

**Sanitation District No. 1**  
1045 Eaton Drive  
Ft. Wright, KY



859-578-7450  
[www.SD1.org](http://www.SD1.org)



# **2019-2020 Comprehensive Annual Financial Report**

**For the Fiscal Years Ended June 30, 2020 and 2019**

**SANITATION DISTRICT NO. 1**

**For the Fiscal Years Ended  
June 30, 2020 and 2019**

*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

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## **INTRODUCTORY SECTION**



December 8, 2020

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, 2020. 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 & Company Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that SD1's financial statements for the fiscal year ended June 30, 2020 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, there was a reasonable basis for issuing an unmodified ("clean") opinion that SD1's financial statements for the fiscal year ended June 30, 2020 are fairly presented in conformity with GAAP. The independent auditor's report is presented at the front of the financial section of this report.

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

### ***Profile of SD1***

SD1 is responsible for the collection and treatment of Northern Kentucky's wastewater, as well as regional storm water management. SD1 is the second largest public sewer utility in Kentucky, serving approximately 312,000 residents throughout Boone, Campbell and Kenton Counties.

SD1 maintains approximately 1,662 miles of sanitary sewer line, 121 wastewater pumping stations, 15 flood pump stations, seven package treatment plants, three major wastewater treatment plants, approximately 428 miles of storm sewer pipe and 32,728 storm sewer structures.

In Fiscal Year 2020, SD1 served a sanitary sewer customer base of 108,382 accounts and a storm water customer base of 97,859 accounts. SD1's sanitary sewer customer base has experienced a 0.917 percent average annual growth rate over the past five years, while SD1's storm water customer base has experienced a 0.835 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. 2019 Census estimates, Northern Kentucky's population was 394,163. 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 metropolitan area. Partnerships, collaboration and innovation have been critical elements for the Northern Kentucky region's success and competitiveness. As with all communities across the nation, the coronavirus disease 2019 (COVID-19) has had an impact on the local economy and there is still much uncertainty of the long term effects. The Cincinnati MSA unemployment rate had been on a declining trend for the past nine years up until March 2020 which was a result of Covid-19 and the subsequent shelter-in-place and stay-at-homes orders. The Cincinnati MSA unemployment rate increased from a low of 3.3 percent in December 2019 to a high of 14.1 percent in April 2020. However, at the end of June 2020, the regional unemployment rate dropped to 9.0 percent which is still below the national unemployment rate of 11.1 percent.

In Northern Kentucky, the housing market had strong momentum prior to COVID-19. Despite the temporary slowdown in sales activity, home prices have remained strong, interest rates have remained low and new home construction is slowly returning. Although these are encouraging indications the housing market is stabilizing, the housing market continues to face challenges such as limited inventory, a lack of experienced workforce and economic uncertainty.

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

SD1 is in the second year of its Clean H2O40 Amended Consent Decree, an agreement with federal and state regulators as to how Northern Kentucky will comply with the federal Clean Water Act by reducing sewer overflows and water pollution in local creeks and streams.

SD1 is currently working toward an initial 5-year milestone date of July 1, 2023, by which SD1 must eliminate at least 20 percent of baseline typical-year sanitary sewer overflows (SSOs) and recapture at least 67 percent of typical-year combined sewer overflows (CSOs).

The amended decree extends to the year 2040 the final deadline SD1's overflow mitigation goals of elimination of all typical-year SSOs and recapture of 85 percent of typical-year CSOs. While original estimates for the investment required to reach those goals was \$1.3 billion (in 2016 dollars), SD1's new strategy of using smart-sewer technology to better manage the flow in its system during rain events has dramatically lowered that number.

SD1 is also in the second year of a new rate structure launched in 2019. The new structure includes a base rate to help cover fixed costs and a variable rate for higher volume users. As part of a four-year rollout plan, the base rate, which includes the first 2 hundred cubic feet of wastewater treatment, will continue to increase each year as the variable rate decreases. This will more closely align sanitary sewer rates with the actual cost of providing service and also address the continuing trend of declining revenue due to decreasing water consumption. In addition, the rate structure now includes an environmental surcharge to help cover the cost of implementing the Clean H2O40 Amended Consent Decree program.

### **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 \$413,497,761. Outstanding bonds of SD1 are rated Aa2 by Moody's and AA by Standard & Poor's rating agencies. For fiscal year ended June 30, 2020, net revenues covered debt service on both revenue bonds and Kentucky Infrastructure Authority (KIA) notes by 2.20 times. Unrestricted cash was at a level representing at least 882 days' cash which equated to \$100.2 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**

As part of SD1's Strategic Business Plan, the District has developed a culture of continuous improvement, working across the organization to maximize efficiency and eliminate waste by enhancing communication and collaboration. The Lean SD1 commitment to process improvement ensures that the entire staff is working as efficiently and effectively as possible toward the SD1 mission of 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 implementing a smart-sewer management approach to overflow mitigation, launching a new website that makes it easier than ever for customers to engage with SD1 and nimbly adapting all facets of its business operations to adapt to the disruptions created by the global COVID-19 pandemic.

### **Smart-Sewer Management**

SD1 broke ground this year on new equalization (EQ) tanks and pump stations in Highland Heights and Silver Grove, beginning a new era of smart-sewer management in Northern Kentucky that will significantly reduce the cost of complying with federal Clean Water Act regulations. The two tanks, which will be used to hold mostly storm water, will eliminate about 20 million gallons of typical-year sanitary sewer overflows (SSOs), and will do so at a price tag well below what traditional overflow mitigation would cost.

The first step toward smart sewers happens long before any work begins in the field. Working with its Updated Watershed Plan partner, Hazen and Sawyer, SD1 ran thousands of scenarios using artificial intelligence software to accurately predict what will happen throughout Northern Kentucky's sewer system under various storm simulations. The results of that work provided a blueprint – which SD1 is calling Clean H2O40 – for the most effective and affordable approach to mitigating sewer overflows. The new EQ tanks in Highland Heights and Silver Grove will be the first projects constructed under the new Clean H2O40 plan. The new tanks will ultimately use flow meter technology to signal the sewer system to store excess flow during storm events until downstream capacity is available. Once a storm has passed, the system will gradually release flow back into the pipes for transport to a treatment plant. This will minimize the risk of increased volume overwhelming the system and causing sewer overflows.

The Highland Heights/Silver Grove EQ tanks are a step toward system-wide coordination – storing flow in tanks, pipes and other structures across the region. This new strategy will significantly lower project costs and associated revenue needs by hundreds of millions of dollars over the next 20 years. In addition to maintaining sewer rate affordability, the reduced overflow mitigation costs will allow SD1 to address system expansion required to support the local economy.

### **Enhanced SD1 Website**

In partnership with CivicPlus, an integrated technology platform for local government, SD1 launched a new enhanced website in June to improve the online experience for its customers and other stakeholders. The new site features improved functionality, navigation and aesthetics for those seeking to conduct business with or find information about SD1.

Some of the highlights of the new site include:

- A mobile optimized design that ensures customers can easily navigate and interact with content from any desktop computer, smartphone or tablet, anytime and anywhere.
- The highest data security standards backed by a team of cybersecurity experts. CivicPlus offers 99.7 percent up-time in a tier II data center that is fully redundant, the support of multiple network providers, burst band-width, disaster recovery via geographically diverse data centers and live 24/7/365 emergency support.
- An Alert Center that allows customers to be notified with time-sensitive information and instructions using multiple channels, including the website, social media, text messaging and email.
- Customizable profiles citizens can create to personalize their experience on the site, including signing up to receive notifications when news stories, Board agendas, etc., are posted.

### COVID-19 Response

SD1 has responded to the COVID-19 global pandemic with patience, persistence and positivity. Since the beginning of the pandemic, SD1 has reevaluated all facets of the regional storm water and wastewater utility, from how it engages customers to how it keeps staff healthy and safe. New technologies were implemented, processes across the district were enhanced and staff worked together to adapt to the “new normal.”

SD1 has demonstrated a nimble and creative approach that has led to a number of service improvements, including expanding call center hours; launching a new website; securing a new utility billing system; moving most professional and safety training to online; increasing safety and security at all facilities; enhancing the open records request process; improving collaboration through new technologies such as Microsoft Teams, WebEx and Zoom; developing a new process for creating, vetting and sharing District-wide standard operating procedures; creating paperless processes for easement requests, tapper and inspection documents, plan submittals, accounting and finance documents, and sanitary plan submissions.

In response to government mandated economic shut-downs, SD1 was able to implement financial safeguards to protect its most vulnerable customers, including temporarily suspending penalties, late fees and water disconnections for nonpayment and delaying a planned 5 percent revenue increase for fiscal year 2021. In furtherance of its commitment to the community, SD1 also partnered with researchers at the University of Louisville’s Christina Lee Brown Envirome Institute and the Foundation for a Healthy Kentucky on a wastewater testing program to track the spread of the novel coronavirus in Northern Kentucky.

Without SD1’s lean operating initiatives, culture of continuous improvement, strong financial management practices, long term planning tools, and its highly dedicated workforce these safeguards and initiatives would not have been possible.

### ***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, 2019. This was the seventh 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, 2020)

Bob Schroder, President  
Kenton County

Dolf Allesch, Vice President  
Boone County

Robert Horine, Treasurer  
Campbell County

Russ Horsley, Secretary  
Kenton 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, 2019

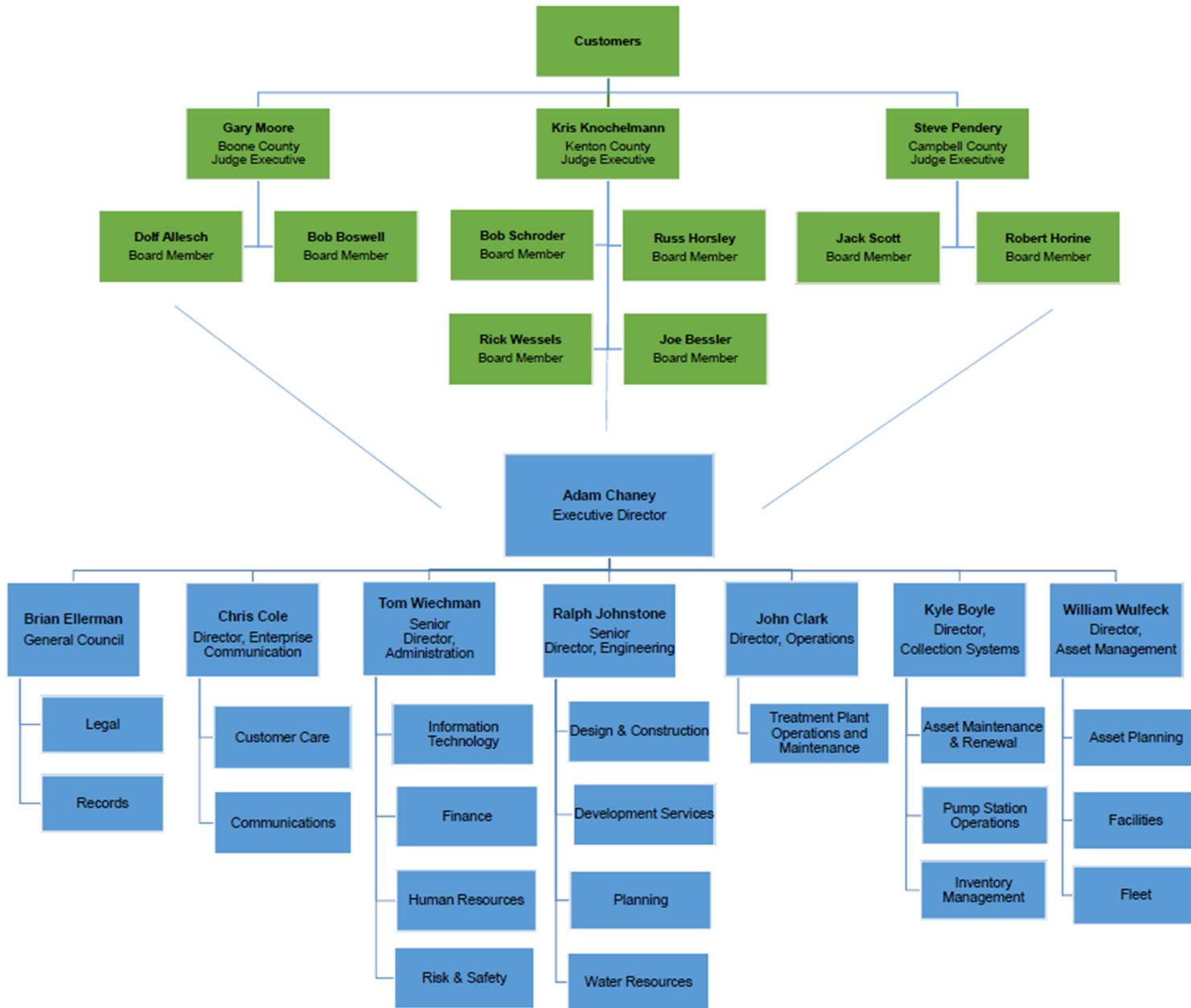
*Christopher P. Morill*

Executive Director/CEO

# SANITATION DISTRICT NO. 1

## ORGANIZATION CHART

as of June 30, 2020



**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, 2020 and June 30, 2019, 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, 2020 and June 30, 2019, 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 67 – 68), and the schedule of SD1's proportionate share of the net OPEB liability and schedule of SD1's OPEB contributions (on pages 69 – 70), 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 8, 2020, 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 solely 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 8, 2020

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

The following is a narrative overview and analysis of the financial activities of Sanitation District No. 1 for fiscal year ended June 30, 2020 and 2019. 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.

**2020 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 \$796.4 million (*net position*). Of this amount, \$72.7 million represents unrestricted net position.
- Net investment in capital assets increased \$14.0 million to \$644.3 million.
- Operating revenues increased by \$4.3 million to \$113.3 million.
- Operating expenses excluding depreciation and major repairs and other increased by \$748,000 to \$39.4 million.
- SD1's total outstanding debt decreased by \$19.7 million or 4.57%.

**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%.

**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.

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's intent is to be entirely or predominately self-supported from user fees. Revenues are reported when earned and expenses are reported when incurred.

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

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 31 – 66 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 71 – 90 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 2020 compared to 2019 and 2018.

<b>Table 1 Net Position</b>			
<b>June 30,</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Assets</b>			
Current Assets	\$ 125,471,405	\$ 105,520,205	\$ 87,282,501
Restricted Assets	79,384,510	83,540,979	84,595,821
Receivables - Noncurrent	835,386	1,206,111	1,259,677
Capital Assets	1,051,320,664	1,057,556,976	1,067,540,117
Total Assets	1,257,011,965	1,247,824,271	1,240,678,116
<b>Deferred Outflows of Resources</b>	17,013,265	14,965,252	19,687,728
<b>Liabilities</b>			
Current Liabilities	35,382,261	36,225,756	36,901,515
Noncurrent Liabilities	437,390,099	454,520,132	476,126,474
Total Liabilities	472,772,360	490,745,888	513,027,989
<b>Deferred Inflows of Resources</b>	4,778,714	3,451,074	3,918,257
<b>Net Position</b>			
Net Investment in Capital Assets	644,358,510	630,311,143	617,871,122
Restricted	79,384,510	83,540,979	84,595,821
Unrestricted	72,731,136	54,740,439	40,952,655
<b>Total Net Position</b>	<b>\$ 796,474,156</b>	<b>\$ 768,592,561</b>	<b>\$ 743,419,598</b>

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

Total assets increased \$9.1 million in 2020 and \$7.1 million in 2019. Although current assets increased \$19.9 million in 2020 and \$18.2 million in 2019 primarily due to an increase in unrestricted cash; noncurrent assets decreased \$10.7 million in 2020 and almost \$11.1 million in 2019. 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. In addition, restricted investments decreased in 2020 due to a reduction in the required amount of debt service reserve funds being held which was a result of a bond refunding that lowered the maximum annual debt service requirement pursuant to SD1's Trust Indenture.

Deferred outflow of resources increased \$2.0 million in 2020 and decreased \$4.7 million in 2019. 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 \$17.9 million in 2020 and almost \$22.3 million in 2019. The majority of the decrease for both years was a result of not issuing any new bonds, other than a refunding in 2019 and continuing to pay on the existing debt. Net pension liability increased \$4.2 million in 2020 and \$495,000 in 2019 which resulted in a net pension liability of \$36.3 million in 2020 compared to \$32.1 million in 2019. OPEB liability decreased \$672,000 in 2020 and \$1.5 million in 2019 which resulted in an OPEB liability of \$8.7 million in 2020 compared to \$9.3 million in 2019.

Deferred inflow of resources increased \$1.3 million in 2020 and decreased \$467,000 in 2019. The increase in 2020 was primarily due to an increase in the difference between expected and actual OPEB liability experience. The decrease in 2019 was primarily due to a decrease in the difference between projected and actual earnings on pension plan investments.

Total net position increased \$27.8 million in 2020 and \$25.1 million in 2019. The largest portion of SD1's net position \$644.3 million or 80.9% 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 4.98% from 2019 and 6.16% since 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 32.8% at the end of 2020 and increased 33.7% at the end of 2019. The majority of the increase was in unrestricted cash reserves as capital spending slowed during the consent decree negotiations and finalizing the updated watershed plan. The expectation is beginning in 2021, cash reserves will decline annually over the next several years for planned cash funded capital improvement projects.

Table 2 shows the changes in net position, as well as revenue and expenses for 2020 compared to 2019 and 2018.

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

**Table 2**  
**Changes in Net Position**

	Years Ended June 30,		
	2020	2019	2018
<b>Operating Revenues</b>			
Sewer Service Charges	\$ 93,494,058	\$ 88,772,462	\$ 84,312,915
Storm Water Charges	13,647,164	13,604,462	13,118,077
Permits and Tap-in Fees	4,312,269	3,791,979	3,501,783
Sludge Hauling	717,245	914,722	401,941
Inspections	266,058	217,307	173,623
Penalties	934,458	1,415,881	1,418,173
Contractual Services	158,882	136,004	160,732
Bad Debt Recoveries	19,111	18,823	25,135
Other Revenues	(161,675)	145,941	163,877
<b>Total Operating Revenues</b>	<b>113,387,570</b>	<b>109,017,581</b>	<b>103,276,256</b>
<b>Operating Expenses</b>			
Operation, Maintenance and Administration	39,449,023	38,700,426	38,870,649
Major Repairs and Other	2,033,349	1,814,545	429,175
Depreciation Expense	40,869,031	40,317,009	39,965,919
<b>Total Operating Expenses</b>	<b>82,351,403</b>	<b>80,831,980</b>	<b>79,265,743</b>
<b>Net Operating Income</b>	<b>31,036,167</b>	<b>28,185,601</b>	<b>24,010,513</b>
<b>Non-Operating Income (Expense)</b>	<b>(11,746,044)</b>	<b>(11,608,573)</b>	<b>(15,591,717)</b>
<b>Change in Net Position Before Capital Contributions</b>	<b>19,290,123</b>	<b>16,577,028</b>	<b>8,418,796</b>
<b>Capital Contributions</b>	<b>8,591,472</b>	<b>8,595,935</b>	<b>9,541,489</b>
<b>Change in Net Position</b>	<b>27,881,595</b>	<b>25,172,963</b>	<b>17,960,285</b>
<b>Net Position - Beginning of Year</b>	<b>768,592,561</b>	<b>743,419,598</b>	<b>725,459,313</b>
<b>Net Position - End of Year</b>	<b>\$ 796,474,156</b>	<b>\$ 768,592,561</b>	<b>\$ 743,419,598</b>

In 2020, SD1's total operating revenues experienced an increase of \$4.3 million or 4.01%. Sanitary sewer revenues increased \$4.7 million, which was a result of a 5% rate increase and a new residential rate structure that became effective July 1, 2019. Permits and connection fees increased \$520,000 due to an increase in the number of capacity connection fees as well as a 5% rate increase. Penalties decreased \$481,000, which was the result of suspending the addition of penalties to delinquent accounts effective March 18, 2020, in response to COVID-19. Project Reimbursements decreased \$351,000 primarily due to a number of write-offs for assessment projects that were researched and determined to be uncollectible.

**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 \$512,000 due to higher rainfall in the Northern Kentucky region that resulted in an increase in the volume of leachate discharged from landfills.

In 2020, operating expenses excluding depreciation and major repairs and other increased \$748,000 or 1.93%. The following contributed to the change in operating expenses:

- Salaries, wages, and benefits increased \$767,000, which was primarily due to a 12% state mandated rate increase in the CERS non-hazardous pension rate for all full time employees, some filling of open positions and merit increases. These increases were partially offset by a reduction in medical claims due to lower utilization as a result of COVID-19 concerns.
- Electricity costs decreased \$274,000, which was a direct result of the implementation of SD1's energy management initiatives for controlling and reducing energy use at the three large wastewater treatment plants.
- Vehicle Operations decreased \$139,000 due to experiencing lower fuel cost, less maintenance cost due to an ongoing continuous improvement effort of maximizing the optimization of SD1's fleet size, and impacts of the COVID-19 response.
- Sludge & Grit Removal increased \$219,000 due to an increase in the amount of bio-solids being hauled and an increase in the disposal and transport fee.
- Basement Backup Assistance Program increased \$179,000, which was a result of SD1 making enhancements to the existing program making it more accessible to customers to take advantage of financial assistance for wet-weather-related sanitary sewer backups in homes and basements.

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)**

Major repairs and other expenses increased \$218,000 in 2020 and almost \$1.4 million in 2019 due primarily to expensing historical capital costs for engineering design and infrastructure modeling cost related to the original design of the Ash Street project that has since changed direction and a new scope has been developed. The additional cost in 2019 was also due to a betterment cost for upsizing Kentucky Transportation Cabinet storm water pipes to accommodate future SD1 separation projects.

Non-operating expenses increased \$137,000 in 2020, which was the net result of a \$766,000 decrease in interest income and fair market value of investments due to lower rates of return on investments; \$392,000 increase in SD1's share of the pension and OPEB expenses; \$1.6 million decrease in interest expense on long term debt offset by \$770,000 for bond issuance cost due to the refunding of bonds; and \$150,000 increase which was a result of receiving Families First Coronavirus Response Act credits for providing employee paid sick leave and/or expanded family medical leave related to COVID-19.

Non-operating expenses decreased \$3.9 million in 2019, which was primarily the net result of a \$1.1 million increase in interest income; \$1.7 million increase in the fair market value of investments; \$837,000 decrease in SD1's share of the pension and OPEB expenses; and a \$416,000 decrease in interest on long term debt which was a result of not issuing any new debt and continuing to pay down the existing debt.

Capital contributions decreased \$4,400 in 2020 and almost \$946,000 in 2019. 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.

**Capital Assets**

SD1's investment in capital assets as of June 30, 2020, was \$1.051 billion (net of accumulated depreciation). This represents a 0.59% decrease from 2019. Although capital assets increased \$31.7 million, accumulated depreciation increased \$37.9 million. Major capital assets added during the year included \$21.1 million for rehab and replacement of sanitary lines and \$11.7 million of storm water lines. Land assets increased \$1.0 million due to the acquisition of easements for construction related projects. Pumping station infrastructure and equipment improvements were added in the amount of \$1.7 million. Construction in progress decreased \$5.2 million as constructed assets were placed into service.

SD1's investment in capital assets as of June 30, 2019, was \$1.057 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.

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

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

These assets are summarized in table 3 below.

	June 30,		
	2020	2019	2018
<b>Not Being Depreciated</b>			
Land	\$ 18,578,720	\$ 17,548,769	\$ 16,580,850
Construction in Progress	12,151,572	17,430,531	18,309,156
<b>Other Capital Assets</b>			
Land Improvements	4,713,013	4,615,156	4,271,907
Collection System	739,639,821	718,449,853	705,609,183
Pumping System	103,233,051	101,489,975	98,977,592
Treatment and Disposal	265,719,629	264,780,931	264,661,709
General Buildings and Structures	30,100,161	30,096,796	30,096,796
Office Furniture and Equipment	8,364,515	8,023,896	7,842,167
Vehicle and Accessories	8,674,051	8,840,199	8,841,023
Machinery and Equipment	5,933,632	5,773,346	5,784,983
Software Model Development	21,554,029	21,554,029	21,554,029
Storm Water Collection System	408,493,635	396,792,114	385,148,489
Subtotal	1,627,155,829	1,595,395,595	1,567,677,884
Less Accumulated Depreciation	575,835,165	537,838,619	500,137,767
<b>Totals</b>	<b>\$ 1,051,320,664</b>	<b>\$ 1,057,556,976</b>	<b>\$ 1,067,540,117</b>

Additional information on SD1's capital assets can be found in the Capital Assets note to the financial statements on pages 40 and 41 of this report.

**Debt Administration**

SD1 ended fiscal year 2020 with \$413.4 million in outstanding bonds and notes compared to almost \$433.3 million in 2019 and \$456.0 million in 2018. This represents a decrease of 4.57% in 2020 and 4.99% in 2019 as shown in Table 4. SD1 issued bonds in the amount of \$99,490,000 in 2019 to refund Series 2009A Bonds, Series 2010A Bonds and Series 2010C Bonds to take advantage of favorable interest rates and is expected to save SD1 and its rate payers a net of \$23 million over the life of the bonds. SD1 added \$586,000 to the notes payable in 2019 as funds were fully drawn from the Kentucky Infrastructure Authority (KIA) Revolving Loan Fund last fiscal year. These funds were utilized to help fund the necessary capital improvement projects.

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

**Table 4  
Debt Summary**

Table 4 summarizes SD1's outstanding debt at June 30, 2020, 2019, and 2018.

	June 30,		
	2020	2019	2018
Bond Indebtedness	\$ 297,748,060	\$ 309,159,823	\$ 324,620,158
Notes Payable	115,749,701	124,135,749	131,411,482
	<b>\$ 413,497,761</b>	<b>\$ 433,295,572</b>	<b>\$ 456,031,640</b>

Additional information on SD1's long-term debt can be found in the Long-Term Debt note to the financial statements on pages 42 – 47 of this report.

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

In June 2020, SD1's Board of Directors and the Judges Executive of Boone, Campbell and Kenton counties approved the fiscal year 2021 Operating & Maintenance (O&M) and Capital budgets. The 2021 O&M budget was approved for \$43.1 million, which reflects a 1.09% increase compared to the 2020 budget.

The revenue budget includes year two of a four-year residential sanitary sewer rate restructure aimed at aligning sewer rates more closely with the actual cost of providing service. In accordance with the plan, SD1 charges a base rate for the first 2 hundred cubic feet (HCF) of water treated, and a variable rate for each additional HCF of water treated. Under the 4-year plan, as the base rate increases the variable rate is reduced. Due to COVID-19 and the surrounding impacts to the community, SD1 did not increase any rate or fee other than the previously approved changes to the Residential Rate structure. In addition, the budget anticipates 6 months of continuing the suspension of penalties being added for delinquent accounts. The overall impact is an anticipated decrease of \$1.8 million over 2019 actual operating revenues.

In preparing the 2021 operating budget, the continued focus was on controlling expenditures in light of economic uncertainty due to COVID-19 and rising costs associated with regulatory requirements, aging infrastructure, and changing community needs. The budget was developed with an emphasis on adaptability and continuous process improvements throughout the organization, collaboration and communication between departments and outside stakeholders, and optimization of existing staff to maximize efficiency.

SD1's 2021 wastewater and storm water capital improvement plan "CIP" includes 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 and 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 \$298.2 million, of which \$257.3 million is estimated for sanitary projects, \$39.7 million for storm water projects, and \$1.2 million for capital asset purchases.

The 2021 capital budget approved spending plan calls for \$40.5 million, of which \$19.7 million is for sanitary and storm water asset management projects, \$12.9 million for consent decree projects, \$1.4 million for economic growth and community needs, \$3 million for storm water capital improvement projects, \$2.2 million for storm water cost share programs, \$100,000 for storm water planning development, and \$1.2 million for new capital asset purchases.

Funds needed for funding capital projects and programs will be provided from cash reserves, net revenues, and future bond issues.

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

**Contacting SD1's Financial Management**

This report is designed to provide our customers and creditors with a general overview of SD1's finances and to show SD1's accountability for the money it receives. If you have questions about this report or need additional 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, 2020**

**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	\$ 81,343,141	\$ 18,899,551	\$ 100,242,692
Accounts Receivable			
Customers	7,520,044	2,229,429	9,749,473
Communities	11,638	-	11,638
Other	3,451,082	-	3,451,082
Accrued Unbilled Charges	9,379,270	1,690,400	11,069,670
Prepaid Items and Deposits	910,011	-	910,011
Accrued Interest	30,945	5,894	36,839
	<u>102,646,131</u>	<u>22,825,274</u>	<u>125,471,405</u>
<b>Noncurrent Assets</b>			
<b>Restricted Assets</b>			
Cash and Cash Equivalents	1,211,473	1,475,368	2,686,841
Investments	74,783,319	1,701,934	76,485,253
Accrued Interest	212,416	-	212,416
	<u>76,207,208</u>	<u>3,177,302</u>	<u>79,384,510</u>
Receivables			
Assessments	835,386	-	835,386
	<u>835,386</u>	<u>-</u>	<u>835,386</u>
<b>Capital Assets</b>			
Land	16,961,694	1,617,026	18,578,720
System, Building and Equipment	1,182,040,288	414,385,249	1,596,425,537
Construction in Progress	11,453,397	698,175	12,151,572
Less Accumulated Depreciation	(432,238,415)	(143,596,750)	(575,835,165)
	<u>778,216,964</u>	<u>273,103,700</u>	<u>1,051,320,664</u>
Total Capital Assets	<u>778,216,964</u>	<u>273,103,700</u>	<u>1,051,320,664</u>
Total Noncurrent Assets	<u>855,259,558</u>	<u>276,281,002</u>	<u>1,131,540,560</u>
Total Assets	<u>957,905,689</u>	<u>299,106,276</u>	<u>1,257,011,965</u>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows Related to Pension	5,751,196	1,500,580	7,251,776
Deferred Outflows Related to Other			
Postemployment Benefits	2,558,363	667,519	3,225,882
Deferred Loss on Refundings	6,535,607	-	6,535,607
	<u>14,845,166</u>	<u>2,168,099</u>	<u>17,013,265</u>
Total Deferred Outflows of Resources	<u>14,845,166</u>	<u>2,168,099</u>	<u>17,013,265</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 972,750,855</u>	<u>\$ 301,274,375</u>	<u>\$ 1,274,025,230</u>

See accompanying notes.

**SANITATION DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**  
(Continued)

**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	\$ 13,556,997	\$ -	\$ 13,556,997
Notes Payable	8,445,556	95,978	8,541,534
Accounts Payable	6,139,013	888,526	7,027,539
Accrued Payroll and Benefits	352,538	84,313	436,851
Accrued Interest Payable	5,281,495	2,212	5,283,707
Accrued Taxes and Pension	186,288	-	186,288
Compensated Absences	202,190	49,748	251,938
Sales Tax Payable	-	-	-
Other Liabilities	97,407	-	97,407
	<b>34,261,484</b>	<b>1,120,777</b>	<b>35,382,261</b>
<b>Long-Term Liabilities (Net of Current Portion)</b>			
Bond Indebtedness	284,191,063	-	284,191,063
Notes Payable	106,097,553	1,110,614	107,208,167
Compensated Absences	677,181	216,693	893,874
Net Pension Liability	28,863,835	7,531,045	36,394,880
Net Other Postemployment Benefits Liability	6,901,422	1,800,693	8,702,115
	<b>426,731,054</b>	<b>10,659,045</b>	<b>437,390,099</b>
Total Liabilities	<b>460,992,538</b>	<b>11,779,822</b>	<b>472,772,360</b>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows Related to Pension	1,086,598	283,511	1,370,109
Deferred Inflows Related to Other Postemployment Benefits	2,703,276	705,329	3,408,605
	<b>3,789,874</b>	<b>988,840</b>	<b>4,778,714</b>
Total Liabilities and Deferred Inflows of Resources	<b>464,782,412</b>	<b>12,768,662</b>	<b>477,551,074</b>
<b>Net Position</b>			
Net Investment in Capital Assets Restricted For	372,461,402	271,897,108	644,358,510
Debt Service Funds	40,077,036	10,183	40,087,219
Operations, Infrastructure, and Insurance	34,918,699	1,691,751	36,610,450
Capital Improvement Projects and Programs	-	1,475,368	1,475,368
Other Purposes	1,211,473	-	1,211,473
Unrestricted	59,299,833	13,431,303	72,731,136
	<b>507,968,443</b>	<b>288,505,713</b>	<b>796,474,156</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 972,750,855</b>	<b>\$ 301,274,375</b>	<b>\$ 1,274,025,230</b>

See accompanying notes.

**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
	<b>83,191,380</b>	<b>22,328,825</b>	<b>105,520,205</b>
<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
	<b>80,962,593</b>	<b>2,578,386</b>	<b>83,540,979</b>
<b>Receivables</b>			
Assessments	1,200,981	-	1,200,981
Municipal Improvement Notes	5,130	-	5,130
	<b>1,206,111</b>	<b>-</b>	<b>1,206,111</b>
<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)
	<b>781,164,516</b>	<b>276,392,460</b>	<b>1,057,556,976</b>
	<b>863,333,220</b>	<b>278,970,846</b>	<b>1,142,304,066</b>
	<b>946,524,600</b>	<b>301,299,671</b>	<b>1,247,824,271</b>
<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
	<b>13,066,988</b>	<b>1,898,264</b>	<b>14,965,252</b>
	<b>959,591,588</b>	<b>303,197,935</b>	<b>1,262,789,523</b>

See accompanying notes.

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

**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	\$ 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
Total Current Liabilities	<u>34,104,771</u>	<u>2,120,985</u>	<u>36,225,756</u>
<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
Total Noncurrent Liabilities	<u>444,289,312</u>	<u>10,230,820</u>	<u>454,520,132</u>
Total Liabilities	<u>478,394,083</u>	<u>12,351,805</u>	<u>490,745,888</u>
<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
Total Deferred Inflows of Resources	<u>2,716,282</u>	<u>734,792</u>	<u>3,451,074</u>
Total Liabilities and Deferred Inflows of Resources	<u>481,110,365</u>	<u>13,086,597</u>	<u>494,196,962</u>
<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
Total Net Position	<u>478,481,223</u>	<u>290,111,338</u>	<u>768,592,561</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<u>\$ 959,591,588</u>	<u>\$ 303,197,935</u>	<u>\$ 1,262,789,523</u>

See accompanying notes.

**SANITATION DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2020**

	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>
<b>Operating Revenues</b>			
Sewer Service Charges	\$ 93,494,058	\$ -	\$ 93,494,058
Storm Water Charges	-	13,647,164	13,647,164
Permits and Tap-In Fees	4,232,930	79,339	4,312,269
Sludge Hauling	717,245	-	717,245
Inspections	140,773	125,285	266,058
Penalties	824,402	110,056	934,458
Contractual Services	158,882	-	158,882
Bad Debt Recoveries	16,956	2,155	19,111
Other Revenues	(187,193)	25,518	(161,675)
	<u>99,398,053</u>	<u>13,989,517</u>	<u>113,387,570</u>
<b>Operating Expenses</b>			
Operation, Maintenance and Administration	33,622,029	5,826,994	39,449,023
Major Repairs and Other	1,786,245	247,104	2,033,349
Depreciation	26,587,626	14,281,405	40,869,031
	<u>61,995,900</u>	<u>20,355,503</u>	<u>82,351,403</u>
Total Operating Expenses	<u>61,995,900</u>	<u>20,355,503</u>	<u>82,351,403</u>
Operating Income (Loss)	<u>37,402,153</u>	<u>(6,365,986)</u>	<u>31,036,167</u>
<b>Non-Operating Income (Expense)</b>			
Interest Income	2,244,869	330,022	2,574,891
Interest on Long-Term Debt	(12,300,969)	(27,927)	(12,328,896)
Bond Issuance Costs	(770,627)	-	(770,627)
Loss on Disposal of Capital Assets	(170,075)	(59,437)	(229,512)
Federal Credits on Build America Bonds	1,512,972	-	1,512,972
Families First Coronavirus Response Act Credits	127,145	22,862	150,007
Pension Expense	(2,739,498)	(508,817)	(3,248,315)
Other Postemployment Benefits Expense (Revenue)	(118,255)	35,640	(82,615)
Net Appreciation in Fair Market Value of Investments	661,415	14,636	676,051
	<u>(11,553,023)</u>	<u>(193,021)</u>	<u>(11,746,044)</u>
Total Non-Operating Income (Expense)	<u>(11,553,023)</u>	<u>(193,021)</u>	<u>(11,746,044)</u>
Change in Net Position Before Capital Contributions	25,849,130	(6,559,007)	19,290,123
Capital Contributions	3,638,090	4,953,382	8,591,472
Change in Net Position	29,487,220	(1,605,625)	27,881,595
<b>Net Position - Beginning of Year</b>	<u>478,481,223</u>	<u>290,111,338</u>	<u>768,592,561</u>
<b>Net Position - End of Year</b>	<u>\$ 507,968,443</u>	<u>\$ 288,505,713</u>	<u>\$ 796,474,156</u>

See accompanying notes.

**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>
Total Operating Expenses			
	<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
Interest on Long-Term Debt	(15,645,240)	(29,971)	(15,675,211)
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>(11,181,015)</u>	<u>(427,558)</u>	<u>(11,608,573)</u>
Total Non-Operating Income (Expense)			
	<u>(11,181,015)</u>	<u>(427,558)</u>	<u>(11,608,573)</u>
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
	<u>27,372,371</u>	<u>(2,199,408)</u>	<u>25,172,963</u>
Change in Net Position			
	<u>27,372,371</u>	<u>(2,199,408)</u>	<u>25,172,963</u>
<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 CASH FLOWS  
YEAR ENDED JUNE 30, 2020**

	<b>Business-Type Activities Enterprise Funds</b>		
	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Received From Customers	\$ 99,364,342	\$ 13,800,045	\$ 113,164,387
Paid to Suppliers for Goods and Services	(18,594,674)	(2,665,588)	(21,260,262)
Paid to or on Behalf of Employees for Services	<u>(16,273,718)</u>	<u>(4,374,528)</u>	<u>(20,648,246)</u>
Net Cash Provided by Operating Activities	<u>64,495,950</u>	<u>6,759,929</u>	<u>71,255,879</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Federal Credits on Build America Bonds	1,512,972	-	1,512,972
Payments on Long Term Debt	(18,826,960)	(94,088)	(18,921,048)
Acquisition and Construction of Capital Assets, Net of Capital Contributions	(20,243,637)	(6,098,700)	(26,342,337)
Proceeds From Sales of Capital Assets	71,578	-	71,578
Interest Paid	(15,729,959)	(28,100)	(15,758,059)
Principal Received on Assessments	55,631	-	55,631
Assessment Interest Income	<u>34,504</u>	<u>-</u>	<u>34,504</u>
Net Cash Flows Used by Non-Capital Financing Activities	<u>(53,125,871)</u>	<u>(6,220,888)</u>	<u>(59,346,759)</u>
<b>Cash Flows From Non-Capital and Related Financing Activities</b>			
Families First Coronavirus Response Act Credits	<u>127,145</u>	<u>22,862</u>	<u>150,007</u>
<b>Cash Flows From Investing Activities</b>			
Interest Income	2,281,296	329,644	2,610,940
Proceeds From the Sale of Investments	41,894,452	1,245,495	43,139,947
Purchase of Investments	<u>(36,358,802)</u>	<u>(1,250,753)</u>	<u>(37,609,555)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>7,816,946</u>	<u>324,386</u>	<u>8,141,332</u>
Net Change in Cash	19,314,170	886,289	20,200,459
<b>Cash and Cash Equivalents July 1, 2019</b>	<u>63,240,444</u>	<u>19,488,630</u>	<u>82,729,074</u>
<b>Cash and Cash Equivalents June 30, 2020</b>	<u>\$ 82,554,614</u>	<u>\$ 20,374,919</u>	<u>\$ 102,929,533</u>

See accompanying notes.

**SANITATION DISTRICT NO. 1**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2020**  
(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 (Loss) to</b>			
<b>Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ 37,402,153	\$ (6,365,986)	\$ 31,036,167
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	26,587,626	14,281,405	40,869,031
Assessment Bad Debt	315,094	-	315,094
Change in Assets and Liabilities			
Accounts Receivable	(324,460)	(166,472)	(490,932)
Accrued Unbilled Charges	(24,345)	(23,000)	(47,345)
Prepaid Items and Deposits	18,444	668	19,112
Rebate Refunding	-	-	-
Accounts Payable	810,876	(870,555)	(59,679)
Accrued Payroll and Benefits	(511,883)	(133,095)	(644,978)
Compensated Absences	109,507	36,964	146,471
Accrued Taxes and Pension	187,126	-	187,126
Sales Tax Payable	(30,885)	-	(30,885)
Other Liabilities	(43,303)	-	(43,303)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 64,495,950</u>	<u>\$ 6,759,929</u>	<u>\$ 71,255,879</u>
<b>Supplemental Schedule of Noncash Capital and Related Financing Activities</b>			
Change in Fair Value of Investments	\$ <u>661,415</u>	\$ <u>14,636</u>	\$ <u>676,051</u>
Investment Fees	\$ <u>(59,126)</u>	\$ <u>(1,634)</u>	\$ <u>(60,760)</u>
Contributions of Capital Assets	\$ <u>3,638,090</u>	\$ <u>4,953,382</u>	\$ <u>8,591,472</u>
Pension Expense	\$ <u>(2,739,498)</u>	\$ <u>(508,817)</u>	\$ <u>(3,248,315)</u>
Other Postemployment Benefit Expense	\$ <u>(118,255)</u>	\$ <u>35,640</u>	\$ <u>(82,615)</u>
Amortization Expense	\$ <u>2,138,161</u>	\$ <u>-</u>	\$ <u>2,138,161</u>
<b>Reconciliations of Cash and Cash Equivalents to the Statement of Net Position</b>			
Cash and Cash Equivalents - Current	\$ 81,343,141	\$ 18,899,551	\$ 100,242,692
Cash and Cash Equivalents - Restricted	<u>1,211,473</u>	<u>1,475,368</u>	<u>2,686,841</u>
<b>Cash and Cash Equivalents June 30, 2020</b>	<u>\$ 82,554,614</u>	<u>\$ 20,374,919</u>	<u>\$ 102,929,533</u>

See accompanying notes.

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

	<b>Business-Type Activities 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 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, 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 Used by Capital and Related 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 Investing 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)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 61,910,441</u>	<u>\$ 8,071,449</u>	<u>\$ 69,981,890</u>
<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 Benefits Expense (Revenue)	<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>	<u>\$ 63,240,444</u>	<u>\$ 19,488,630</u>	<u>\$ 82,729,074</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.

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

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

**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.

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

**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 \$11,069,670 and \$11,022,325 as of June 30, 2020 and 2019, 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, 2020 and 2019 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.

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

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.

**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

Interest cost incurred before the end of a construction period is recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

**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, 2020 and 2019 were \$1,145,812 and \$999,341, 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, 2020 and 2019.

**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 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Recently Issued Significant Accounting Standards***Certain Asset Retirement Obligations*

GASB Statement No. 83, *Certain Asset Retirement Obligations* was issued to address accounting and financial reporting for certain retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government has a legal obligation to perform future asset retirement activities related to its tangible capital assets and should recognize a liability based on the guidance in this statement. The requirements of GASB Statement No. 83 are effective for fiscal years beginning after June 15, 2019. SD1 is currently evaluating the impact GASB Statement No. 83 may have on its financial statements.

*Fiduciary Activities*

GASB Statement No. 84, *Fiduciary Activities* was issued to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The requirements of GASB Statement No. 84 are effective for fiscal years beginning after December 15, 2020. SD1 is currently evaluating the impact GASB Statement No. 84 may have on its financial statements.

*Certain Disclosures Related to Debt*

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued to improve the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of GASB Statement No. 88 are effective for fiscal years beginning after June 15, 2019. SD1 is currently evaluating the impact GASB Statement No. 88 may have on its financial statements.

*Majority Equity Interests*

GASB Statement No. 90, *Majority Equity Interests—an Amendment of GASB Statement No.14 and No.61*, was issued to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of GASB Statement No. 90 are effective for fiscal years beginning after December 15, 2019. SD1 is currently evaluating the impact GASB Statement No. 90 may have on its financial statements.

*Lease Accounting Standard*

GASB Statement No. 87, *Leases*, was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The requirements of GASB Statement No. 87 are effective for fiscal year beginning after June 15, 2021. SD1 is currently evaluating the impact GASB Statement No. 87 may have on its financial statements.

**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 record 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, 2020 and 2019, 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, 2020 and 2019 of \$76,485,253 and \$81,381,605, 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)**

The quality ratings for the municipal bonds as of June 30, 2020 and 2019:

Quality Ratings	Years Ended June 30,	
	2020	2019
A	\$ 250,350	\$ 250,543
AA	101,789	655,839
AA-	-	644,258
AA+	405,037	573,811
AAA	284,427	1,010,491
Not Rated	438,879	436,542
Total Municipal Bonds	<u>\$ 1,480,482</u>	<u>\$ 3,571,484</u>

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, 2020 and 2019:

	Years Ended June 30,	
	2020	2019
Pursuant to Trust Indenture		
Principal and Interest Accounts	\$ 15,565,419	\$ 16,834,794
Debt Service Reserve	24,521,800	29,192,440
Operation and Maintenance Fund	10,546,917	10,216,682
Improvement, Repair, and Replacement	19,034,197	18,532,814
Self Insurance Fund	7,029,336	6,848,198
Total Pursuant to Trust Indenture	76,697,669	81,624,928
Pursuant to Other Uses		
Agreed Order/Settlement	2,686,841	1,916,051
Total Restricted Assets	<u>\$ 79,384,510</u>	<u>\$ 83,540,979</u>

**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, 2020:

	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ -	\$ 18,468,296	\$ -	\$ 18,468,296
Municipal Bonds	-	1,480,482	-	1,480,482
Treasury Bonds	-	17,650,038	-	17,650,038
Agency Bonds	-	38,886,437	-	38,886,437
	<hr/>	<hr/>	<hr/>	<hr/>
Total Investments at Fair Value	\$ -	\$ 76,485,253	\$ -	\$ 76,485,253

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

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
	<hr/>	<hr/>	<hr/>	<hr/>
Total Investments at Fair Value	\$ -	\$ 81,381,605	\$ -	\$ 81,381,605

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for SD1 for the year ended June 30, 2020, was as follows:

Sanitation Fund	Balance June 30, 2019	Additions	Retirements /Transfers	Balance June 30, 2020
<b>Capital Assets Not Being Depreciation</b>				
Land	\$ 16,310,617	\$ 651,077	\$ -	\$ 16,961,694
Construction in Progress	15,080,010	21,050,614	24,677,227	11,453,397
<b>Total Capital Assets Not Being Depreciated</b>	<b>31,390,627</b>	<b>21,701,691</b>	<b>24,677,227</b>	<b>28,415,091</b>
<b>Depreciable Capital Assets</b>				
Land Improvements	4,615,156	97,857	-	4,713,013
Collection System	718,449,853	22,400,750	1,210,782	739,639,821
Pumping System	101,489,975	2,572,644	829,568	103,233,051
Treatment and Disposal	264,780,931	1,108,563	169,865	265,719,629
General Buildings and Structures	30,096,796	3,365	-	30,100,161
Office Furniture and Equipment	8,023,896	340,619	-	8,364,515
Vehicle and Accessories	8,730,255	45,701	211,849	8,564,107
Machinery and Equipment	5,646,769	287,764	137,411	5,797,122
Software Model Development	15,908,869	-	-	15,908,869
<b>Total Depreciable Capital Assets</b>	<b>1,157,742,500</b>	<b>26,857,263</b>	<b>2,559,475</b>	<b>1,182,040,288</b>
<b>Total Capital Assets at Historical Cost</b>	<b>1,189,133,127</b>	<b>48,558,954</b>	<b>27,236,702</b>	<b>1,210,455,379</b>
<b>Less Accumulated Depreciation</b>				
Land Improvements	1,883,872	116,580	-	2,000,452
Collection System	206,011,244	14,754,869	1,008,776	219,757,337
Pumping System	54,114,514	4,560,805	829,536	57,845,783
Treatment and Disposal	93,749,800	5,976,773	169,866	99,556,707
General Buildings and Structures	16,571,791	505,872	-	17,077,663
Office Furniture and Equipment	6,861,416	306,366	-	7,167,782
Vehicle and Accessories	8,521,785	66,403	211,849	8,376,339
Machinery and Equipment	4,345,320	299,958	97,795	4,547,483
Software Model Development	15,908,869	-	-	15,908,869
<b>Total Accumulated Depreciation</b>	<b>407,968,611</b>	<b>26,587,626</b>	<b>2,317,822</b>	<b>432,238,415</b>
<b>Depreciable Capital Assets, Net</b>	<b>749,773,889</b>	<b>269,637</b>	<b>241,653</b>	<b>749,801,873</b>
<b>Sanitation Fund Capital Assets, Net</b>	<b>\$ 781,164,516</b>	<b>\$ 21,971,328</b>	<b>\$ 24,918,880</b>	<b>\$ 778,216,964</b>

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

Storm Water Fund	Balance June 30, 2019	Additions	Retirements /Transfers	Balance June 30, 2020
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 1,238,152	\$ 378,874	\$ -	\$ 1,617,026
Construction in Progress	2,350,521	6,348,737	8,001,083	698,175
<b>Total Capital Assets Not Being Depreciated</b>	<b>3,588,673</b>	<b>6,727,611</b>	<b>8,001,083</b>	<b>2,315,201</b>
<b>Depreciable Capital Assets</b>				
Vehicles	109,944	-	-	109,944
Machinery and Equipment	126,577	9,933	-	136,510
Storm Water Collection System	396,792,114	12,315,621	614,100	408,493,635
Software Model Development	5,645,160	-	-	5,645,160
<b>Total Depreciable Capital Assets</b>	<b>402,673,795</b>	<b>12,325,554</b>	<b>614,100</b>	<b>414,385,249</b>
<b>Total Capital Assets at Historical Cost</b>	<b>406,262,468</b>	<b>19,053,165</b>	<b>8,615,183</b>	<b>416,700,450</b>
<b>Less Accumulated Depreciation</b>				
Vehicles	89,424	3,735	-	93,159
Machinery and Equipment	69,650	12,757	-	82,407
Storm Water Collection System	124,065,774	14,264,913	554,663	137,776,024
Software Model Development	5,645,160	-	-	5,645,160
<b>Total Accumulated Depreciation</b>	<b>129,870,008</b>	<b>14,281,405</b>	<b>554,663</b>	<b>143,596,750</b>
<b>Depreciable Capital Assets, Net</b>	<b>272,803,787</b>	<b>(1,955,851)</b>	<b>59,437</b>	<b>270,788,499</b>
<b>Storm Water Fund Capital Assets, Net</b>	<b>\$ 276,392,460</b>	<b>\$ 4,771,760</b>	<b>\$ 8,060,520</b>	<b>\$ 273,103,700</b>

**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, 2020 and 2019.

	Years Ended June 30,	
	2020	2019
Assessments	\$ 835,386	\$ 1,200,981
Improvement Notes	-	5,130
<b>Total</b>	<b>\$ 835,386</b>	<b>\$ 1,206,111</b>

**NOTE 7 – LONG-TERM DEBT****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.

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.

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

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.

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

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 Amount</u>	<u>Interest Amount</u>	<u>Total Debt Service</u>
2021	\$ 8,541,534	\$ 1,949,699	\$ 10,491,233
2022	8,696,563	1,794,669	10,491,232
2023	8,854,897	1,636,336	10,491,233
2024	9,016,613	1,474,620	10,491,233
2025	9,181,793	1,309,440	10,491,233
2026-2030	42,946,099	4,106,884	47,052,983
2031-2035	25,242,969	1,125,919	26,368,888
2036-2039	3,269,233	133,411	3,402,644
Total	<u>\$ 115,749,701</u>	<u>\$ 13,530,978</u>	<u>\$ 129,280,679</u>

**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. This bond was refinanced during the fiscal year ending June 30, 2020.

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. This bond was refinanced during the fiscal year ending June 30, 2020.

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. This bond was refinanced during the fiscal year ending June 30, 2020.

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.

Refunding Revenue Bonds, Series 2019

In September 2019, bonds in the total amount of \$99,490,000 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 2019 Bonds were used to defease \$42,850,000 of the 2009A Bonds, \$59,400,000 of the 2010A Bonds, \$5,650,000 of the 2010C Bonds, and to pay the necessary costs and expenses incident to the issuance and delivery of the Series 2019 Bonds.

The reacquisition price exceeded the net carrying amount of the refunded debt by \$827,261. This amount is amortized over the remaining life of the new debt. The refunding reduces its total debt service over 21 years by \$39,968,167 and obtains an economic gain (difference between the present values of the old and new debt service) of \$18,271,375.

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

The original amount of each outstanding issue, the issue date, interest rates and outstanding balances at June 30, 2020 are summarized below:

Issue Date	Original Amount	Interest	Outstanding Balance at June 30,	
			2020	2019
Series 2009	\$ 54,800,000	1.70 - 7.13%	\$ -	\$ 44,215,000
Series 2010 A	\$ 75,000,000	1.00 - 6.25%	-	61,300,000
Series 2010 B	\$ 42,310,000	2.00 - 4.00%	28,495,000	30,320,000
Series 2010 C	\$ 19,600,000	0.80 - 4.85%	-	8,200,000
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%	108,355,000	112,250,000
Series 2019	\$ 99,490,000	2.25 - 5.00%	99,490,000	-
Plus: Unamortized Bond Premium			20,503,060	11,969,823
			<u>\$ 297,748,060</u>	<u>\$ 309,159,823</u>

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, 2020 for debt service (principal and interest) are as follows:

Years	Principal Amount	Interest Amount	Federal Rebate	Sequester Reduction	Total Debt Service
2021	\$ 10,360,000	\$ 11,987,413	\$ (1,110,561)	\$ 64,413	\$ 21,301,265
2022	10,865,000	11,476,038	(1,110,561)	63,302	21,293,779
2023	11,395,000	10,939,563	(1,110,561)	68,299	21,292,301
2024	11,955,000	10,376,638	(1,110,561)	73,297	21,294,374
2025	12,525,000	9,785,415	(1,089,963)	71,938	21,292,390
2026-2030	71,995,000	38,941,438	(4,743,568)	313,075	106,505,945
2031-2035	78,315,000	21,616,319	(3,293,021)	217,339	96,855,637
2036-2040	63,720,000	6,846,893	(1,469,581)	96,992	69,194,304
2041	6,115,000	143,288	(44,297)	2,924	6,216,915
Total	<u>\$ 277,245,000</u>	<u>\$ 122,113,005</u>	<u>\$ (15,082,674)</u>	<u>\$ 971,579</u>	<u>\$ 385,246,910</u>

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

Changes in long-term liabilities are as follows:

	Debt Outstanding June 30, 2019	Additions of New Debt	Retirements and Repayments	Debt Outstanding June 30, 2020	Amounts Due Within 1 Year
<b>Bond Indebtedness</b>					
Series 2009 A BAB	\$ 44,215,000	\$ -	\$ 44,215,000	\$ -	\$ -
Series 2009 Bond Discount	(17,576)	-	(17,576)	-	-
Series 2010 A BAB	61,300,000	-	61,300,000	-	-
Series 2010 A Bond Premium	80,178	-	80,178	-	-
Series 2010 B REF	30,320,000	-	1,825,000	28,495,000	1,885,000
Series 2010 B Bond Premium	305,860	-	88,262	217,598	68,232
Series 2010 C BAB	8,200,000	-	8,200,000	-	-
Series 2010 D RZED	40,905,000	-	-	40,905,000	-
Series 2010 C&D Bond Premium	150,015	-	42,131	107,884	8,558
Series 2016 REF	112,250,000	-	3,895,000	108,355,000	4,095,000
Series 2016 Bond Premium	11,451,346	-	1,620,709	9,830,637	1,501,848
Series 2019 REF	-	99,490,000	-	99,490,000	4,380,000
Series 2019 Bond Premium	-	11,051,879	704,938	10,346,941	1,618,359
<b>Total Bond Indebtedness</b>	<b>309,159,823</b>	<b>110,541,879</b>	<b>121,953,642</b>	<b>297,748,060</b>	<b>13,556,997</b>
<b>Notes Payable</b>					
KIA Loan A04-09	16,109,742	-	1,690,564	14,419,178	1,741,662
KIA Loan A08-04	50,016,013	-	3,345,578	46,670,435	3,379,118
KIA Loan A09-04	3,303,111	-	235,075	3,068,036	239,799
KIA Loan A09-05	3,401,541	-	265,866	3,135,675	271,210
KIA Loan A09-06	9,431,372	-	590,028	8,841,344	601,887
KIA Loan A09-07	3,391,603	-	221,186	3,170,417	225,631
KIA Loan A09-08	1,591,744	-	99,580	1,492,164	101,581
KIA Loan A09-09	5,975,765	-	373,844	5,601,921	381,359
KIA Loan A10-11	12,567,742	-	726,211	11,841,531	740,808
KIA Loan A11-13	10,575,898	-	448,356	10,127,542	457,368
KIA Loan A11-14	3,991,432	-	160,580	3,830,852	167,564
KIA Loan A12-02	611,226	-	39,861	571,365	40,663
KIA Loan A15-103	1,867,880	-	95,231	1,772,649	96,906
KIA Loan A209-02	441,332	-	31,409	409,923	32,040
KIA Loan A209-03	464,054	-	34,580	429,474	35,275
KIA Loan A209-01	117,874	-	9,213	108,661	9,398
KIA Loan A209-04	277,420	-	18,886	258,534	19,265
<b>Total Notes Payable</b>	<b>124,135,749</b>	<b>-</b>	<b>8,386,048</b>	<b>115,749,701</b>	<b>8,541,534</b>
Compensated Absences	999,341	146,471	-	1,145,812	251,938
Net Pension Liability	32,157,114	4,237,766	-	36,394,880	-
Net OPEB Liability	9,374,446	-	672,331	8,702,115	-
<b>Total Long-Term Liabilities</b>	<b>\$ 475,826,473</b>	<b>\$ 114,926,116</b>	<b>\$ 131,012,021</b>	<b>\$ 459,740,568</b>	<b>\$ 22,350,469</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**

Age	Years of Service	Allowance Reduction
65	1 month	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for the 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 the 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**

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for the 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**

Age	Years of Service	Allowance Reduction
65	5	None
57	Rule of 87	None

**Benefit Formula for Tiers 1 & 2**

Final Compensation	X	Benefit Factor	X	Years of Service
Average of the five highest years of compensation 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.		
		2.00% if:		
		Member begins participating on or after 08/01/2004 and before 09/01/2008.		
Average of the last complete five years of compensation if participation began on or after 09/01/2008 but before 01/01/2014.		Increasing percent based on service at retirement up to 30 years* 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%)**

NOTE 8 – PENSION PLAN (Continued)

Benefit Formula for Tiers 3					
(A-B) = C X 75% = D then B+D = Interest					
A	B	C	D	Interest Rate Earned (4% + Upside)	Total Interest Credited to Members' Accounts
5 Year Geometric Average Return	Less Guarantee Rate	Upside Sharing Interest	Interest Rate Earned		
5.51%	4.00%	1.51%	1.13%	5.13%	\$ 6,360,000
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 at the greatest of 20% for non-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 of the member's monthly final rate of pay or the annuitized hypothetical 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.

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.

*Contributions:* The employee contribution rate is set by state statute. Non-Hazardous employees contribute 5.00% of their annual creditable compensation. Employees hired on or after September 1, 2008, contribute an additional 1.00% to health insurance.

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 8 – PENSION 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, 2020 and 2019, participating employers contributed 24.06% (19.30% pension fund and 4.76% insurance fund) and 21.48% (16.22% pension fund and 5.26% 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 \$2,638,931 and \$2,153,407 for the years ended June 30, 2020 and 2019, respectively.

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

**Plan Information for June 30, 2020 Financial Statements**

At June 30, 2020, SD1 reported a liability of \$36,394,880, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2019, 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, 2020, SD1’s proportion for the non-hazardous system was 0.517484%, which was a decrease of 0.010521% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, SD1 recognized pension expense of \$3,248,315. At June 30, 2020, SD1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	\$ -	\$ 586,700
Difference Between Expected and Actual Experience	929,271	153,778
Changes of Assumptions	3,683,574	-
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	-	629,631
Contributions After Measurement Date	2,638,931	-
Total	\$ 7,251,776	\$ 1,370,109

**NOTE 8 – PENSION PLAN (Continued)**

The \$2,638,931 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, 2021. 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 June 30,		
2021	\$	2,202,430
2022		688,219
2023		310,463
2024		41,624
Total	\$	3,242,736

*Actuarial assumptions:* The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	24 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	2.30%
Salary Increase	3.30% to 10.30%, varies by service
Investment Rate of Return	6.25% net of pension plan investment expense, including inflation

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.

**NOTE 8 – PENSION 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 Nominal Return
Growth		
US Equity	18.75 %	4.30 %
Non-US Equity	18.75	4.80
Private Equity	10.00	6.65
Specialty Credit/High Yield	15.00	2.60
Liquidity		
Core Bonds	13.50	1.35
Cash	1.00	0.20
Diversifying Strategies		
Real Estate	5.00	4.85
Opportunistic	3.00	2.97
Real Return	15.00	4.10
Total	100.00 %	

*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 each fund receives the employer required contributions each future year as determined by the current funding policy established in statute, which includes the phase-in provisions from House Bill 362 (passed in 2018) that applies to CERS.

*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:

1% Decrease	Current Discount Rate	1% Increase
\$ 45,519,672	\$ 36,394,880	\$ 28,789,455

**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 Outflows of Resources	Deferred Inflows of 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 Employer Contributions and Proportionate Share 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 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 market value of assets and the expected 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 expense, including inflation

**NOTE 8 – PENSION PLAN (Continued)**

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		
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	100.00 %	

*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.

**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 Discount Rate</u>	<u>1% Increase</u>
\$ 40,482,746	\$ 32,157,114	\$ 25,181,918

**Payables to the Pension Plan**

At June 30, 2020 and 2019, 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 only 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. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty.

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.

**NOTE 9 – OPEB PLAN (Continued)**

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

*Contributions:* The employee contribution rate is set by state statute. Non-Hazardous employees contribute 5.00% of their annual creditable compensation. Employees hired on or after September 1, 2008, contribute an additional 1.00% to health insurance.

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, 2020 and 2019, participating employers contributed 24.06% (19.30% pension fund and 4.76% insurance fund) and 21.48% (16.22% pension fund and 5.26% 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 \$650,845 and \$698,331 for the year ended June 30, 2020 and 2019, respectively.

**NOTE 9 – OPEB PLAN (Continued)**

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

**Plan Information for June 30, 2020 Financial Statements**

At June 30, 2020, SD1 reported a liability of \$8,702,115 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The total OPEB liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2019, 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, 2020, the SD1’s proportion for the non-hazardous system was 0.517381%, which was a decrease of 0.010614% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2020, SD1 recognized OPEB expense of \$82,615. At June 30, 2020, SD1 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 2,625,630
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	386,510
Changes Of Assumptions	2,575,037	17,219
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	379,246
Commission Contributions Subsequent to the Measurement Date	650,845	-
<b>Total</b>	<b>\$ 3,225,882</b>	<b>\$ 3,408,605</b>

\$650,845 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, 2021. 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 June 30,		
2021	\$	(146,091)
2022		(146,091)
2023		(23,203)
2024		(258,427)
2025		(220,012)
Thereafter		(39,744)
<b>Total</b>	<b>\$</b>	<b>(833,568)</b>

**NOTE 9 – OPEB PLAN (Continued)**

*Actuarial assumptions:* The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2019
Experience Study	July 1, 2013 – June 30, 2018
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Amortization Period	24 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	2.00%
Inflation	2.30%
Salary Increase	3.30% to 10.30%, varies by services
Investment Rate of Return	7.50%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 7.25% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 5.10% at January 1, 2019 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Nominal Return</u>
Growth		
US Equity	18.75 %	4.30 %
Non-US Equity	18.75	4.80
Private Equity	10.00	6.65
Specialty Credit/High Yield	15.00	2.60
Liquidity		
Core Bonds	13.50	1.35
Cash	1.00	0.20
Diversifying Strategies		
Real Estate	5.00	4.85
Opportunistic	3.00	2.97
Real Return	<u>15.00</u>	4.10
Total	<u>100.00 %</u>	

**NOTE 9 – OPEB PLAN (Continued)**

*Discount rate:* The discount rate used to measure the total OPEB liability was 5.68% for non-hazardous and 5.69% 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 3.13%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2019. Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan’s insurance fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on Insurance Plan investments was applied to all period of the projected benefit payments paid from the retirement plan. However, the cost associated with the implicit subsidy will not be paid out of the Plan’s trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The projection of cash flows used to determine the single discount rate assumes that the fund receive the required employer contributions each future year, as determined by the current funding policy established in Statute as last amended by House Bill 362 (passed in 2018).

*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 (4.68% for non-hazardous) or 1-percentage-point higher (6.68% for non-hazardous) than the current rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 11,657,255	\$ 8,702,115	\$ 6,267,277

*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:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
\$ 6,471,808	\$ 8,702,115	\$ 11,406,628

*Changes of assumptions:* As a result of the 2018 experience study, the salary increase assumptions, retirement rate assumptions, mortality assumptions, withdraw rates, and rates of disablement were updated for the 2019 actuarial valuation. The medical trend assumption rate was also updated for the 2019 actuarial valuation as a result of an annual review of this particular assumption.

**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 its proportion measured as of June 30, 2018.

**NOTE 9 – OPEB PLAN (Continued)**

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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	698,331	-
<b>Total</b>	<b>\$ 2,570,546</b>	<b>\$ 1,998,323</b>

\$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 ending June 30, 2020. 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 June 30,	
2020	\$ (12,551)
2021	(12,551)
2022	(12,551)
2023	112,858
2024	(127,262)
Thereafter	(74,051)
Total	\$ (126,108)

*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.

**NOTE 9 – OPEB PLAN (Continued)**

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 (make 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
Total	100.00 %	

*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.

**NOTE 9 – OPEB PLAN (Continued)**

*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:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 12,175,903	\$ 9,374,446	\$ 6,988,117

*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:

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

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

**Payables to the OPEB Plan**

At June 30, 2020 and 2019, 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 \$1,403,902 for a net asset value of \$897,000.

Future minimum rentals to be received are as follows:

<u>Years Ending June 30,</u>	
2021	\$ 162,126
2022	<u>166,989</u>
Total	<u>\$ 329,115</u>

**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, 2020 and 2019 were \$52,925 and \$44,588, respectively.

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

Years Ending June 30,		
2021	\$	52,608
2022		35,832
2023		25,160
2024		5,304
Total	\$	118,904

**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 12 new agreements totaling \$998,348 for the year ended June 30, 2020 and 13 new agreements totaling \$687,818 for the year ended June 30, 2019.

**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 \$332,684 and \$351,115 has been recorded in the accompanying financial statements which is management’s estimate of the unspent balances as of June 30, 2020 and 2019, 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 12 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 Kentucky Court of Appeals upheld the trial court's ruling on six of Coppage's seven claims against SD1. The Court of Appeals reversed the trial court and determined that Coppage's partnership by estoppel claim should proceed to trial. SD1 filed a Petition for Rehearing in the Court of Appeals which was denied. Coppage filed a Motion for Discretionary Review with the Kentucky Supreme Court challenging the Court of Appeals' ruling upholding the dismissal of the other six claims. SD1 filed a Response opposing that motion. It is currently under submission with the Kentucky Supreme Court.

On August 26, 2009, two individuals challenged the Kentucky Pollutant Discharge Elimination System permit issued by the Kentucky Division of Water for SD1's new Western Regional Wastewater Reclamation Facility (WRWRF). The KPDES permit was issued July 22, 2009, and authorizes the discharge of wastewater from the WRWRF to the Ohio River. Petitioners contend that the permit is not sufficiently protective of water quality and, therefore, more stringent limitations should be imposed in the permit, including limitations for nitrogen and phosphorus, which are not currently limited. The Secretary of the Kentucky Energy and Environment Cabinet issued a Final Order upholding the KPDES permit in its entirety. SD1 and the Energy and Environment Cabinet 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. Petitioners never filed a reply brief, or asked for a hearing, as they stated they would do. The passage of time with no activity by Guilfoile or Bennett to move the case forward in the Franklin Circuit Court should only improve the mootness defense.

Despite multiple attempts at reaching out to opposing counsel, there still has been no movement on the case. A motion to dismiss has been prepared and we are currently still waiting on the Cabinet's counsel to review and confirm whether the Cabinet will jointly file the motion. Regardless of whether the Cabinet joins, we expect that can move forward with filing the motion soon and will set it for hearing before the Franklin Circuit Court.

**NOTE 15 – LITIGATION (Continued)**

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 filed its Answer and discovery commenced. Plaintiffs withdrew their request for class certification and the sole remaining Plaintiff is Eugene Doolin. The case has been held in abeyance pending a final decision in *Weinel v. SD1*.

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, 2020 and 2019:

Type of Coverage	Amount of Coverage	
	2020	2019
Property-Buildings, Pump Stations, Machinery	\$ 359,087,589	\$ 345,056,628
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	5,790,323
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
EDP-Hardware, Software	1,250,000	1,250,000
Sewer Backup	1,000,000	1,000,000
Telecommunications-Equipment	467,814	467,818
Electronic Vandalism	100,000	100,000
Telecommunications-Tower	89,600	89,600

**NOTE 17 – SUBSEQUENT EVENTS**

SD1 has evaluated subsequent events through December 8, 2020, which is the date the financial statements were available to be issued.

Prior to year-end, the World Health Organization announced a global health emergency later classified as a global pandemic as a result of the COVID-19 outbreak. The outbreak and response has impacted financial and economic markets across the World and within the United States of America. The full impact continues to evolve and, as such, it is uncertain as to the full magnitude that the pandemic will have on SD1's financial condition, liquidity, and future results of operations. Management is actively monitoring the possible effects on every aspect of SD1.

In August 2020, SD1 paid off KIA Loans A209-01, A209-02, A209-03, and A209-04 in the amount of \$1,206,592 in principal.

In October 2020, SD1 issued the Sanitation District Revenue Refunding Bonds, Series 2020 in the amount of \$61,535,000 for the purpose of refunding the Refunding Revenue Bonds, Series 2010B and Recovery Zone Economic Development Bonds, Series 2010D.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SANITATION DISTRICT NO. 1**  
**SCHEDULE OF SD1'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30, 2020**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
SD1's Proportion of the Net Pension Liability	0.517484%	0.528005%	0.540918%	0.544995%	0.566115%	0.564690%
SD1's Proportionate Share of the Net Pension Liability	\$ 36,394,880	\$ 32,157,114	\$ 31,661,594	\$ 26,833,461	\$ 24,340,276	\$ 18,320,686
SD1's Covered Payroll	\$ 13,229,298	\$ 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	275.11%	240.72%	237.37%	202.65%	182.91%	141.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

\* 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 PENSION CONTRIBUTIONS  
JUNE 30, 2020**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 2,638,931	\$ 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>(2,638,931)</u>	<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	\$ 13,594,328	\$ 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	19.41%	16.28%	14.48%	13.95%	12.42%	12.75%	13.74%

\* Only seven 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, 2020**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
SD1's Proportion of the Net OPEB Liability	0.517381%	0.527995%	0.540918%
SD1's Proportionate Share of the Net OPEB Liability	\$ 8,702,115	\$ 9,374,446	\$ 10,874,302
SD1's Covered Payroll	\$ 13,594,328	\$ 13,358,633	\$ 13,338,602
SD1's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll	64.01%	70.18%	81.53%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	60.44%	57.62%	52.39%

*\* Only three 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, 2020**

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 650,845	\$ 698,331	\$ 627,856	\$ 630,916
Contributions in Relation to the Contractually Required Contribution	<u>(650,845)</u>	<u>(698,331)</u>	<u>(627,856)</u>	<u>(630,916)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SD1's Covered Payroll	\$ 13,594,328	\$ 13,229,298	\$ 13,358,633	\$ 13,338,602
Contributions as a Percentage of Covered Payroll	4.79%	5.28%	4.70%	4.73%

*\* Only four 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, 2020**

	<u>Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Revenues</b>			
Sewer Service Charges	\$ 89,000,000	\$ 90,231,304	\$ 1,231,304
Storm Water Charges	13,253,000	13,647,164	394,164
Surcharges	2,551,150	3,262,754	711,604
Capacity Connection Fees	3,300,000	3,889,771	589,771
Penalties	1,469,000	920,708	(548,292)
Fines	18,500	13,750	(4,750)
Inspections	152,000	266,058	114,058
Permits	475,000	422,498	(52,502)
Project Reimbursements	-	(289,576)	(289,576)
Contractual Services	140,000	158,882	18,882
Sludge Hauling	450,000	717,245	267,245
Bad Debt Recoveries	21,500	19,111	(2,389)
Other Revenues	25,000	127,901	102,901
<b>Total Revenues</b>	<u>\$ 110,855,150</u>	<u>\$ 113,387,570</u>	<u>\$ 2,532,420</u>

See accompanying notes.

**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 Final Budget Favorable (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>\$ 106,256,549</b>	<b>\$ 109,017,581</b>	<b>\$ 2,761,032</b>

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, 2020**

	<u>Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Expenses</b>			
Salaries and Wages	\$ 2,252,219	\$ 2,246,574	\$ 5,645
Medical and Dental Self Insured Plan	646,170	544,951	101,219
Pension Plan	513,782	499,280	14,502
Payroll Taxes	172,295	165,051	7,244
Employee Benefits	38,266	32,349	5,917
Credit Charged to Capital Projects	-	(2,349)	2,349
Insurance and Bond	210,661	214,858	(4,197)
Professional and Contracted Services	239,390	197,608	41,782
Postage	1,620	1,551	69
Office and Operating Supplies	159,860	184,870	(25,010)
Travel, Training, and Certification	44,600	45,500	(900)
Operating Maintenance - Building Grounds	102,348	83,733	18,615
Subscriptions	949	540	409
Legal Advertising	-	168	(168)
Electric and Gas	1,150,000	1,186,002	(36,002)
Telephone and Radio	38,020	37,303	717
Water	44,000	71,474	(27,474)
Vehicle Fuels	51,391	33,292	18,099
Auto and Truck Expense	109,225	118,443	(9,218)
Sludge and Grit Removal	819,910	891,521	(71,611)
Safety Equipment Expense	20,000	14,938	5,062
Rental	8,400	11,506	(3,106)
Contract Labor - Building Maintenance	3,420	5,387	(1,967)
Chemicals	901,500	1,330,766	(429,266)
Fuel Oil	56,000	25,455	30,545
Maintenance Material - Plant Equipment	220,000	187,754	32,246
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Dry Creek Treatment Plant Expenses</b>	<b>\$ 7,804,026</b>	<b>\$ 8,128,525</b>	<b>\$ (324,499)</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<b>Variance with Final Budget (Unfavorable) Favorable</b>
<b>Expenses</b>			
Salaries and Wages	\$ 389,209	\$ 393,444	\$ (4,235)
Medical and Dental Self Insured Plan	105,447	80,332	25,115
Pension Plan	90,757	91,293	(536)
Payroll Taxes	29,775	28,195	1,580
Employee Benefits	7,260	6,691	569
Credit Charged to Capital Projects	-	(49,772)	49,772
Insurance and Bond	46,859	45,516	1,343
Professional and Contracted Services	60,400	64,073	(3,673)
Postage	200	-	200
Office and Operating Supplies	23,500	24,901	(1,401)
Travel and Certification	11,136	152	10,984
Operating Maintenance - Building Grounds	31,538	17,660	13,878
Subscriptions	400	337	63
Electric and Gas	322,440	290,441	31,999
Telephone and Radio	33,248	9,901	23,347
Water	6,500	8,997	(2,497)
Vehicle Fuels	12,026	8,620	3,406
Auto and Truck Expense	14,174	11,825	2,349
Sludge and Grit Removal	93,350	104,859	(11,509)
Safety Equipment Expense	6,200	1,028	5,172
SD1 Penalties and Fines Paid	-	944	(944)
Rentals	1,000	3,011	(2,011)
Chemicals	103,885	103,532	353
Fuel Oil	4,940	2,165	2,775
Maintenance Material - Plant Equipment	145,000	136,229	8,771
<b>Total Eastern Regional Reclamation Facility Expenses</b>	<b>\$ <u>1,539,244</u></b>	<b>\$ <u>1,384,374</u></b>	<b>\$ <u>154,870</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<b>Variance with Final Budget (Unfavorable) Favorable</b>
<b>Expenses</b>			
Salaries and Wages	\$ 655,462	\$ 657,914	\$ (2,452)
Medical and Dental Self Insured Plan	196,356	159,984	36,372
Pension Plan	156,622	156,424	198
Payroll Taxes	50,143	47,237	2,906
Employee Benefits	11,767	10,461	1,306
Credit Charged to Capital Projects	-	(319)	319
Insurance and Bond	79,675	78,808	867
Professional and Contracted Services	94,410	50,479	43,931
Postage	500	116	384
Office and Operating Supplies	35,205	51,205	(16,000)
Travel and Certification	6,031	819	5,212
Operating Maintenance - Building Grounds	40,454	31,742	8,712
Subscriptions	660	(167)	827
Contract Labor - Building Maintenance	2,040	-	2,040
Electric and Gas	750,000	757,214	(7,214)
Telephone and Radio	22,281	14,810	7,471
Water	3,060	-	3,060
Vehicle Fuels	3,415	3,314	101
Auto and Truck Expense	13,500	10,377	3,123
Sludge and Grit Removal	746,603	846,109	(99,506)
Safety Equipment Expense	8,000	4,832	3,168
SD1 Penalties and Fines Paid	-	9,000	(9,000)
Rental	3,000	1,850	1,150
Chemicals	89,783	138,049	(48,266)
Fuel Oil	5,668	118	5,550
Maintenance Material - Plant Equipment	145,000	133,660	11,340
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Western Regional Reclamation Facility Expenses</b>	<b>\$ 3,119,635</b>	<b>\$ 3,164,036</b>	<b>\$ (44,401)</b>

See accompanying notes.

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**COLLECTION SYSTEM**  
**YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<b>Variance with Final Budget (Unfavorable) Favorable</b>
<b>Expenses</b>			
Salaries and Wages	\$ 2,636,212	\$ 2,714,340	\$ (78,128)
Medical and Dental Self Insured Plan	758,575	660,167	98,408
Pension Plan	625,623	630,466	(4,843)
Payroll Taxes	201,670	193,880	7,790
Employee Benefits	47,071	40,371	6,700
Credit Charged to Capital Projects	(837,869)	(818,992)	(18,877)
Insurance and Bond	509,343	430,183	79,160
Professional and Contracted Services	975,066	762,321	212,745
Postage	4,370	4,929	(559)
Office and Operating Supplies	12,699	12,500	199
Travel and Certification	19,252	9,942	9,310
Subscriptions	2,036	1,359	677
Telephone and Radio	41,282	37,593	3,689
Vehicle Fuels	123,710	117,213	6,497
Auto and Truck Expense	305,753	327,848	(22,095)
Sludge and Grit Removal	18,750	21,362	(2,612)
Safety Equipment Expense	20,733	24,916	(4,183)
Maintenance Material - Collection Systems	348,000	332,016	15,984
Private Lateral Program	200,000	230,742	(30,742)
Basement Backup Program	150,000	225,302	(75,302)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Collection System Expenses</b>	<b>\$ 6,162,276</b>	<b>\$ 5,958,458</b>	<b>\$ 203,818</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, 2020**

	<u>Budget</u>	<u>Actual</u>	<b>Variance with Final Budget (Unfavorable) Favorable</b>
<b>Expenses</b>			
Salaries and Wages	\$ 797,768	\$ 847,767	\$ (49,999)
Medical and Dental Self Insured Plan	225,562	189,573	35,989
Pension Plan	188,267	196,344	(8,077)
Payroll Taxes	61,029	61,986	(957)
Employee Benefits	14,449	14,453	(4)
Credit Charged to Capital Projects	(37,100)	(64,763)	27,663
Insurance and Bond	123,587	178,059	(54,472)
Professional and Contracted Services	250,000	194,447	55,553
Office and Operating Supplies	18,300	14,026	4,274
Travel and Certification	13,500	2,898	10,602
Operating Maintenance - Building Grounds	32,000	30,585	1,415
Electric and Gas	1,650,840	1,813,817	(162,977)
Telephone and Radio	29,625	25,309	4,316
Water	20,000	37,190	(17,190)
Vehicle Fuels	33,842	31,418	2,424
Auto and Truck Expense	45,000	26,616	18,384
Sludge and Grit Removal	180,000	160,750	19,250
Safety Equipment Expense	10,000	9,832	168
Rental	51,068	48,308	2,760
Chemicals	1,681,337	1,385,523	295,814
Fuel Oil	10,500	5,484	5,016
Operating Maintenance - Pump Stations	200,000	186,235	13,765
<b>Total Pump Stations / Field Tech Expenses</b>	<b>\$ <u>5,599,574</u></b>	<b>\$ <u>5,395,857</u></b>	<b>\$ <u>203,717</u></b>

See accompanying notes.

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**OPERATIONS**  
**YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<b>Expenses</b>			
Salaries and Wages	\$ 1,153,049	\$ 1,091,923	\$ 61,126
Medical and Dental Self Insured Plan	255,987	213,911	42,076
Pension Plan	265,536	230,086	35,450
Payroll Taxes	88,208	79,879	8,329
Employee Benefits	11,728	10,020	1,708
Credit Charged to Capital Projects	(9,600)	(17,135)	7,535
Insurance and Bond	75,432	72,908	2,524
Professional and Contracted Services	299,031	207,342	91,689
Office and Operating Supplies	10,402	13,349	(2,947)
Travel and Certification	19,931	9,989	9,942
Operating Maintenance - Building Grounds	103,245	95,234	8,011
Subscriptions	4,564	2,096	2,468
Communications	-	5,136	(5,136)
Electric and Gas	123,375	107,412	15,963
Telephone and Radio	5,628	14,584	(8,956)
Water	19,500	16,047	3,453
Vehicle Fuels	6,831	3,664	3,167
Auto and Truck Expense	14,483	9,682	4,801
Safety Equipment Expense	1,305	592	713
SD1 Penalties and Fines Paid	-	210	(210)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Operations Expense</b>	<b>\$ 2,448,635</b>	<b>\$ 2,166,929</b>	<b>\$ 281,706</b>

See accompanying notes.

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**ENGINEERING**  
**YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Expenses</b>			
Salaries and Wages	\$ 1,308,031	\$ 1,299,854	\$ 8,177
Medical and Dental Self Insured Plan	296,288	254,087	42,201
Pension Plan	311,125	297,109	14,016
Payroll Taxes	100,064	94,984	5,080
Employee Benefits	16,204	13,121	3,083
Credit Charged to Capital Projects	(727,776)	(665,980)	(61,796)
Insurance and Bond	156,935	86,618	70,317
Professional and Contracted Services	923,567	682,712	240,855
Legal Services	50,000	41,148	8,852
Postage	750	127	623
Office and Operating Supplies	11,358	11,694	(336)
Travel and Certification	17,924	4,447	13,477
Subscriptions	2,573	1,937	636
Telephone and Radio	18,493	15,212	3,281
Vehicle Fuels	16,006	12,941	3,065
Auto and Truck Expense	6,034	9,864	(3,830)
Safety Equipment Expense	1,420	140	1,280
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Engineering Expenses</b>	<b>\$ 2,508,996</b>	<b>\$ 2,160,015</b>	<b>\$ 348,981</b>

See accompanying notes.

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**STORM WATER PROGRAM**  
**YEAR ENDED JUNE 30, 2020**

	<u>Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Expenses</b>			
Salaries and Wages	\$ 3,191,672	\$ 3,040,996	\$ 150,676
Board of Directors	6,805	6,806	(1)
Medical and Dental Self Insured Plan	744,909	605,083	139,826
Pension Plan	736,693	680,740	55,953
Payroll Taxes	244,163	223,345	20,818
Employee Benefits	44,885	40,470	4,415
Unemployment Tax	2,778	-	2,778
Credit Charged to Capital Projects	(351,874)	(319,045)	(32,829)
Insurance and Bond	77,489	34,034	43,455
Professional and Contracted Services	882,851	729,867	152,984
Legal Services	-	31,916	(31,916)
Bank Services	65,376	49,480	15,896
Auditing Services	8,333	7,075	1,258
Collection Agency Services	2,092	2,188	(96)
Postage	121,717	105,404	16,313
Office and Operating Supplies	85,367	71,364	14,003
Travel and Certification	52,946	29,004	23,942
Operating Maintenance - Building Grounds	40,415	41,237	(822)
Storm Water Program	38,000	36,559	1,441
Subscriptions	76,368	61,103	15,265
Communications	-	1,712	(1,712)
Legal Advertising	2,000	-	2,000
Electric and Gas	44,125	37,827	6,298
Telephone and Radio	56,381	49,651	6,730
Water	6,500	5,349	1,151
Vehicle Fuels	60,780	32,178	28,602
Auto and Truck Expense	119,111	82,341	36,770
Storm Water Facilities and Features	5,000	3,388	1,612
Safety Equipment Expense	14,305	8,318	5,987
Rental	2,000	1,102	898
Maintenance Material - Collection Systems	95,000	80,172	14,828
Culvert Cost Share Program	50,000	-	50,000
Technical Assistance Program	30,000	21,053	8,947
Assistance Cost Share Program	75,000	26,277	48,723
	<u>6,631,187</u>	<u>5,826,994</u>	<u>804,193</u>
<b>Total Storm Water Expenses</b>	<b>\$ 6,631,187</b>	<b>\$ 5,826,994</b>	<b>\$ 804,193</b>

See accompanying notes.

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**ADMINISTRATION**  
**YEAR ENDED JUNE 30, 2020**

	<b>Budget</b>	<b>Actual</b>	<b>Variance with Final Budget (Unfavorable) Favorable</b>
<b>Expenses</b>			
Salaries and Wages	\$ 2,267,778	\$ 2,285,454	\$ (17,676)
Board of Directors	22,595	22,594	1
Medical and Dental Self Insured Plan	466,800	411,120	55,680
Pension Plan	525,720	508,034	17,686
Payroll Taxes	173,485	164,013	9,472
Employee Benefits	33,807	40,377	(6,570)
Unemployment Taxes	9,222	-	9,222
Credit Charged to Capital Projects	(7,744)	(8,324)	580
Insurance and Bond	225,069	191,649	33,420
Professional and Contracted Services	684,240	660,674	23,566
Legal Services	115,000	27,861	87,139
Bank Services	217,074	224,687	(7,613)
Auditing Services	27,667	23,485	4,182
Collection Agency Services	6,948	7,264	(316)
Postage	403,483	349,907	53,576
Office and Operating Supplies	108,933	109,911	(978)
Travel and Certification	60,530	35,307	25,223
Subscriptions	60,119	64,760	(4,641)
Legal Advertising	10,050	5,876	4,174
Telephone and Radio	90,911	89,087	1,824
Vehicle Fuels	2,004	1,121	883
Auto and Truck Expense	2,844	1,043	1,801
Safety Equipment Expense	16,677	9,596	7,081
SD1 Penalties and Fines Paid	1,476	208	1,268
Rental	40,500	38,131	2,369
	<u>5,565,188</u>	<u>5,263,835</u>	<u>301,353</u>
<b>Total Administration Expenses</b>			
	<u>5,565,188</u>	<u>5,263,835</u>	<u>301,353</u>
<b>Total Operation, Maintenance, and Administration Expenses</b>	<u>\$ 41,378,761</u>	<u>\$ 39,449,023</u>	<u>\$ 1,929,738</u>
<b>Reconciliation of Budget to Actual to the Statements of Revenues, Expenses, and Changes in Net Position</b>			
General Revenues		\$ 113,387,570	
Operating, Maintenance, and Administrative Expenses		(39,449,023)	
Major Repair Expenses		(2,033,349)	
Depreciation		(40,869,031)	
<b>Net Operating Income</b>		<u>\$ 31,036,167</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**

	<u>Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Expenses</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
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<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 Final Budget Favorable (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)
Rental	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
	<u>110,000</u>	<u>73,709</u>	<u>36,291</u>
<b>Total Eastern Regional 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>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<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 Reclamation Facility Expenses</b>	<u>\$ 3,102,875</u>	<u>\$ 3,011,903</u>	<u>\$ 90,972</u>

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>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<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>                  </u>	<u>                  </u>	<u>                  </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**

	<u>Budget</u>	<u>Actual</u>	<b>Variance with Final Budget (Unfavorable) Favorable</b>
<b>Expenses</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 Final Budget Favorable (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)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Operations Expense</b>	<b>\$ 2,310,036</b>	<b>\$ 2,163,080</b>	<b>\$ 146,956</b>

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 Final Budget (Unfavorable) 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
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Engineering Expenses</b>	<b>\$ 1,822,931</b>	<b>\$ 1,868,838</b>	<b>\$ (45,907)</b>

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**

	<u>Budget</u>	<u>Actual</u>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
<b>Expenses</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
	<u>6,647,817</u>	<u>5,773,498</u>	<u>874,319</u>
<b>Total Storm Water Program 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**

	<b>Budget</b>	<b>Actual</b>	<b>Variance with Final Budget (Unfavorable) Favorable</b>
<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 Administration Expenses</b>	<u>\$ 40,658,488</u>	<u>\$ 38,700,426</u>	<u>\$ 1,958,062</u>

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

General Revenues	\$ 109,017,581
Operating, Maintenance, and Administrative Expenses	(38,700,426)
Major Repair Expenses	(1,814,545)
Depreciation	(40,317,009)
<b>Net Operating Income</b>	<b>\$ 28,185,601</b>

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.

<b><u>CONTENTS:</u></b>	<b><u>PAGE</u></b>
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<b><i>Financial Trends:</i></b>	<b>92 – 98</b>
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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.

<b><i>Revenue Capacity:</i></b>	<b>99 – 102</b>
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These schedules contain information to help readers assess SD1's most significant revenue sources.

<b><i>Debt Service Coverage:</i></b>	<b>103 – 105</b>
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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.

<b><i>Demographic and Economic Information:</i></b>	<b>106 – 110</b>
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These schedules provide information about the environment in which SD1 operates.

<b><i>Operating Information:</i></b>	<b>111 – 112</b>
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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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Assets and Deferred Outflow of Resources</b>										
<b>Current Assets</b>										
Cash and Cash Equivalents	\$ 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	\$ 100,242,692
Investments	6,693,573	-	-	-	-	-	-	-	-	-
Accounts Receivable										
Customers, net of allowance	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	9,749,473
Communities	13,728	20,731	24,631	12,068	14,484	14,450	13,506	12,231	13,361	11,638
KIA loan receivable	11,555,668	6,940,435	4,235,102	1,204,334	274,991	-	-	-	-	-
Others	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	3,451,082
Due from other fund	6,898,795	7,302,667	11,461,121	14,313,219	-	-	-	-	-	-
Accrued unbilled charges	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	11,069,670
Prepays and deposits	619,705	637,983	596,152	1,363,240	695,557	765,868	703,728	894,254	929,123	910,011
Accrued interest income	28,238	27,324	15,778	13,980	28,170	22,208	26,267	34,001	34,473	36,839
<b>Total Current Assets</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>125,471,405</b>
<b>Noncurrent Assets</b>										
<b>Restricted Assets</b>										
Cash	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	2,686,841
Investments	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	76,485,253
Accrued interest	206,456	162,673	152,282	108,183	124,195	130,370	161,677	220,016	243,323	212,416
Prepaid items	59,708	98,519	49,354	188	-	-	-	-	-	-
<b>Total Restricted Assets</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>79,384,510</b>
<b>Receivables</b>										
Assessments	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	835,386
Improvement notes	5,525	5,443	5,130	5,130	5,130	5,130	5,130	5,130	5,130	-
<b>Total Receivables</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>835,386</b>
<b>Capital Assets</b>										
Land	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	18,578,720
Building, Systems, Equipment, and Vehicles	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	1,596,425,537
Construction in progress	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	12,151,572
Less: accumulated depreciation	(240,156,122)	(275,551,547)	(312,805,206)	(347,835,200)	(386,548,850)	(424,805,548)	(462,048,715)	(500,137,767)	(537,838,619)	(575,835,165)
<b>Total Capital Assets</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>1,051,320,664</b>
<b>Total Noncurrent Assets</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>1,131,540,560</b>
<b>Total Assets</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>1,257,011,965</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	7,251,776
Deferred Outflows Related to OPEB	-	-	-	-	-	-	630,915	2,994,036	2,570,546	3,225,882
Deferred Loss on Refundings	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	6,535,607
<b>Total Deferred Outflow of Resources</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>17,013,265</b>
<b>Total Assets and Deferred Outflow of Resources</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>	<b>\$ 1,274,025,230</b>

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Liabilities and Deferred Inflow of Resources</b>										
<b>Current Liabilities</b>										
Bond Indebtedness	\$ 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	\$ 13,556,997
Notes Payable	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	8,541,534
Accounts payable	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	7,027,539
Accrued payroll and benefits	558,366	647,174	794,074	872,739	905,503	967,085	1,031,245	1,053,226	1,081,829	436,851
Accrued Interest Payable	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	5,283,707
Accrued taxes and pension	425	(104)	2,772	11,008	(24)	(176)	1,166	3,715	(838)	186,288
Compensated Absences	311,802	303,127	342,729	342,242	315,970	315,335	322,350	297,652	259,392	251,938
Due to other fund	6,898,795	7,302,667	11,461,121	14,313,219	-	-	-	-	-	-
Communities	346	733	156	47	47	-	-	-	-	-
Other liabilities	78,201	67,578	45,183	31,076	74,923	167,636	142,544	141,785	140,710	97,407
Customer deposits and other	-	-	-	-	-	-	-	-	-	-
Sales tax payable	(450)	-	47,590	61	102	(643)	150,286	35,713	30,885	-
<b>Total Current Liabilities</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>35,382,261</b>
<b>Long-Term Liabilities (Net of Current Portion)</b>										
Bonds payable, net of amortization	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	284,191,063
Notes payable	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	107,208,167
Compensated Absences	555,952	540,485	611,096	610,228	563,384	562,252	574,760	642,231	739,949	893,874
Net pension liability	-	-	-	20,730,248	18,320,686	24,340,276	26,833,461	31,661,594	32,157,114	36,394,880
Net OPEB liability	-	-	-	-	-	8,529,478	8,529,478	10,874,302	9,374,446	8,702,115
<b>Total Noncurrent Liabilities</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>437,390,099</b>
<b>Total Liabilities</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>472,772,360</b>
<b>Deferred Inflow of Resources</b>										
Deferred inflows Related to Pension	-	-	-	-	2,045,032	-	565,983	3,348,910	1,452,751	1,370,109
Deferred inflows Related to OPEB	-	-	-	-	-	-	-	569,347	1,998,323	3,408,605
<b>Total Deferred Inflow of Resources</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>4,778,714</b>
<b>Total Liabilities and Deferred Inflow of Resources</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>477,551,074</b>
<b>Net Assets (Position)</b>										
Net investment in capital assets	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	644,358,510
Restricted for:										
Debt service funds, net of current liabilities	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	40,087,219
Operations, infrastructure, & insurance reserves	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	36,610,450
Capital improvement/programs	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	1,475,368
Other purposes	1,021,462	947,170	514,215	939,102	937,711	949,705	949,968	962,614	982,955	1,211,473
Unrestricted	20,002,761	18,105,252	29,625,989	25,991,804	30,317,310	28,125,485	34,226,352	40,952,655	54,740,439	72,731,136
<b>Total Net Assets (Position)</b>	<b>723,624,580</b>	<b>722,921,442</b>	<b>726,469,044</b>	<b>711,062,163</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>796,474,156</b>
<b>Total Liabilities and Net Position</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>	<b>\$ 1,274,025,230</b>

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Operating Revenues</b>										
Sewer Service Charges	\$ 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	\$93,494,058
Storm Water Charges	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	13,647,164
Permits and Tap-In Fees	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	4,312,269
Sludge Hauling	144,505	147,409	120,776	84,480	72,692	101,621	274,630	401,941	914,722	717,245
Inspections	33,416	69,300	69,682	74,348	177,073	217,454	158,531	173,623	217,307	266,058
Penalties and Fines	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	934,458
Contractual Services	137,694	141,038	125,689	128,752	132,614	136,592	140,689	160,732	136,004	158,882
Bad Debt Recoveries	35,355	19,097	35,392	21,873	70,916	138,003	50,134	25,135	18,823	19,111
Other Revenues	7,017	69,044	50,993	33,287	230,623	297,083	325,918	32,021	84,313	127,903
Project Reimbursements	1,442,406	549,579	68,321	1,450,000	53,274	-	-	131,856	61,628	(289,578)
<b>Total Operating Revenues</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>113,387,570</b>
<b>Operating Expenses</b>										
Operation, Maintenance and Administration										
Salary and Wages	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	12,660,990
Employee Benefit & Incentive Expenses	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	7,675,871
Professional and Contractual Services	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	5,297,258
Office Administration Expenses	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	1,578,958
Utilities, Fuel Oil & Chemicals Expense	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	7,616,315
Vehicle Operation Expenses	1,163,239	1,276,021	1,087,065	1,068,097	983,314	885,648	824,241	847,695	981,150	841,792
Infrastructure, Equipment and Other Expens	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	3,777,839
Supplemental/State Environmental Projects	202,182	61,218	-	1,924	-	-	-	-	-	-
Total Operation, Maintenance and Administrati	28,620,755	31,080,924	36,544,843	36,354,545	38,897,696	38,588,567	39,976,208	38,870,649	38,700,426	39,449,023
Major Repairs and Other	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	2,033,349
Depreciation	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	40,869,031
<b>Total Operating Expenses</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>82,351,403</b>
<b>Operating Income</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>	<b>31,036,167</b>

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Non-Operating Income (Expense)</b>										
Interest Income	\$ 1,272,736	\$ 723,911	\$ 831,632	\$ 567,152	\$ 686,943	\$ 906,611	\$ 1,264,451	\$ 1,777,381	\$ 2,917,957	\$ 2,574,891
Interest on Long-Term Debt	(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)	(12,328,896)
Bond Issuance Cost	(255,805)	(395,549)	(43,097)	(44,515)	(46,031)	(47,182)	(835,292)	-	-	(770,627)
Federal Credits on Build America Bonds	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	1,512,972
Families First Coronavirus Response Act Cred	-	-	-	-	-	-	-	-	-	150,007
Loss on Disposal of Capital Assets	(2,411,613)	(2,392,458)	(1,810,778)	(1,105,803)	(323,186)	(407,480)	(160,790)	(202,205)	(264,890)	(229,512)
Pension Expense	-	-	-	-	(385,954)	(1,115,015)	(1,671,301)	(3,224,119)	(2,585,443)	(3,248,315)
Other Postemployment Benefits Expense (Rev	-	-	-	-	-	-	630,915	(551,050)	(352,610)	(82,615)
Net Appreciation in Fair Market Value of Invest	(443,536)	286,941	(486,536)	165,073	68,787	287,462	(655,619)	(603,600)	1,099,877	676,051
<b>Total Non-Operating Income (Expense)</b>	<b>(14,010,242)</b>	<b>(16,226,094)</b>	<b>(17,249,422)</b>	<b>(17,715,732)</b>	<b>(17,222,884)</b>	<b>(17,065,613)</b>	<b>(14,910,074)</b>	<b>(15,591,717)</b>	<b>(11,608,573)</b>	<b>(11,746,044)</b>
<b>Change in Net Position Before Capital Contributions</b>	<b>(7,029,339)</b>	<b>(6,692,787)</b>	<b>(7,644,946)</b>	<b>(2,220,551)</b>	<b>(2,734,964)</b>	<b>(2,518,058)</b>	<b>3,597,087</b>	<b>8,418,796</b>	<b>16,577,028</b>	<b>19,290,123</b>
<b>Capital Contributions</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>8,591,472</b>
<b>Change in Net Position</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>	<b>\$27,881,595</b>

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Cash Flow from Operating Activities</b>										
Received From Customers	\$ 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	\$ 113,164,387
Paid to Suppliers for Goods and Services	(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)	(21,260,262)
Paid to or on Behalf of Employees for Services	(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)	(20,648,246)
<b>Net Cash Provided by Operating Activities</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>71,255,879</b>
<b>Cash Flows from Capital and Related Financing Activities</b>										
Principal Received on Notes and Bonds	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	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	1,512,972
Proceeds from Sale of Capital Assets	18,195	203,895	223,786	83,100	140,528	22,420	229,710	62,010	17,359	71,578
Bond Issuance Costs	-	-	-	-	-	-	(835,292)	-	-	-
Payments Made on Long Term Debt	(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)	(18,921,048)
Proceeds on Bond Refunding	-	-	-	-	-	-	141,450,636	-	-	-
Interest Paid, Net of Capitalized Interest	(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)	(15,758,059)
Acquisition and Construction of Capital Assets, Net of Contributed Capital	(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)	(26,342,337)
Principal Received on Assessments	-	-	-	-	-	-	59,266	66,927	53,566	55,631
Assessment Interest Income	-	-	-	-	-	-	39,804	38,247	37,599	34,504
(Increase)/Decrease in Restricted Funds	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>(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>(59,346,759)</b>
<b>Cash Flows From Non-Capital and Related Financing Activities</b>										
Families First Coronavirus Response Act Credits	-	-	-	-	-	-	-	-	-	150,007
<b>Cash Flows from Investing Activities</b>										
Investment Income	1,332,715	768,608	853,569	613,049	656,740	906,398	345,624	782,270	1,590,001	2,610,940
Proceeds from the Sale of Investments	-	-	-	-	-	-	5,312,777	16,829,301	21,604,760	43,139,947
Purchase of Investments	-	-	-	-	-	-	(6,175,715)	(21,865,151)	(17,243,471)	(37,609,555)
Net (Increase)/Decrease on Investments	(10,283,953)	(319)	(2,352,305)	(646,444)	(1,263,240)	27,103	-	-	-	-
<b>Net Cash (Used) Provided by Investing Activities</b>	<b>(8,951,238)</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>8,141,332</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</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>20,200,459</b>
<b>Cash and Cash Equivalents Beginning 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>
<b>Cash and Cash Equivalents End of Year</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>	<b>\$ 102,929,533</b>

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Capital Assets Not Depreciated</b>										
Land/Easements	\$ 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	\$ 16,961,694
Construction in Progress	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	11,453,397
<b>Total Capital Assets Not Depreciated</b>	<u>254,557,171</u>	<u>61,276,105</u>	<u>55,550,619</u>	<u>21,145,295</u>	<u>24,695,116</u>	<u>24,110,229</u>	<u>23,723,389</u>	<u>29,160,137</u>	<u>31,390,627</u>	<u>28,415,091</u>
<b>Capital Assets being depreciated</b>										
Land Improvements	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	4,713,013
Collection System	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	739,639,821
Pump Stations	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	103,233,051
Treatment and Disposal	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	265,719,629
General Buildings & Structures	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	30,100,161
Office Furniture & Equipment	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	8,364,515
Machinery & Equipment	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	5,564,107
Vehicles & Accessories	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	5,797,122
Software Model Development	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	15,908,869
<b>Total Capital Assets Being Depreciated</b>	<u>744,840,907</u>	<u>1,000,391,206</u>	<u>1,040,134,613</u>	<u>1,087,543,288</u>	<u>1,098,639,486</u>	<u>1,113,551,665</u>	<u>1,127,776,683</u>	<u>1,141,767,404</u>	<u>1,157,742,500</u>	<u>1,182,040,288</u>
<b>Total Capital Assets</b>	<u>\$ 999,398,078</u>	<u>\$ 1,061,667,311</u>	<u>\$ 1,095,685,232</u>	<u>\$ 1,108,688,583</u>	<u>\$ 1,123,334,602</u>	<u>\$ 1,137,661,894</u>	<u>\$ 1,151,500,072</u>	<u>\$ 1,170,927,541</u>	<u>\$ 1,189,133,127</u>	<u>\$ 1,210,455,379</u>
<b>Less Accumulated Depreciation</b>										
Land Improvements	(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)	(2,000,452)
Collection System	(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)	(219,757,337)
Pump Stations	(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)	(57,845,783)
Treatment and Disposal	(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)	(99,556,707)
General Buildings & Structures	(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)	(17,077,663)
Office Furniture & Equipment	(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)	(7,167,782)
Machinery & Equipment	(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)	(4,547,483)
Vehicles & Accessories	(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)	(8,376,339)
Software Model Development	(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)	(15,908,869)
<b>Total Accumulated Depreciation</b>	<u>(218,173,152)</u>	<u>(239,908,382)</u>	<u>(263,554,551)</u>	<u>(284,859,629)</u>	<u>(310,001,050)</u>	<u>(335,091,187)</u>	<u>(359,149,169)</u>	<u>(383,880,260)</u>	<u>(407,968,611)</u>	<u>(432,238,415)</u>
<b>Total Capital Assets, Net</b>	<u>\$ 781,224,927</u>	<u>\$ 821,758,929</u>	<u>\$ 832,130,680</u>	<u>\$ 823,828,954</u>	<u>\$ 813,333,552</u>	<u>\$ 802,570,707</u>	<u>\$ 792,350,903</u>	<u>\$ 787,047,281</u>	<u>\$ 781,164,516</u>	<u>\$ 778,216,964</u>

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<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	\$ 1,617,026
Construction in Progress	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	698,175
<b>Total Capital Assets Not Depreciated</b>	<u>7,970,310</u>	<u>3,869,777</u>	<u>1,486,556</u>	<u>2,272,192</u>	<u>3,332,866</u>	<u>3,180,100</u>	<u>4,331,230</u>	<u>5,729,869</u>	<u>3,588,673</u>	<u>2,315,201</u>
<b>Capital Assets being depreciated</b>										
Collection System	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	408,493,635
Machinery & Equipment	-	-	56,096	47,634	54,485	74,201	103,041	116,881	126,577	136,510
Vehicles & Accessories	-	-	-	52,500	52,499	52,499	83,853	109,944	109,944	109,944
Software Model Development	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	5,645,160
<b>Total Capital Assets Being Depreciated</b>	<u>320,430,365</u>	<u>333,180,406</u>	<u>349,997,578</u>	<u>355,458,391</u>	<u>363,069,691</u>	<u>371,984,171</u>	<u>381,288,073</u>	<u>391,020,474</u>	<u>402,673,795</u>	<u>414,385,249</u>
<b>Total Capital Assets</b>	<u>\$ 328,400,675</u>	<u>\$ 337,050,183</u>	<u>\$ 351,484,133</u>	<u>\$ 357,730,583</u>	<u>\$ 366,402,557</u>	<u>\$ 375,164,271</u>	<u>\$ 385,619,303</u>	<u>\$ 396,750,343</u>	<u>\$ 406,262,468</u>	<u>\$ 416,700,450</u>
<b>Less accumulated depreciation</b>										
Collection System	\$ (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)	(137,776,024)
Machinery & Equipment	-	-	(4,021)	(5,466)	(10,566)	(17,008)	(48,990)	(58,226)	(69,650)	(82,407)
Vehicles & Accessories	-	-	-	(10,207)	(20,701)	(31,224)	(73,072)	(82,932)	(89,424)	(93,159)
Software Model Development	(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)	(5,645,160)
<b>Total Accumulated Depreciation</b>	<u>(21,982,970)</u>	<u>(35,643,166)</u>	<u>(49,250,654)</u>	<u>(62,975,571)</u>	<u>(76,547,800)</u>	<u>(89,714,360)</u>	<u>(102,899,546)</u>	<u>(116,257,507)</u>	<u>(129,870,008)</u>	<u>(143,596,750)</u>
<b>Total Capital Assets, Net</b>	<u>\$ 306,417,705</u>	<u>\$ 301,407,017</u>	<u>\$ 302,233,479</u>	<u>\$ 294,755,012</u>	<u>\$ 289,854,757</u>	<u>\$ 285,449,911</u>	<u>\$ 282,719,757</u>	<u>\$ 280,492,836</u>	<u>\$ 276,392,460</u>	<u>\$ 273,103,700</u>

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

	Fiscal Year																			
	2011		2012		2013		2014		2015		2016		2017		2018		2019		2020	
	%		%		%		%		%		%		%		%		%		%	
Non-Residential (1)	Rate	Change	Rate	Change	Rate	Change	Rate	Change	Rate	Change	Rate	Change	Rate	Change	Rate	Change	Rate	Change	Rate	Change
Water Usage in 100 Cubic Feet (HCF)																				
0-1,700	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%	8.51	5%
1,701-8,400	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%	7.64	5%
Over 8,400	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%	5.91	5%
Monthly minimum bill	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%	17.02	5%
<b>Residential (2)</b>																				
Water Usage in 100 Cubic Feet (HCF)																				
Base Rate	n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a	16.00
Variable Rate	n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a	7.25
Environmental Surcharge	n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a	5.00
Flat rate per 100 Cubic Feet (HCF)	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%	n/a	
Monthly minimum bill	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%	21.00	29%
<b>Unmetered Service</b>																				
1 or 2 room house	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%	25.51	5%
3 to 6 room house	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%	41.90	5%
More than 6 rooms	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%	55.41	5%

(1) Based on monthly metered water usage.

**Effective with Fiscal Year 2020 SD1 implemented a new rate structure for monthly residential customers**

(2) Base rate includes the first 2 hundred cubic feet (HCF) of wastewater treatment.

Variable rate is based on a *Winter Usage Factor* for every additional HCF of wastewater treatment above 2 HCF.

Environmental Surcharge fee is to help fund the overflow mitigation program required under the federal Clean Water Act. This fee will sunset when SD1's overflow mitigation program is complete.

*Winter Usage Factor* - Based on metered water usage during November 1st through April 30th.

Source: SD1 accounting records

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

	Fiscal Year									
	2011		2012		2013		2014		2015	
Monthly Rate Per ERU	4.44	-0.7%	4.54	2.3%	4.68	3.1%	4.80	2.6%	5.04	5.0%
Quarterly Rate Per ERU	13.32	-0.7%	13.62	2.3%	14.04	3.1%	14.40	2.6%	15.12	5.0%

	Fiscal Year									
	2016		2017		2018		2019		2020	
Monthly Rate Per ERU	5.04	0.0%	5.04	0.0%	5.04	0.0%	5.04	0.0%	5.04	0.0%
Quarterly Rate Per ERU	15.12	0.0%	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 & Storm Water Revenues Breakdown By Billing Class**  
**Fiscal Year 2011 through Fiscal Year 2020**

<b>Account Name</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>Fiscal Year 2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Sewer Service Revenues</b>										
Residential Class	\$ 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	\$ 51,353,121
Non-Residential Class	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	39,809,737
Less: Special Meter Refunds	<u>(364,411)</u>	<u>(465,147)</u>	<u>(750,438)</u>	<u>(449,965)</u>	<u>(558,031)</u>	<u>(549,176)</u>	<u>(553,822)</u>	<u>(377,293)</u>	<u>(486,906)</u>	<u>(410,613)</u>
Total Sewer Revenues	<u>58,805,820</u>	<u>66,509,171</u>	<u>71,703,013</u>	<u>71,892,717</u>	<u>74,880,384</u>	<u>74,119,197</u>	<u>78,488,693</u>	<u>82,482,286</u>	<u>86,589,815</u>	<u>90,752,245</u>
<b>Sewer Service Penalties</b>										
Residential Class	851,939	979,052	1,066,267	1,099,704	1,163,565	1,076,486	1,042,725	998,859	993,641	629,083
Non-Residential Class	<u>300,463</u>	<u>270,058</u>	<u>310,258</u>	<u>275,121</u>	<u>258,129</u>	<u>230,315</u>	<u>246,169</u>	<u>238,989</u>	<u>226,913</u>	<u>183,069</u>
Total Sewer Service Penalties	<u>1,152,402</u>	<u>1,249,110</u>	<u>1,376,525</u>	<u>1,374,825</u>	<u>1,421,694</u>	<u>1,306,801</u>	<u>1,288,894</u>	<u>1,237,848</u>	<u>1,220,554</u>	<u>812,152</u>
Total Sewer Service Write Offs	<u>(1,175,977)</u>	<u>(1,100,084)</u>	<u>(1,286,550)</u>	<u>(1,408,117)</u>	<u>(1,386,469)</u>	<u>(1,213,562)</u>	<u>(1,087,236)</u>	<u>(986,232)</u>	<u>(524,209)</u>	<u>(520,941)</u>
<b>Percentage of Write Off's to Revenues &amp; Penalties Billed</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>0.57%</b>
<b>Net Sewer Service Revenues</b>	<b><u>\$ 58,782,245</u></b>	<b><u>\$ 66,658,197</u></b>	<b><u>\$ 71,792,988</u></b>	<b><u>\$ 71,859,425</u></b>	<b><u>\$ 74,915,609</u></b>	<b><u>\$ 74,212,436</u></b>	<b><u>\$ 78,690,351</u></b>	<b><u>\$ 82,733,902</u></b>	<b><u>\$ 87,286,160</u></b>	<b><u>\$ 91,043,457</u></b>
<b>Storm Water Revenues</b>										
Residential Class	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	5,387,240
Non-Residential Class	<u>6,589,598</u>	<u>6,780,700</u>	<u>7,027,579</u>	<u>7,148,676</u>	<u>7,482,093</u>	<u>7,643,149</u>	<u>7,816,638</u>	<u>8,021,471</u>	<u>8,345,718</u>	<u>8,422,645</u>
Total Storm Water Revenues	<u>11,195,244</u>	<u>11,508,992</u>	<u>11,900,600</u>	<u>12,123,511</u>	<u>12,696,581</u>	<u>12,882,224</u>	<u>13,110,336</u>	<u>13,383,500</u>	<u>13,705,714</u>	<u>13,809,885</u>
<b>Storm Water Service Penalties</b>										
Residential Class	91,001	96,906	106,411	102,955	110,868	107,938	102,673	90,571	87,868	50,376
Non-Residential Class	<u>79,470</u>	<u>71,120</u>	<u>81,675</u>	<u>73,648</u>	<u>76,849</u>	<u>72,686</u>	<u>67,540</u>	<u>70,708</u>	<u>84,809</u>	<u>58,180</u>
Total Sewer Service Penalties	<u>170,471</u>	<u>168,026</u>	<u>188,086</u>	<u>176,603</u>	<u>187,717</u>	<u>180,624</u>	<u>170,213</u>	<u>161,279</u>	<u>172,677</u>	<u>108,556</u>
Total Storm Water Write Offs	<u>(103,267)</u>	<u>(120,258)</u>	<u>(149,417)</u>	<u>(224,405)</u>	<u>(291,526)</u>	<u>(136,726)</u>	<u>(145,039)</u>	<u>(265,423)</u>	<u>(101,252)</u>	<u>(162,722)</u>
<b>Percentage of Write Off's to Revenues &amp; Penalties Billed</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>1.17%</b>
<b>Net Storm Water Revenues</b>	<b><u>\$ 11,262,448</u></b>	<b><u>\$ 11,556,760</u></b>	<b><u>\$ 11,939,269</u></b>	<b><u>\$ 12,075,709</u></b>	<b><u>\$ 12,592,772</u></b>	<b><u>\$ 12,926,122</u></b>	<b><u>\$ 13,135,510</u></b>	<b><u>\$ 13,279,356</u></b>	<b><u>\$ 13,777,139</u></b>	<b><u>\$ 13,755,719</u></b>
<b>Customer Accounts</b>										
<b>Sewer Service Accounts Estimates</b>										
Residential Class	91,920	92,374	92,924	93,366	94,021	94,821	95,438	96,299	97,138	98,056
Non-Residential Class	<u>10,076</u>	<u>9,752</u>	<u>9,489</u>	<u>9,481</u>	<u>9,551</u>	<u>9,679</u>	<u>10,059</u>	<u>10,311</u>	<u>10,255</u>	<u>10,326</u>
Total Sewer Accounts	<u>\$ 101,996</u>	<u>\$ 102,126</u>	<u>\$ 102,413</u>	<u>\$ 102,847</u>	<u>\$ 103,572</u>	<u>\$ 104,500</u>	<u>\$ 105,497</u>	<u>\$ 106,610</u>	<u>\$ 107,393</u>	<u>\$ 108,382</u>
<b>Storm Water Accounts Estimates</b>										
Residential Class	86,143	86,579	87,092	86,576	86,634	87,100	87,855	89,583	88,906	89,416
Non-Residential Class	<u>8,283</u>	<u>7,921</u>	<u>7,674</u>	<u>7,594</u>	<u>7,567</u>	<u>7,558</u>	<u>7,900</u>	<u>8,364</u>	<u>8,398</u>	<u>8,443</u>
Total Storm Water Accounts	<u>\$ 94,426</u>	<u>\$ 94,500</u>	<u>\$ 94,766</u>	<u>\$ 94,170</u>	<u>\$ 94,201</u>	<u>\$ 94,658</u>	<u>\$ 95,755</u>	<u>\$ 97,947</u>	<u>\$ 97,304</u>	<u>\$ 97,859</u>

Source: SD1 billing registers

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

Account Name	2011		2012		2013		2014		2015		2016		2017		2018		2019		2020	
	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount
Lyons-Magnus	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	1	\$ 1,834,016
Sara Lee Foods	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	2	1,193,740
Tastemaker	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	3	1,017,355
Taylor Farms Tennessee, Inc.	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	4	913,731
Safran Landing Systems, KY	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	14	238,572	5	774,173	5	855,962
Kenton County Airport	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	6	824,002
Environmental Services Inc.	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	7	607,546
Wild Flavors, Inc.	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	8	602,157
St. Elizabeth Medical Center	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	9	510,158
Northern KY University	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	10	441,853
Global Supply Chain	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	11	417,505
L'Oreal USA Florence	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	12	340,203
Camco Chemical Company	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	13	268,111
A.O. Smith	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	14	196,030
Aristech Acrylics LLC	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	15	125,624
Van Melle USA, Inc.	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	16	120,306
Bluegrass Quality Meats	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	17	115,548
Northern KY Water District	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	18	85,488
White Castle Distributing, Inc.	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	19	81,693
Ferra Snacks LLC	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	20	70,837
Signode Plastic Recycling	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	21	62,733
Duro Paper Bag	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	22	43,828
IOFINA Chemical Inc.	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	23	43,710
Amer/Pride-WPS Energy Service	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	24	63,221
Domino's National Comm.	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	25	43,200
Newly Weds Foods	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	1,733	30	13,318	26	42,056
Churchill Downs Inc.	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	27	39,800
Savannah Foods & Industries	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	27,956	28	24,064
Highway Transport Chemical LLC	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	29	18,723
Tressa Inc.	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	30	12,663
Boge Rubber & Plastics	NR	-	NR	-	NR	-	NR	-	26	26,014	25	41,811	29	14,764	30	16,351	29	15,180	NR	-
Louis Trauth Dairy	2	1,172,055	7	509,831	NR	-	NR	-	NR	-										
Messier Bugatti / A. Carb, LLC	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	-	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. Carb, LLC	Aircraft wheels and carbon brakes facility.
Boge Rubber & Plastics	Lightweight Auto Components Producer.	Northern KY University	Metropolitan State University with more than 16,000 Students.
Bluegrass Quality Meats	Deli meats and packaged meats plant.	Northern KY Water District	Water supply Utility for Kenton and Campbell Counties.
Cabot Industrial Prop LLP	Immudyne - Biotechnology company specializing in scientifically formulated dietary supplements and skin care products.	Safran Landing Systems	Aircraft Landing and braking systems.
Camco Chemical Company	Contract packaging and chemical manufacturer.	Sara Lee Foods	Meat and meat products processor.
Churchill Downs Inc.	Thoroughbred horse racing track.	Savannah Foods & Industries	Bulk sugar refinery.
Domino's National Comm.	Dominos pizza dough distribution center.	Signode Plastic Recycling	Manufacturer and distributor of protective packaging systems.
Duro Paper Bag	Largest paper bag manufacturer in the world.	St. Elizabeth Medical Center	General medicine and surgical hospital.
Environmental Services Inc.	Ultra Environmental Service Inc. - Liquid waste collection and disposal.	Tastemaker	Givaudan Flavors - Swiss manufacturer of flavorings and fragrances.
Ferra Snacks LLC	Kellogg's - Cookie and cracker manufacturer.	Taylor Farms Tennessee, Inc.	Producer of fresh cut produce.
Global Supply Chain	Schwan's - Produces Freshcetta pizza products.	Tressa Inc.	Hair care product manufacturing including shampoos.
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.		
Kenton County Airport	Greater Cincinnati Northern Kentucky International Airport (CVG)	White Castle Distributing, Inc.	Markets and distributes frozen and microwavable hamburgers.
L'Oreal USA Florence	Produces shampoos, conditioners & styling products	Wild Flavors, Inc.	Produces natural flavors and ingredients for the beverage industry.

Source: SD1 billing records/invoices

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>System Revenues</b>										
Total Operating Revenues	\$ 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	\$ 113,387,570
Total Non-Operating Revenues	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	4,237,870
<b>Total System Revenues</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>117,625,440</b>
<b>Operating Expenses</b>										
<b>Operation, Maintenance &amp; Administration</b>										
Salary Expense	\$ 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	\$ 12,660,990
Employee Benefit & Incentive Expenses	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	7,675,871
Professional & Contractual Services	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	5,297,258
Office Administration Expenses	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	1,578,958
Utilities, Fuel Oil & Chemical Expenses	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	7,616,315
Vehicle Operation Expenses	1,163,239	1,276,021	1,087,065	1,068,097	983,314	885,648	824,241	847,695	981,150	841,792
Infrastructure, Equipment & Other Expenses	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	3,777,839
Supplemental / State Environmental Projects	202,182	61,218	-	1,924	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-
<b>Total Operation, Maintenance &amp; Administration</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>39,449,023</b>
<b>Major Repairs and Other Expenses</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>2,033,349</b>
<b>Net System Revenues</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>\$ 76,143,068</b>
<b>Revenue Bonds (Senior Debt) - Principal &amp; Interest Due</b>										
Series 2001A - (Revenue Bonds)	\$ 2,335,025	\$ 1,271,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2005A - (Refunding Bonds)	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)	3,021,236	3,019,311	3,015,666	3,010,301	3,008,109	3,008,874	2,126,859	-	-	-
Series 2007A - (Revenue Bonds)	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)	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	2,812,343
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	3,626,973
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	2,992,175
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	1,734,595
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	2,467,913
Series 2016A - (Refunding Bonds)	-	-	-	-	-	-	1,377,110	11,625,081	11,626,581	8,730,956
Series 2019A - (Refunding Bonds)	-	-	-	-	-	-	-	-	-	1,588,700
<b>Total Principal &amp; Interest on Revenue Bonds</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>\$ 23,953,655</b>
<b>Debt Service Coverage Ratio - Bonds (Senior Debt)</b>										
* Calculated	207%	172%	174%	194%	192%	192%	221%	241%	261%	318%
** Required	125%	125%	125%	125%	125%	125%	125%	125%	125%	125%

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

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

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

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>KIA &amp; Other Notes (Subordinate Debt) Principal &amp; Interest Due</b>										
A04-09 Eastern Regional Water Reclamation Facility	\$ 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	\$ 2,192,652
A08-04 Western Regional Water Reclamation Facility Construction Project	397,353	612,243	696,509	3,974,631	3,968,312	3,961,931	3,955,485	3,948,975	3,942,400	3,935,759
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	306,456
A09-05 Sunnybrook Sewer Project	167,114	343,158	342,702	342,238	341,763	341,280	340,786	340,283	339,769	339,245
A09-06 South Fork / Gunpowder Interceptor Construction Project	-	98,453	245,559	800,930	799,877	798,803	797,708	796,591	795,451	794,289
A09-07 Frogtown Interceptor	-	30,258	187,232	297,079	296,685	296,282	295,872	295,453	295,026	294,590
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	134,053
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	503,265
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	998,727
A11-13 - Church St, Lakeview, & KY Aire Pump Station Replacement	-	-	-	114,300	174,829	202,912	213,112	214,179	456,580	678,572
A11-14 Lakeside Park & Vernon Lane Projects	-	-	-	9,195	21,538	23,245	26,840	46,408	74,826	246,268
A12-02 Wolpert Pump station Rehab & Force Main Replacement	-	-	26,903	53,539	53,468	53,395	53,321	53,246	53,169	53,090
A15-103 Patton & 8th Street Wet Well Rehab	-	-	-	-	-	12,525	132,558	131,566	131,381	131,193
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	11,756
A209-02 ARRA Banklick Creek Wetlands Project	343	19,424	41,385	41,299	41,243	41,187	41,128	41,068	41,008	40,946
A209-03 ARRA Regional Bioretention Project	-	26,510	45,050	44,989	44,928	44,865	44,801	44,735	44,668	44,600
A209-04 ARRA Terraced Reforestation Project	-	2,496	23,455	25,098	25,065	25,030	24,995	24,959	24,923	24,886
<b>Total KIA &amp; Other Notes Principal &amp; Interest</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>\$ 10,730,347</b>
<b>All Bonds &amp; Notes-Annual Principal and Interest Payments</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>\$ 34,684,002</b>
<b>All Debt Service Coverage Ratio</b>										
*** Calculated	185%	154%	152%	149%	144%	145%	163%	178%	192%	220%

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

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

<b>Fiscal Year</b>	<b>Revenue Bonds (1)</b>	<b>Notes Payable</b>	<b>Total Outstanding Debt</b>	<b>Sewer Service Accounts (2)</b>	<b>Outstanding Debt per Sewer Service Account</b>	<b>Total Assets</b>	<b>Debt to Assets Ratio</b>
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%
2020	297,748,060	115,749,700	413,497,761	108,382	3,815	1,257,011,965	32.9%

(1) Presented net of original issuance discounts and premiums

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

<u>NORTHERN KY COUNTIES</u>	<u>2009 (ACS 5-Year Estimates)</u>				<u>2010 (ACS 5-Year Estimates)</u>				<u>2011 (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	112,514	87,509	156,399	356,422	114,723	89,016	158,034	361,773	117,216	89,598	159,008	365,822
Median Age (years)	35.0	37.1	35.5	n/a	35.1	37.2	36.0	n/a	35.4	37.0	36.0	n/a
<b>HOUSEHOLDS</b>												
Total Households	40,722	35,185	63,276	139,183	41,612	35,300	61,912	138,824	41,843	35,258	62,054	139,155
Average Household Size	2.74	2.38	2.44	2.51	2.74	2.41	2.52	2.56	2.78	2.47	2.52	2.59
Populations in Households	111,699	83,569	154,415	349,683	114,026	84,982	155,997	355,005	116,487	86,930	156,402	359,819
Population 25 years and older	77,848	63,072	111,613	252,533	78,519	63,859	112,276	254,654	80,378	64,499	113,339	258,216
<b>HOUSING OCCUPANCY</b>												
Total Housing Units	43,933	38,961	70,043	152,937	45,053	39,185	68,768	153,006	45,694	39,385	68,901	153,980
Occupied Housing Units	40,722	35,185	63,276	139,183	41,612	35,300	61,912	138,824	41,843	35,258	62,054	139,155
Owner-Occupied Units	30,931	25,691	43,983	100,605	31,777	25,516	42,867	100,160	32,316	25,201	42,640	100,157
Renter-Occupied Units	9,791	9,494	19,293	38,578	9,835	9,784	19,045	38,664	9,527	10,057	19,414	38,998
Vacant Housing Units	3,211	3,776	6,767	13,754	3,441	3,885	6,856	14,182	3,851	4,127	6,847	14,825
Vacant Housing Rate	7.3%	9.7%	9.7%	9.0%	7.6%	9.9%	10.0%	9.3%	8.4%	10.5%	9.9%	9.6%
Median (Value)	\$ 173,800	\$ 141,300	\$ 142,700	n/a	\$ 175,900	\$ 146,300	\$ 145,200	n/a	\$ 175,200	\$ 145,500	\$ 146,700	n/a
<b>EMPLOYMENT STATUS</b>												
Population 16 years and older	84,532	69,611	121,683	275,826	85,506	71,034	122,683	279,223	87,382	71,593	123,695	282,670
Population in Civilian Labor Force	62,676	47,081	84,983	194,740	63,072	48,127	85,333	196,532	63,267	49,150	84,808	197,225
Employed	59,337	44,305	79,911	183,553	59,510	44,793	79,683	183,986	59,801	45,535	78,617	183,953
Employed Percentage	94.7%	94.1%	94.0%	94.3%	94.4%	93.1%	93.4%	93.6%	94.5%	92.6%	92.7%	93.3%
Unemployed	3,339	2,776	5,072	11,187	3,562	3,334	5,650	12,546	3,466	3,615	6,191	13,272
Unemployed Percentage	5.3%	5.9%	6.0%	5.7%	5.6%	6.9%	6.6%	6.4%	5.5%	7.4%	7.3%	6.7%
<b>INCOME</b>												
Median Household Income	\$ 65,964	\$ 51,890	\$ 53,219	n/a	\$ 66,549	\$ 51,482	\$ 53,213	n/a	\$ 68,087	\$ 53,018	\$ 53,375	n/a
Mean Household Income	\$ 76,035	\$ 66,448	\$ 67,358	\$ 69,667	\$ 77,789	\$ 66,869	\$ 68,247	\$ 70,757	\$ 79,126	\$ 67,773	\$ 69,117	\$ 71,786
Per Capita Income	\$ 28,112	\$ 27,138	\$ 27,305	\$ 27,523	\$ 28,520	\$ 27,096	\$ 27,205	\$ 27,601	\$ 28,630	\$ 27,501	\$ 27,484	\$ 27,859
<b>POVERTY LEVEL</b>												
Percentage whose Income in the past 12-months is below Poverty Level.												
All Families	5.0%	7.5%	8.7%	7.0%	5.8%	8.8%	8.4%	7.3%	5.5%	8.6%	9.5%	8.0%
All People	6.6%	10.4%	10.9%	9.4%	7.5%	11.3%	11.4%	10.1%	7.2%	11.3%	12.6%	10.5%
Under 18 Years	8.8%	15.2%	16.0%	13.4%	9.2%	16.5%	16.5%	13.9%	8.5%	15.8%	18.6%	14.4%
65 Years and Older	6.7%	8.4%	7.6%	7.6%	8.5%	8.2%	7.5%	8.0%	7.8%	7.4%	7.2%	7.4%

Source: factfinder2.census.gov/

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

<u>NORTHERN KY COUNTIES</u>	<u>2012 (ACS 5-Year Estimates)</u>				<u>2013 (ACS 5-Year Estimates)</u>				<u>2014 (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	119,406	90,119	159,926	369,451	121,214	90,606	160,828	372,648	123,030	91,268	161,915	376,213
Median Age (years)	35.7	36.9	36.2	n/a	36.0	37.0	36.4	n/a	36.1	37.0	36.3	n/a
<b>HOUSEHOLDS</b>												
Total Households	42,617	35,235	62,260	140,112	43,255	35,203	61,800	140,258	43,903	35,478	61,962	141,343
Average Household Size	2.78	2.48	2.53	2.59	2.78	2.49	2.56	2.61	2.78	2.49	2.57	2.62
Populations in Households	118,644	87,391	157,383	363,418	120,390	87,830	158,303	366,523	122,141	88,307	159,438	369,886
Population 21 years and older	82,033	65,184	114,494	261,711	83,378	65,772	115,346	264,496	84,911	66,322	116,400	267,633
Population 65 years and older	11,539	11,680	18,098	41,317	12,107	11,856	18,552	42,515	12,724	12,004	19,225	43,953
<b>HOUSING OCCUPANCY</b>												
Total Housing Units	46,196	39,497	69,053	154,746	46,635	39,560	69,081	155,276	47,052	39,705	69,242	155,999
Occupied Housing Units	42,617	35,235	62,260	140,112	43,255	35,203	61,800	140,258	43,903	35,478	61,962	141,343
Owner-Occupied Units	32,362	24,857	42,361	99,580	32,649	24,643	42,038	99,330	32,561	24,417	41,536	98,514
Renter-Occupied Units	10,255	10,378	19,899	40,532	10,606	10,560	19,762	40,928	11,342	11,061	20,426	42,829
Vacant Housing Units	3,579	4,262	6,793	14,634	3,380	4,357	7,281	15,018	3,149	4,227	7,280	14,656
Vacant Housing Rate	7.7%	10.8%	9.8%	9.5%	7.2%	11.0%	10.5%	9.7%	6.7%	10.6%	10.5%	9.4%
Median (Value) Owner-occupied units	\$ 173,000	\$ 147,600	\$ 146,200	n/a	\$ 172,700	\$ 146,300	\$ 144,300	n/a	\$ 174,200	\$ 147,700	\$ 143,900	n/a
<b>EMPLOYMENT STATUS</b>												
Population 16 years and older	89,053	72,133	124,387	285,573	90,433	72,430	125,242	288,105	92,145	73,165	126,093	291,403
Population in Civilian Labor Force	63,730	49,122	84,991	197,843	64,347	49,548	85,459	199,354	65,546	49,526	85,229	200,301
Employed	59,622	45,175	78,089	182,886	59,917	45,336	77,880	183,133	61,454	45,481	78,082	185,017
Employed Percentage	93.6%	92.0%	91.9%	92.4%	93.1%	91.5%	91.1%	91.9%	93.8%	91.8%	91.6%	92.4%
Unemployed	4,108	3,947	6,902	14,957	4,430	4,212	7,579	16,221	4,092	4,045	7,147	15,284
Unemployed Percentage	6.4%	8.0%	8.1%	7.6%	6.9%	8.5%	8.9%	8.1%	6.2%	8.2%	8.4%	7.6%
<b>INCOME</b>												
Median Household Income	\$ 67,125	\$ 53,580	\$ 53,900	n/a	\$ 67,225	\$ 54,306	\$ 54,270	n/a	\$ 67,286	\$ 54,482	\$ 54,817	n/a
Mean Household Income	\$ 78,904	\$ 67,013	\$ 69,366	\$ 71,675	\$ 80,339	\$ 67,244	\$ 69,687	\$ 72,359	\$ 81,417	\$ 68,553	\$ 70,126	\$ 73,238
Per Capita Income	\$ 28,640	\$ 27,063	\$ 27,669	\$ 27,840	\$ 29,235	\$ 26,945	\$ 27,704	\$ 28,025	\$ 29,656	\$ 27,479	\$ 27,788	\$ 28,331
<b>POVERTY LEVEL</b>												
Percentage whose Income in the past 12-months is below Poverty Level.												
All Families	6.4%	9.5%	10.1%	8.7%	7.4%	10.0%	10.5%	9.3%	7.1%	10.4%	11.1%	9.6%
All People	8.3%	12.4%	13.2%	11.4%	9.0%	13.0%	13.7%	12.0%	8.7%	14.0%	14.3%	12.4%
Under 18 Years	10.6%	17.2%	19.8%	15.9%	12.2%	17.5%	20.8%	17.0%	11.7%	19.2%	21.8%	17.6%
65 Years and Older	8.0%	6.5%	7.5%	7.4%	6.9%	8.0%	8.3%	7.8%	8.2%	8.0%	8.8%	8.4%

Source: factfinder2.census.gov/

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

<u>NORTHERN KY COUNTIES</u>	<u>2015 (ACS 5-Year Estimates)</u>				<u>2016 (ACS 5-Year Estimates)</u>				<u>2017 (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	124,617	91,475	163,007	379,099	125,656	91,456	163,393	380,505	127,682	91,804	163,987	383,473
Median Age (years)	36.2	37.3	36.4	n/a	36.6	37.9	36.7	n/a	37.1	38.0	36.9	n/a
<b>HOUSEHOLDS</b>												
Total Households	44,709	35,477	62,225	142,411	45,649	35,954	62,746	144,349	46,095	35,870	62,929	144,894
Average Household Size	2.77	2.49	2.58	2.62	2.73	2.46	2.57	2.59	2.75	2.46	2.57	2.60
Populations in Households	123,644	88,421	160,718	372,783	124,657	88,314	161,085	374,056	126,649	88,392	161,610	376,651
Population 21 years and older	86,329	66,896	117,493	270,718	87,486	67,314	118,478	273,278	89,342	67,938	119,155	276,435
Population 65 years and older	13,236	12,365	19,988	45,589	13,980	12,702	20,747	47,429	15,414	13,264	21,556	50,234
<b>HOUSING OCCUPANCY</b>												
Total Housing Units	47,466	39,754	69,369	156,589	47,878	39,873	69,520	157,271	48,499	39,929	69,484	157,912
Occupied Housing Units	44,709	35,477	62,225	142,411	45,649	35,954	62,746	144,349	46,095	35,870	62,929	144,894
Owner-Occupied Units	32,785	24,368	40,956	98,109	32,880	24,530	41,155	98,565	33,885	24,675	41,329	99,889
Renter-Occupied Units	11,924	11,109	21,269	44,302	12,769	11,424	21,591	45,784	12,210	11,195	21,600	45,005
Vacant Housing Units	2,757	4,277	7,144	14,178	2,229	3,919	6,774	12,922	2,404	4,059	6,555	13,018
Vacant Housing Rate	5.8%	10.8%	10.3%	9.1%	4.7%	9.8%	9.7%	8.2%	5.0%	10.2%	9.4%	8.2%
Median (Value) Owner-occupied units	\$ 175,100	\$ 150,400	\$ 145,200	n/a	\$ 178,300	\$ 156,600	\$ 147,000	n/a	\$ 183,700	\$ 160,700	\$ 149,700	n/a
<b>EMPLOYMENT STATUS</b>												
Population 16 years and older	93,587	73,523	127,102	294,212	95,134	73,934	127,720	296,788	97,459	74,589	128,542	300,590
Population in Civilian Labor Force	66,346	49,211	86,096	201,653	67,334	49,093	87,231	203,658	67,873	48,795	87,172	203,840
Employed	62,624	45,872	79,447	187,943	63,757	46,233	81,588	191,578	64,527	46,154	82,552	193,233
Employed Percentage	94.4%	93.2%	92.3%	93.2%	94.7%	94.2%	93.5%	94.1%	95.1%	94.6%	94.7%	94.8%
Unemployed	3,722	3,339	6,649	13,710	3,577	2,860	5,643	12,080	3,346	2,641	4,620	10,607
Unemployed Percentage	5.6%	6.8%	7.7%	6.8%	5.3%	5.8%	6.5%	5.9%	4.9%	5.4%	5.3%	5.2%
<b>INCOME</b>												
Median Household Income	\$ 66,730	\$ 54,621	\$ 54,296	n/a	\$ 69,165	\$ 56,772	\$ 56,568	n/a	\$ 72,731	\$ 57,208	\$ 58,674	n/a
Mean Household Income	\$ 81,500	\$ 70,780	\$ 70,236	\$ 73,908	\$ 85,590	\$ 74,223	\$ 72,452	\$ 77,048	\$ 90,790	\$ 77,224	\$ 76,160	\$ 81,078
Per Capita Income	\$ 29,866	\$ 28,248	\$ 27,847	\$ 28,612	\$ 31,593	\$ 29,834	\$ 28,785	\$ 29,968	\$ 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	6.6%	10.3%	11.8%	9.6%	6.5%	11.0%	10.9%	9.4%	6.0%	9.5%	9.9%	8.4%
All People	8.2%	14.6%	14.6%	12.5%	7.9%	14.9%	13.6%	12.0%	7.6%	14.2%	12.9%	11.4%
Under 18 Years	11.2%	20.5%	23.0%	18.2%	11.4%	22.0%	21.5%	17.9%	10.6%	19.2%	19.5%	16.2%
65 Years and Older	5.9%	9.8%	8.5%	8.1%	6.3%	10.2%	8.0%	8.1%	5.2%	12.2%	8.0%	8.2%

Source: data.census.gov/

<b>Sanitation District No. 1</b> <b>Northern Kentucky Demographic and Census Information</b> <b>Ten Years</b>
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<u>NORTHERN KY COUNTIES</u>	<u>2018 (ACS 5-Year Estimates)</u>			
	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>
<b>POPULATION</b>				
Total Population	129,095	92,267	164,688	386,050
Median Age (years)	37.3	38.1	37.0	n/a
<b>HOUSEHOLDS</b>				
Total Households	46,404	36,308	63,529	146,241
Average Household Size	2.76	2.44	2.55	2.59
Populations in Households	128,053	88,744	162,253	379,050
Population 21 years and older	90,557	68,424	120,201	279,182
Population 65 years and older	16,093	13,707	22,334	52,134
<b>HOUSING OCCUPANCY</b>				
Total Housing Units	48,961	40,109	69,635	158,705
Occupied Housing Units	46,404	36,308	63,529	146,241
Owner-Occupied Units	34,370	25,018	41,781	101,169
Renter-Occupied Units	12,034	11,290	21,748	45,072
Vacant Housing Units	2,557	3,801	6,106	12,464
Vacant Housing Rate	5.2%	9.5%	8.8%	7.9%
Median (Value) Owner-occupied units	\$ 186,500	\$ 168,300	\$ 155,200	n/a
<b>EMPLOYMENT STATUS</b>				
Population 16 years and older	98,981	75,215	129,244	303,440
Population in Civilian Labor Force	69,183	48,901	87,789	205,873
Employed	66,174	46,679	83,543	196,396
Employed Percentage	95.7%	95.5%	95.2%	95.4%
Unemployed	3,009	2,222	4,246	9,477
Unemployed Percentage	4.3%	4.5%	4.8%	4.6%
<b>INCOME</b>				
Median Household Income	\$ 75,043	\$ 59,782	\$ 61,606	n/a
Mean Household Income	\$ 93,086	\$ 79,669	\$ 80,194	\$ 84,154
Per Capita Income	\$ 34,433	\$ 32,225	\$ 31,811	\$ 32,794
<b>POVERTY LEVEL</b>				
Percentage whose Income in the past 12-months is below Poverty Level.				
All Families	5.3%	9.2%	9.5%	8.0%
All People	7.1%	13.8%	12.6%	11.0%
Under 18 Years	10.2%	17.0%	18.3%	15.1%
65 Years and Older	4.7%	12.3%	7.7%	8.0%

Source: data.census.gov/

**Sanitation District No. 1**  
**Northern Kentucky Top Ten Employers**  
**2020 & 2011**

<b>Top Ten Employers in Northern Kentucky - 2020</b> (Ranked by Local Employees)		
Company	Employees	Percentage of Employed Work Force
Cincinnati/NKY International Airport	14,508	7.0%
St. Elizabeth Healthcare	9,007	4.4%
Boone County Schools	4,200	2.0%
Kroger Company	4,099	2.0%
Amazon.com LLC	4,000	1.9%
Fidelity Investments	4,000	1.9%
Citi	2,200	1.1%
Kenton County Schools	1,700	0.8%
Castellini Group of Cos.	1,550	0.8%
Novolex	837	0.4%
<b>Totals:</b>	<b>46,101</b>	<b>22.4%</b>
Source: Business Courier 2020 Book of Lists		

<b>Top Ten Employers in Northern Kentucky - 2011</b> (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 & 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%
<b>Totals:</b>	<b>14,562</b>	<b>7.4%</b>
Source: Business Courier 2011 Book of Lists; Harris InfoSource 2010		

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

	Design Capacity MGD	Fiscal Year									
		2011	2012	2013	Average Daily Wastewater Flow (MGD)			2017	2018	2019	2020
				2014	2015	2016					
<b>Treatment Plant Flow (1)</b>											
Dry Creek	46.5	35.7	35.9	27.3	26.4	20.7	27.4	27.0	27.0	27.0	30.0
Eastern Regional WRF*	4.0	0.9	0.8	0.8	0.94	1.05	1.03	1.00	1.00	1.00	1.00
Western Regional WRF**	20.0	0.0	3.4	7.6	8.43	7.77	8.12	8.00	8.00	8.00	9.00
	<u>70.5</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>	<u>40.0</u>
<b>Staffing Levels (2)</b>											
Administration		51	61	62	58	59	58.5	54	43	45	44.5
Engineering		38	27	27	21	21	21	21	23	25	28.5
Operations		0	0	0	6	6	5	5	20	23.5	25.5
Water Resources		0	18	14	15.5	15.5	16.5	16.5	16.5	11.5	11.5
Collection System		88	83	89	88	88	84	78	72	69	66
Field Tech (Pump Stations)		14	14	13	15	15	15	15	15	15	15
Eastern Regional and Small Plants		13	10	9	10.5	10.5	10.5	9.5	9.5	7.5	7.5
Western Regional Plant		0	13	13	12	13	13	13	13	13	13
Dry Creek and Lab		54	46	49	47.5	46.5	45.5	45.5	45.5	44.5	43
<b>Total Employees</b>		<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>	<u>254.5</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									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Miles of Sanitary Sewers (Includes sanitary, force mains and combined)	1,600	1,600	1,600	1,600	1,600	1,620	1,620	1,640	1,650	1,662
Regional Wastewater Treatment Plants	2	2	3	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	4	4	4	4	4	2	3	3	3	3
Pump Stations										
Owned and Operated	131	131	133	121	121	121	120	121	121	121
Operated but not Owned	13	13	13	14	14	3	3	3	3	3
Flood Stations	15	15	15	15	15	15	15	15	15	15
Flood Gate Structures	89	89	89	88	88	89	89	92	93	93
Storm Structures	28,883	29,165	31,669	32,062	32,541	32,820	33,097	31,106	31,657	32,728
Miles of Separate Storm Sewers	407	417	440	442	447	447	451	416	425	428

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, 2020 and the related notes to the financial statements, which collectively comprise SD1's basic financial statements, and have issued our report thereon dated December 8, 2020.

**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) as a basis of designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether SD1's financial statements are free from 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 financial statement. 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 or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 8, 2020