <b>POVERTY LEVEL</b>  |   |                        |                      |                        |
| Percentage whose Income in the past 12-months is below Poverty Level. |   |                        |                      |                        |
| All Families  | 6.0%                                      | 9.5%                   | 9.9%                 | 8.4%                   |
| All People  | 7.6%                                      | 14.2%                  | 12.9%                | 11.4%                  |
| Under 18 Years  | 10.6%                                     | 19.2%                  | 19.5%                | 16.2%                  |
| 65 Years and Older  | 5.2%                                      | 12.2%                  | 8.0%                 | 8.2%                   |

Source: factfinder2.census.gov/

**Sanitation District No. 1  
Northern Kentucky Top Ten Employers  
2019 and 2010**

**Top Ten Employers in Northern Kentucky - 2019  
(Ranked by Local Employees)**

| Company                                | Employees | Percentage of Employed Work Force |
|--|-----------|-----------------------------------|
| Cincinnati/NKY International Airport   | 14,602    | 7.2%                              |
| St. Elizabeth Healthcare               | 8,885     | 4.4%                              |
| Fidelity Investments                   | 3,870     | 1.9%                              |
| Amazon.com LLC                         | 3,500     | 1.7%                              |
| Boone County Schools                   | 3,400     | 1.7%                              |
| Kroger Company                         | 3,386     | 1.7%                              |
| Citi                                   | 2,400     | 1.2%                              |
| Northern Kentucky University           | 1,984     | 1.0%                              |
| Kenton County Schools                  | 1,700     | 0.8%                              |
| Castellini Group of Cos.               | 1,550     | 0.8%                              |
| Totals:                                | 45,277    | 22.2%                             |
| Source: Business Courier Book of Lists |           |                                   |

**Top Ten Employers in Northern Kentucky - 2010  
(Ranked by Local Employees)**

| Company  | Employees | Percentage of Employed Work Force |
|--|-----------|-----------------------------------|
| Fidelity Investments   | 3,800     | 1.9%                              |
| Delta Comair Connection  | 2,600     | 1.3%                              |
| Citigroup  | 2,200     | 1.1%                              |
| Toyota Motor Engineering and Manufacturing, N.A.                     | 1,300     | 0.7%                              |
| Schwan's Global Supply Chain   | 1,100     | 0.6%                              |
| DHL  | 900       | 0.5%                              |
| Duro Bag Manufacturing Co.   | 800       | 0.4%                              |
| ZF Steering Systems  | 682       | 0.3%                              |
| Convergys Corporation  | 600       | 0.3%                              |
| Gap Inc.   | 580       | 0.3%                              |
| Totals:  | 14,562    | 7.4%                              |
| Source: Harris Directory, 2009; Business Courier, 2009 Book of Lists |           |                                   |

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

|                                   | Design<br>Capacity<br>MGD | Fiscal Year                         |             |             |             |              |              |              |              |              |              |
|-----------------------------------|---------------------------|-------------------------------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                   |                           | Average Daily Wastewater Flow (MGD) |             |             |             |              |              |              |              |              |              |
|                                   |                           | 2010                                | 2011        | 2012        | 2013        | 2014         | 2015         | 2016         | 2017         | 2018         | 2019         |
| <b>Treatment Plant Flow (1)</b>   |                           |                                     |             |             |             |              |              |              |              |              |              |
| Dry Creek                         | 46.5                      | 35.9                                | 35.7        | 35.9        | 27.3        | 26.4         | 20.7         | 27.4         | 27.0         | 27.0         | 27.0         |
| Eastern Regional WRF*             | 4.0                       | 1.0                                 | 0.9         | 0.8         | 0.8         | 0.94         | 1.05         | 1.03         | 1.00         | 1.00         | 1.00         |
| Western Regional WRF**            | 20.0                      |                                     |             | 3.4         | 7.6         | 8.43         | 7.77         | 8.12         | 8.00         | 8.00         | 8.00         |
|                                   | <u>70.5</u>               | <u>36.9</u>                         | <u>36.6</u> | <u>40.1</u> | <u>35.7</u> | <u>35.8</u>  | <u>29.5</u>  | <u>36.6</u>  | <u>36.0</u>  | <u>36.0</u>  | <u>36.0</u>  |
| <b>Staffing Levels (2)</b>        |                           |                                     |             |             |             |              |              |              |              |              |              |
| Administration                    |                           | 48                                  | 51          | 61          | 62          | 58           | 59           | 58.5         | 54           | 43           | 45           |
| Engineering                       |                           | 42                                  | 38          | 27          | 27          | 21           | 21           | 21           | 21           | 23           | 25           |
| Operations                        |                           |                                     |             |             |             | 6            | 6            | 5            | 5            | 20           | 23.5         |
| Storm Water                       |                           | 0                                   | 0           | 18          | 14          | 15.5         | 15.5         | 16.5         | 16.5         | 16.5         | 11.5         |
| Collection System                 |                           | 84                                  | 88          | 83          | 89          | 88           | 88           | 84           | 78           | 72           | 69           |
| Field Tech (Pump Stations)        |                           | 18                                  | 14          | 14          | 13          | 15           | 15           | 15           | 15           | 15           | 15           |
| Eastern Regional and Small Plants |                           | 11                                  | 13          | 10          | 9           | 10.5         | 10.5         | 10.5         | 9.5          | 9.5          | 7.5          |
| Western Regional Plant            |                           |                                     | 0           | 13          | 13          | 12           | 13           | 13           | 13           | 13           | 13           |
| Dry Creek and Lab                 |                           | 51                                  | 54          | 46          | 49          | 47.5         | 46.5         | 45.5         | 45.5         | 45.5         | 44.5         |
| <b>Total Employees</b>            |                           | <u>254</u>                          | <u>258</u>  | <u>272</u>  | <u>276</u>  | <u>273.5</u> | <u>274.5</u> | <u>269.0</u> | <u>257.5</u> | <u>257.5</u> | <u>254.0</u> |

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

(2) Source: SD1 Budget Documents

\* Eastern Regional Water Reclamation Facility Went Online 10/2007

\*\* Western Regional Water Reclamation Facility Went Online 4/2012

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

|   | Fiscal Year |        |        |        |        |        |        |        |        |        |
|---|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|   | 2010        | 2011   | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   | 2019   |
| Miles of Sanitary Sewers<br>(Includes Sanitary, Force Mains and Combined) | 1,600       | 1,600  | 1,600  | 1,600  | 1,600  | 1,600  | 1,620  | 1,620  | 1,640  | 1,650  |
| Regional Wastewater Treatment Plants                                      | 2           | 2      | 2      | 3      | 3      | 3      | 3      | 3      | 3      | 3      |
| Small Wastewater Treatment Plants   |             |        |        |        |        |        |        |        |        |        |
| Owned and Operated  | 4           | 4      | 4      | 4      | 4      | 4      | 4      | 4      | 4      | 4      |
| Operated but not Owned  | 3           | 4      | 4      | 4      | 4      | 4      | 2      | 3      | 3      | 3      |
| Pump Stations   |             |        |        |        |        |        |        |        |        |        |
| Owned and Operated  | 133         | 131    | 131    | 133    | 121    | 121    | 121    | 120    | 121    | 121    |
| Operated but not Owned  | 13          | 13     | 13     | 13     | 14     | 14     | 3      | 3      | 3      | 3      |
| Flood Stations  | 15          | 15     | 15     | 15     | 15     | 15     | 15     | 15     | 15     | 15     |
| Flood Gate Structures   | 89          | 89     | 89     | 89     | 88     | 88     | 89     | 89     | 92     | 93     |
| Storm Structures  | 18,896      | 28,883 | 29,165 | 31,669 | 32,062 | 32,541 | 32,820 | 33,097 | 31,106 | 31,657 |
| Miles of Separate Storm Sewers  | 255         | 407    | 417    | 440    | 442    | 447    | 447    | 451    | 416    | 425    |

Source: SD1 GIS records

**INDEPENDENT AUDITORS' 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**

Board of Directors  
Sanitation District No. 1  
Fort Wright, Kentucky

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 of the Sanitation District No. 1 (SD1) as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise SD1's basic financial statements, and have issued our report thereon dated December 10, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SD1'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SD1's internal control. Accordingly, we do not express an opinion on the effectiveness of SD1'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 a 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 in financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether SD1'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 audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 SD1's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SD1's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*VonLehman & Company Inc.*

Fort Wright, Kentucky  
December 10, 2019