

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



859-578-7450
www.SD1.org



2020-2021

Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2021 and 2020

SANITATION DISTRICT NO. 1

**For the Fiscal Years Ended
June 30, 2021 and 2020**

Annual Comprehensive Financial Report



Prepared By:

Sanitation District No. 1

1045 Eaton Drive
Fort Wright, KY

Finance Department

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

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

	PAGE
Introductory Section	
Letter of Transmittal.....	1
Board of Directors.....	7
Government Finance Officers Association Certificate for Excellence in Financial Reporting	8
Organizational Chart.....	9
Financial Section	
Independent Auditors' Report.....	10
Management's Discussion and Analysis (MD&A)	12
Basic Financial Statements	
Statements of Net Position	21
Statements of Revenues, Expenses and Changes in Net Position	25
Statements of Cash Flows.....	27
Notes to the Financial Statements.....	31
Required Supplementary Information	
Schedule of SD1's Proportionate Share of the Net Pension Liability.....	74
Schedule of SD1's Pension Contributions.....	75
Schedule of SD1's Proportionate Share of the Net OPEB Liability.....	76
Schedule of SD1's OPEB Contributions.....	77
Other Supplementary Information	
Budgetary Comparison Schedules – Budget to Actual General Revenues.....	78
Budgetary Comparison Schedules – Budget to Actual Operation, Maintenance, and Administration	80

SANITATION DISTRICT NO. 1
TABLE OF CONTENTS
(Continued)

	PAGE
Statistical Section	
Statistical Section Narrative.....	98
Financial Trends	
Statements of Net Position	99
Statements of Revenues, Expenses and Changes in Net Position	101
Statements of Cash Flows.....	103
Net Capital Assets – Sanitation	104
Net Capital Assets – Storm Water	105
Revenue Capacity	
Schedule of Sanitary Sewer Rates, Rate Determination, and Percentage Change	106
Schedule of Storm Water Rates, Rate Determination, and Percentage Change	107
Sewer and Storm Water Revenues Breakdown by Billing Class	108
Top Significant Industrial Users (SIU's).....	109
Debt Service Coverage	
Debt Service Coverage	110
Ratios of Outstanding Debt	112
Demographic and Economic Information	
Northern Kentucky Demographic and Census Information.....	113
Northern Kentucky Top Ten Employers	117
Operating Information	
Miscellaneous Operating Statistics	118
Capital Asset Statistics	119
Required Regulatory Information	
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 <i>Government Auditing Standards</i>	120

INTRODUCTORY SECTION



November 29, 2021

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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. 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, 2021 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, 2021 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 339,000 residents throughout Boone, Campbell and Kenton Counties.

SD1 maintains approximately 1,685 miles of sanitary sewer line, 122 wastewater pumping stations, 15 flood pump stations, six package treatment plants, three major wastewater treatment plants, approximately 433 miles of storm sewer pipe and 32,300 storm sewer structures.

In Fiscal Year 2021, SD1 served a sanitary sewer customer base of 109,628 accounts and a storm water customer base of 95,546 accounts. SD1's sanitary sewer customer base has experienced a 0.966 percent average annual growth rate over the past five years, while SD1's storm water customer base has experienced a 0.055 percent average annual decrease over the past five years due to a reduction in the storm water boundary in 2018 and the City of Covington terminating their Storm Water Interlocal agreement in 2021.

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 389,349. 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. The Cincinnati MSA unemployment rate had been on a declining trend for the past nine years up until April 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 3.1 percent in April 2019 to a high of 13.6 percent in April 2020. However, at the end of June 2021, the regional unemployment rate dropped to 5.5 percent which is below the national unemployment rate of 6.1 percent.

In Northern Kentucky, the housing market continues to show strong sales activity, increasing home values, and a rise in new home construction. Although these are encouraging trends, the housing market continues to face challenges such as limited inventory, workforce shortages, rising inflation and supply chain disruptions.

Long-Term Financial Planning

SD1 is in the third 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 for SD1's overflow mitigation goals of elimination of all typical-year SSOs and recapture of 85 percent of typical-year combined system flow. 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 third 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, continues to increase each year as the variable rate decreases. This is more closely aligning sanitary sewer rates with the actual cost of providing service and also addressing the continuing trend of declining revenue due to decreasing water consumption. In addition, the rate structure 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 \$391,123,505. Outstanding bonds of SD1 are rated Aa2 by Moody's and AA by Standard & Poor's rating agencies. For fiscal year ended June 30, 2021, net revenues covered debt service on both revenue bonds and Kentucky Infrastructure Authority (KIA) notes by 2.23 times. Unrestricted cash was at a level representing at least 989 days' cash which equated to \$110.4 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

Equalization Tanks Being Constructed Across the Region

Work continues on new equalization (EQ) tanks and pump stations in Highland Heights and Silver Grove, with substantial completion expected in December 2021. These two tanks will be used to hold mostly storm water and will eliminate about 20 million gallons of typical-year sanitary sewer overflows (SSOs) at a cost well below traditional forms of overflow mitigation.

The tanks are just the beginning of a new smart-sewer management approach that will be implemented across the region. EQ 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.

Construction of a third EQ tank is underway in Wilder, and additional tanks will be added to the system in areas across the region where storage and controlled release makes sense and is feasible.

SD1 Reaches 200th Public Cost-Share Program Project Milestone

SD1 funded its 200th Public Cost-Share Program project this year, as part of a community partnership program that was created in 2003.

Since its creation, SD1 has provided \$14 million to assist local cities and counties in addressing storm water issues that affect public and private property in Northern Kentucky.

The program provides financial assistance to city and county partners for the installation of new infrastructure to address storm water issues associated with a right-of-way. SD1 reimburses partners for 50 percent of the costs associated with these important projects. In the program's 17 years in existence, SD1 has partnered with 28 local cities and counties to develop cost-effective and environmentally friendly solutions. The cities of Edgewood and Ft. Mitchell most recently partnered with SD1 to complete storm water cost-share projects, bringing the total number of such projects to 200.

Each year, SD1 allocates funds to these assistance programs depending on the overall priorities of the storm water utility, the total number of anticipated applications for each program and the benefits these projects provide. Only local cities and counties that are Municipal Separate Storm Sewer System Program co-permittees with SD1 are eligible to apply.

SD1 Bond Refunding Saves Ratepayers an Additional \$14.8 Million

SD1 recently completed its latest round of bond refunding, saving ratepayers \$14.8 million in debt service over the life of two refunded bond series. Combined with two previous rounds of bond refunding over the last four years, SD1 has saved current and future ratepayers \$74,597,983. This amounts to an annual savings of nearly \$3 million per year through 2041.

A bond refunding retires old debt with the proceeds of newly issued debt that is secured at a more favorable interest rate. The savings realized from a refunding are spread out over the life of the bonds. This year, for instance, SD1 will save \$3,343,707.

In 2016, SD1 issued its largest bond refunding, securing savings of \$35,685,611 by refunding bonds that had been issued in 2005, 2006 and 2007. Three years later, the District refunded bonds from 2009 and 2010, generating a savings of \$24,097,897.

The refunding also lowers the amount of money SD1 must keep in its debt service reserve fund, freeing up millions of additional dollars to invest in other priorities.

This is a tremendous benefit for SD1 ratepayers and supports ongoing efforts to minimize costs which allows investment in critical infrastructure around the region while keeping rates as low as possible. This is just one example of how SD1 is continuously looking for ways to become more efficient in its mission to reliably provide the Northern Kentucky region with wastewater and storm water services.

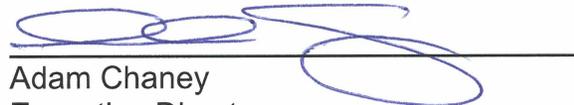
Awards and Acknowledgements

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 Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2020. This was the eighth 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 ACFR 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, 2021)

Bob Schroder, President
Kenton County

Bob Boswell, Vice President
Boone County

Robert Horine, Treasurer
Campbell County

Jack Scott, Secretary
Campbell County

Rick Wessels, Director
Kenton County

Joe Bessler, Director
Kenton County

Russ Horsley, Director
Kenton County

Katie Nolan, Director
Boone County



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Sanitation District No. 1
Kentucky**

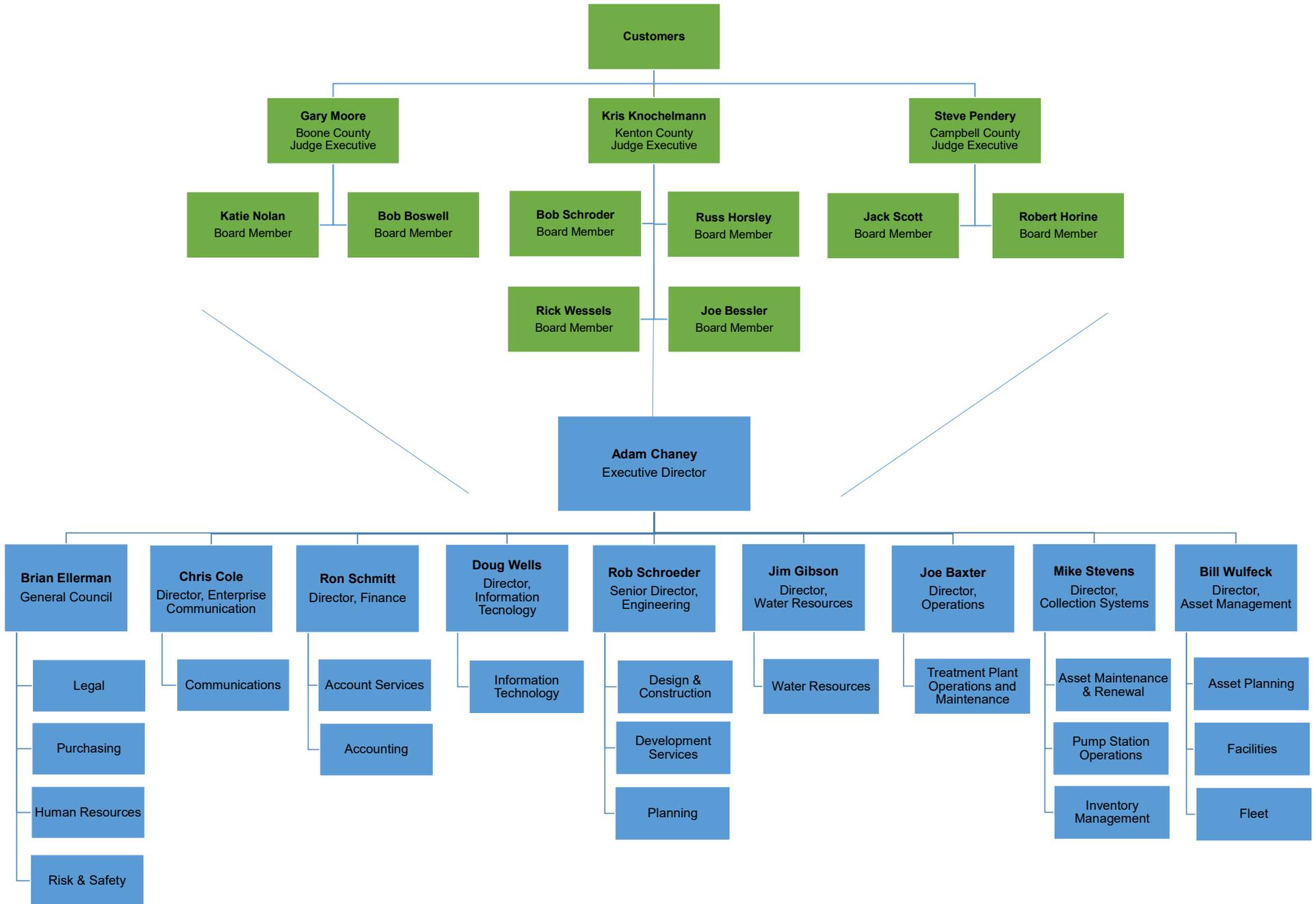
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

**SANITATION DISTRICT NO. 1
ORGANIZATION CHART**
as of June 30, 2021



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, 2021 and June 30, 2020, 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 consider 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, 2021 and June 30, 2020, 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 74 – 75), and the schedule of SD1's proportionate share of the net OPEB liability and schedule of SD1's OPEB contributions (on pages 76 – 77), 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 November 29, 2021, 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.

**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, 2021 and 2020. 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.

2021 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 \$817.2 million (*net position*). Of this amount, \$75.9 million represents unrestricted net position.
- Net investment in capital assets increased \$20.0 million to \$664.3 million.
- Operating revenues decreased almost \$950,000 to \$112.8 million.
- Operation, maintenance and administration expenses increased \$398,000 to \$39.8 million.
- SD1's total outstanding debt decreased by \$22.4 million or 5.41%.

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 \$4.6 million to \$113.7 million.
- Operation, maintenance and administration expenses increased \$748,000 to \$39.4 million.
- SD1's total outstanding debt decreased by \$19.7 million or 4.57%.

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.

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 – 73 of this report.

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

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 78 – 97 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 2021 compared to 2020 and 2019.

**Table 1
Net Position**

	June 30,		
	2021	2020	2019
Assets			
Current Assets	\$ 133,786,717	\$ 125,471,405	\$ 105,520,205
Restricted Assets	77,027,648	79,384,510	83,540,979
Receivables - Noncurrent	540,893	835,386	1,206,111
Capital Assets	1,048,869,104	1,051,320,664	1,057,556,976
Total Assets	1,260,224,362	1,257,011,965	1,247,824,271
Deferred Outflows of Resources	18,665,375	17,013,265	14,965,252
Liabilities			
Current Liabilities	37,147,183	35,382,261	36,225,756
Noncurrent Liabilities	421,802,511	437,390,099	454,520,132
Total Liabilities	458,949,694	472,772,360	490,745,888
Deferred Inflows of Resources	2,721,464	4,778,714	3,451,074
Net Position			
Net Investment in Capital Assets	664,340,118	644,358,510	630,311,143
Restricted	77,027,648	79,384,510	83,540,979
Unrestricted	75,850,813	72,731,136	54,740,439
Total Net Position	\$ 817,218,579	\$ 796,474,156	\$ 768,592,561

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

Total assets increased \$3.2 million in 2021 and \$9.1 million in 2020. Although current assets increased \$8.3 million in 2021 and \$19.9 million in 2020 primarily due to an increase in unrestricted cash and investments; noncurrent assets decreased \$5.1 million in 2021 and almost \$10.7 million in 2020. 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 2021 and 2020 due to reductions in the required amount of debt service reserve funds being held which was a result of two bond refundings that lowered the maximum annual debt service requirement pursuant to SD1's Trust Indenture.

Deferred outflow of resources increased \$1.7 million in 2021 and \$2.0 million in 2020. The majority of the change in 2021 was due to an increase in the difference between expected and actual experience of the OPEB liability. The majority of the increase in 2020 was the result of revisions in the actuarial assumptions used in the calculations related to both the pension and OPEB liabilities.

Total liabilities decreased \$13.8 million in 2021 and \$17.9 million in 2020. The majority of the decrease for both years was a result of not issuing any new bonds, other than two refundings and continuing to pay on the existing debt. Net pension liability increased \$4.0 million in 2021 and \$4.2 million in 2020 which resulted in a net pension liability of \$40.4 million in 2021 compared to \$36.3 million in 2020. OPEB liability increased \$4.0 million in 2021 and decreased \$672,000 in 2020 which resulted in an OPEB liability of \$12.7 million in 2021 compared to \$8.7 million in 2020.

Deferred inflow of resources decreased \$2.0 million in 2021 and increased \$1.3 million in 2020. The decrease in 2021 was primarily due to a decrease in the difference between projected and actual earnings on pension plan investments. The increase in 2020 was a result of revisions in the actuarial assumptions used in the calculations related to the OPEB liability.

Total net position increased \$20.7 million in 2021 and \$27.8 million in 2020. The largest portion of SD1's net position \$664.3 million or 81.3% 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 2.97% from 2020 and 7.80% since 2019. The decrease was primarily a result of a reduction in the required amount of debt service reserve funds being held due to bond refundings and 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 4.29% at the end of 2021 and increased 32.87% at the end of 2020. The majority of the increase was in unrestricted cash reserves as capital spending slowed during the consent decree negotiations and finalization of the updated watershed plan was completed in 2020.

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

Table 2 shows the changes in net position, as well as revenue and expenses for 2021 compared to 2020 and 2019.

**Table 2
Changes in Net Position**

	Years Ended June 30,		
	2021	2020	2019
Operating Revenues			
Sewer Service Charges	\$ 91,179,985	\$ 93,494,058	\$ 88,772,462
Storm Water Charges	13,463,003	13,647,164	13,604,462
Permits and Tap-in Fees	5,901,118	4,312,269	3,791,979
Sludge Hauling	805,838	717,245	914,722
Inspections	231,981	266,058	217,307
Penalties	619,727	934,458	1,415,881
Contractual Services	163,467	158,882	136,004
Bad Debt Recoveries	11,320	19,111	18,823
Other Revenues	376,285	153,419	145,941
	<u>112,752,724</u>	<u>113,702,664</u>	<u>109,017,581</u>
Operating Expenses			
Operation, Maintenance and Administration	39,847,390	39,449,023	38,700,426
Major Repairs and Other	881,199	2,033,349	1,814,545
Bad Debt Expense - Assessment Projects	237,878	315,094	-
Depreciation Expense	40,739,661	40,869,031	40,317,009
	<u>81,706,128</u>	<u>82,666,497</u>	<u>80,831,980</u>
Net Operating Income	31,046,596	31,036,167	28,185,601
Non-Operating Income (Expense)	<u>(25,564,333)</u>	<u>(11,746,044)</u>	<u>(11,608,573)</u>
Change in Net Position Before Capital Contributions	5,482,263	19,290,123	16,577,028
Capital Contributions	<u>15,262,160</u>	<u>8,591,472</u>	<u>8,595,935</u>
Change in Net Position	20,744,423	27,881,595	25,172,963
Net Position - Beginning of Year	<u>796,474,156</u>	<u>768,592,561</u>	<u>743,419,598</u>
Net Position - End of Year	<u>\$ 817,218,579</u>	<u>\$ 796,474,156</u>	<u>\$ 768,592,561</u>

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

In 2021, SD1's total operating revenues experienced a decrease of almost \$950,000 or 0.84%. Sanitary sewer revenues decreased \$2.3 million due to a decline in residential consumption as well as a decline in non-residential consumption which was an impact of COVID-19 causing production lines, restaurants, and other businesses to shut down or operate at limited capacity. In addition, due to COVID-19 and the surrounding impacts to the community, SD1 did not take a planned 5.0% rate increase in July 2020. Storm Water revenues decreased \$184,000 due to the City of Covington terminating its interlocal agreement effective March 1, 2021. Permits and connection fees increased \$1.6 million due to an increase in the number of capacity connection fees. Penalties decreased \$314,000 due to penalties continuing to be suspended until January 2021 in response to COVID-19. Other revenues increased \$222,000 mainly due to an insurance recovery related to a reduction in collateral being held for OCIP claims.

In 2020, SD1's total operating revenues experienced an increase of \$4.6 million or 4.3%. 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.

In 2021, operations, maintenance and administration expenses increased \$398,000 or 1.01%. The following contributed to the change in expenses:

- Salaries, wages, and benefits increased \$858,000, which was primarily due to a \$1.0 million increase in medical costs as a result of a few high-cost claimants. This increase was offset by a \$126,000 decrease in salaries and wages due to a number of retirements that left some positions being unfilled during a portion of the year.
- Professional and Contractual services decreased \$573,000 due to a reduction in engineering professional services with the completion of the updated watershed plans occurring in 2020.
- Chemicals increased \$126,000 due to an increase in the amount of polymer needing to be used at the Dry Creek treatment plant as a result of the primary tanks being out of service for an extended period of time.
- Electricity decreased \$167,000, which was a direct result of installing more energy efficient aeration blowers and replacing leaking airline expansion joints at the Dry Creek Treatment Plant.
- Sludge & Grit Removal increased \$146,000 due to treating more production of bio-solids at the Dry Creek Treatment Plant and more than expected being hauled by our contractor as a result of SD1 experiencing internal staffing challenges with CDL qualified personnel and trucks being out of service during periods of high hauling demand.

In 2020, operations, maintenance and administration expenses increased \$748,000 or 1.93%. The following contributed to the change in 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.

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

- 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.

Major repairs and other expenses decreased \$1.2 million in 2021 due to the historical capital costs for the original design of the Ash Street project being fully expensed in 2020, which was offset with costs associated with the relocation of private sanitary laterals needed for a combined sewer overflow separation project in 2021.

Major repairs and other expenses increased \$218,000 in 2020 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 changed direction and a new scope was developed. The additional cost in 2019 was due to a betterment cost for upsizing Kentucky Transportation Cabinet storm water pipes to accommodate future SD1 separation projects

Non-operating expenses increased \$13.8 million in 2021, which was the net result of a \$12.0 million increase in the loss on disposal of capital assets due to the transfer of ownership of all Covington related storm water assets; \$1.1 million decrease in interest income due to lower rates of return on investments; \$1.7 million net depreciation in fair value of investments; \$994,000 increase in SD1's share of the pension and OPEB expenses; and \$2.0 million net decrease in interest expense and federal credits on long term debt due to the refunding of bonds.

Non-operating expenses increased \$137,000 in 2020, which was the net result of a \$766,000 decrease in interest income and fair 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.

Capital contributions increased \$6.7 million in 2021 and decreased \$4,400 in 2020. 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, 2021, was \$1.049 billion (net of accumulated depreciation). This represents a 0.23% decrease from 2020. Although capital assets increased \$28.9 million, accumulated depreciation increased \$31.4 million. Collection system assets increased \$16.5 million and included new and improved sewers, dedicated assets and infrastructure repairs. Pumping system assets increased \$1.0 million and included infrastructure improvements and equipment replacements. Treatment and disposal assets increased \$4.0 million and included treatment plant improvements, new aeration blowers and equipment replacements. Construction in progress increased \$15.3 million as constructed assets were placed into service and storm water collection system assets decreased almost \$9.1 million which the majority of the decrease is attributable to the removal of the Covington storm water related assets.

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

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. Collection system assets increased \$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 system assets increased \$1.7 million and included infrastructure improvements and equipment replacements. Construction in progress decreased \$5.2 million as constructed assets were placed into service.

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

These assets are summarized in table 3 below.

	June 30,		
	2021	2020	2019
Not Being Depreciated			
Land	\$ 19,222,017	\$ 18,578,720	\$ 17,548,769
Construction in Progress	27,427,347	12,151,572	17,430,531
Other Capital Assets			
Land Improvements	4,922,743	4,713,013	4,615,156
Collection System	756,132,277	739,639,821	718,449,853
Pumping System	104,239,942	103,233,051	101,489,975
Treatment and Disposal	269,688,692	265,719,629	264,780,931
General Buildings and Structures	30,085,010	30,100,161	30,096,796
Office Furniture and Equipment	8,625,567	8,364,515	8,023,896
Vehicle and Accessories	8,600,516	8,674,051	8,840,199
Machinery and Equipment	6,151,602	5,933,632	5,773,346
Software Model Development	21,554,029	21,554,029	21,554,029
Storm Water Collection System	399,415,401	408,493,635	396,792,114
Subtotal	1,656,065,143	1,627,155,829	1,595,395,595
Less Accumulated Depreciation	607,196,039	575,835,165	537,838,619
Totals	\$ 1,048,869,104	\$ 1,051,320,664	\$ 1,057,556,976

Additional information on SD1's capital assets can be found in the Capital Assets note to the financial statements on pages 41 - 44 of this report.

Debt Administration

SD1 ended fiscal year 2021 with \$391.1 million in outstanding bonds and notes compared to \$413.5 million in 2020 and \$433.3 million in 2019. This represents a decrease of 5.41% in 2021 and 4.57% in 2020 as shown in Table 4. SD1 issued bonds in the amount \$61,535,000 in 2021 to refund Series 2010B Bonds and Series 2010D Bonds, as well as issued bonds in the amount of \$99,490,000 in 2020 to refund Series 2009A Bonds, Series 2010A Bonds and Series 2010C Bonds to take advantage of favorable interest rates. Both bond refundings are expected to save SD1 and its rate payers a net of \$38.8 million over the life of the bonds.

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

Table 4 summarizes SD1's outstanding debt at June 30, 2021, 2020, and 2019.

**Table 4
Debt Summary**

	June 30,		
	2021	2020	2019
Bond Indebtedness	\$ 285,025,950	\$ 297,748,060	\$ 309,159,823
Notes Payable	106,097,555	115,749,701	124,135,749
	\$ 391,123,505	\$ 413,497,761	\$ 433,295,572

Additional information on SD1's long-term debt can be found in the Long-Term Debt note to the financial statements on pages 45 - 51 of this report.

Economic Factors and Next Year's Budget

In June 2021, SD1's Board of Directors and the Judges Executive of Boone, Campbell and Kenton counties approved the fiscal year 2022 Operating & Maintenance (O&M) and Capital budgets. The 2022 O&M budget was approved for \$44.0 million, which reflects a 2.19% increase compared to the 2021 budget.

The revenue budget includes year three 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. Also included is a five percent (5%) increase in non-residential sanitary rates. The projected impact is \$5.0 million over 2021 actual sewer service revenue. Capacity fee connection revenue is budgeted at \$4.4 million which is a \$1.0 million decrease over 2021 actual revenue and was determined based on anticipated growth with sensitivity to developer plans and economic factors. The budget anticipates a decrease of \$2.3 million in storm water fees primarily due to the termination of the City of Covington interlocal storm water agreement and SD1 no longer billing for storm water services for the City of Covington residents.

In preparing the 2022 operating budget, the continued focus was on controlling expenditures in light of the current economic climate, rising inflation on materials and services, escalating costs associated with regulatory requirements, aging infrastructure, and changing community needs. The budget was developed with an emphasis on continued innovations and efficiencies, collaboration and communication between departments and outside stakeholders, and the retention, attraction, and development of SD1 personnel.

SD1's 2022 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 \$374.6 million, of which \$334.8 million is estimated for sanitary projects, \$37.9 million for storm water projects, and \$1.9 million for capital asset purchases.

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

The 2022 capital budget approved spending plan calls for \$66.7 million, of which \$26.7 million is for sanitary and storm water asset management projects, \$23.5 million for consent decree projects, \$9.7 million for economic growth and community needs, \$3.0 million for storm water capital improvement projects, \$1.6 million for storm water cost share programs, \$200,000 for storm water planning development, and almost \$2.0 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.

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.

BASIC FINANCIAL STATEMENTS

**SANITATION DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2021**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Sanitation	Storm Water	Total
Assets and Deferred Outflows of Resources			
Current Assets			
Cash and Cash Equivalents	\$ 73,383,458	\$ 22,124,444	\$ 95,507,902
Investments	14,902,275	-	14,902,275
Accounts Receivable			
Customers	6,502,273	2,100,438	8,602,711
Communities	18,165	-	18,165
Other	2,629,038	-	2,629,038
Accrued Unbilled Charges	9,516,110	1,524,100	11,040,210
Prepaid Items and Deposits	1,069,173	625	1,069,798
Accrued Interest	13,959	2,659	16,618
	<u>108,034,451</u>	<u>25,752,266</u>	<u>133,786,717</u>
Noncurrent Assets			
Restricted Assets			
Cash and Cash Equivalents	998,329	888,876	1,887,205
Investments	73,331,487	1,672,584	75,004,071
Accrued Interest	136,372	-	136,372
	<u>74,466,188</u>	<u>2,561,460</u>	<u>77,027,648</u>
Receivables			
Assessments	540,893	-	540,893
	<u>540,893</u>	<u>-</u>	<u>540,893</u>
Capital Assets			
Land	17,402,057	1,819,960	19,222,017
System, Building and Equipment	1,204,044,096	405,371,683	1,609,415,779
Construction in Progress	25,454,128	1,973,219	27,427,347
Less Accumulated Depreciation	(456,578,322)	(150,617,717)	(607,196,039)
	<u>790,321,959</u>	<u>258,547,145</u>	<u>1,048,869,104</u>
Total Capital Assets	<u>790,321,959</u>	<u>258,547,145</u>	<u>1,048,869,104</u>
Total Noncurrent Assets	<u>865,329,040</u>	<u>261,108,605</u>	<u>1,126,437,645</u>
Total Assets	<u>973,363,491</u>	<u>286,860,871</u>	<u>1,260,224,362</u>
Deferred Outflows of Resources			
Deferred Outflows Related to Pension	5,300,284	1,291,811	6,592,095
Deferred Outflows Related to Other			
Postemployment Benefits	4,405,123	1,073,638	5,478,761
Deferred Loss on Refundings	6,594,519	-	6,594,519
	<u>16,299,926</u>	<u>2,365,449</u>	<u>18,665,375</u>
Total Deferred Outflows of Resources	<u>16,299,926</u>	<u>2,365,449</u>	<u>18,665,375</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 989,663,417</u>	<u>\$ 289,226,320</u>	<u>\$ 1,278,889,737</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
STATEMENT OF NET POSITION
JUNE 30, 2021
(Continued)

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	Sanitation	Storm Water	Total
Liabilities and Deferred Inflows of Resources			
Current Liabilities			
Bond Indebtedness	\$ 14,566,789	\$ -	\$ 14,566,789
Notes Payable	8,598,656	-	8,598,656
Accounts Payable	7,096,794	1,024,461	8,121,255
Accrued Payroll and Benefits	370,032	86,214	456,246
Accrued Interest Payable	4,465,892	-	4,465,892
Accrued Taxes and Pension	175,204	-	175,204
Compensated Absences	243,124	62,215	305,339
Sales Tax Payable	7,864	-	7,864
Other Liabilities	444,938	5,000	449,938
	35,969,293	1,177,890	37,147,183
Long-Term Liabilities (Net of Current Portion)			
Bond Indebtedness	270,459,161	-	270,459,161
Notes Payable	97,498,899	-	97,498,899
Compensated Absences	578,885	177,913	756,798
Arbitrage Liability	15,322	-	15,322
Net Pension Liability	32,456,106	7,910,361	40,366,467
Net Other Postemployment Benefits Liability	10,215,976	2,489,888	12,705,864
	411,224,349	10,578,162	421,802,511
Total Liabilities	447,193,642	11,756,052	458,949,694
Deferred Inflows of Resources			
Deferred Inflows Related to Pension	229,613	55,963	285,576
Deferred Inflows Related to Other Postemployment Benefits	1,958,542	477,346	2,435,888
	2,188,155	533,309	2,721,464
Total Liabilities and Deferred Inflows of Resources	449,381,797	12,289,361	461,671,158
Net Position			
Net Investment in Capital Assets Restricted For	405,792,973	258,547,145	664,340,118
Debt Service Funds	36,957,143	-	36,957,143
Operations, Infrastructure, and Insurance	34,938,069	1,672,584	36,610,653
Capital Improvement Projects and Programs	10,277	888,876	899,153
Other Purposes	2,560,699	-	2,560,699
Unrestricted	60,022,459	15,828,354	75,850,813
	540,281,620	276,936,959	817,218,579
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 989,663,417	\$ 289,226,320	\$ 1,278,889,737

See accompanying notes.

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

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	Sanitation	Storm Water	Total
Assets and Deferred Outflows of Resources			
Current Assets			
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>
Total Current Assets			
Noncurrent Assets			
Restricted Assets			
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>
Total Restricted Assets			
Receivables			
Assessments	835,386	-	835,386
	<u>835,386</u>	<u>-</u>	<u>835,386</u>
Capital Assets			
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			
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>
Deferred Outflows of Resources			
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			
Total Assets and Deferred Outflows of Resources	<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

	Sanitation	Storm Water	Total
Liabilities and Deferred Inflows of Resources			
Current Liabilities			
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
Other Liabilities	97,407	-	97,407
	<u>34,261,484</u>	<u>1,120,777</u>	<u>35,382,261</u>
Total Current Liabilities			
Long-Term Liabilities (Net of Current Portion)			
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
	<u>426,731,054</u>	<u>10,659,045</u>	<u>437,390,099</u>
Total Noncurrent Liabilities			
Total Liabilities			
	<u>460,992,538</u>	<u>11,779,822</u>	<u>472,772,360</u>
Deferred Inflows of Resources			
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
	<u>3,789,874</u>	<u>988,840</u>	<u>4,778,714</u>
Total Deferred Inflows of Resources			
Total Liabilities and Deferred Inflows of Resources			
	<u>464,782,412</u>	<u>12,768,662</u>	<u>477,551,074</u>
Net Position			
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
	<u>507,968,443</u>	<u>288,505,713</u>	<u>796,474,156</u>
Total Net Position			
Total Liabilities, Deferred Inflows of Resources, and Net Position			
	<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 REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>
Operating Revenues			
Sewer Service Charges	\$ 91,179,985	\$ -	\$ 91,179,985
Storm Water Charges	-	13,463,003	13,463,003
Permits and Tap-In Fees	5,834,102	67,016	5,901,118
Sludge Hauling	805,838	-	805,838
Inspections	116,772	115,209	231,981
Penalties	524,972	94,755	619,727
Contractual Services	163,467	-	163,467
Bad Debt Recoveries	10,067	1,253	11,320
Other Revenues	355,285	21,000	376,285
	<u>98,990,488</u>	<u>13,762,236</u>	<u>112,752,724</u>
Operating Expenses			
Operation, Maintenance and Administration	34,267,276	5,580,114	39,847,390
Major Repairs and Other	647,828	233,371	881,199
Bad Debt Expense - Assessment Projects	237,878	-	237,878
Depreciation	26,638,665	14,100,996	40,739,661
	<u>61,791,647</u>	<u>19,914,481</u>	<u>81,706,128</u>
Operating Income (Loss)	<u>37,198,841</u>	<u>(6,152,245)</u>	<u>31,046,596</u>
Non-Operating Income (Expense)			
Interest Income	1,367,637	73,782	1,441,419
Arbitrage Rebate Expense	(15,322)	-	(15,322)
Interest on Long-Term Debt	(9,123,010)	(3,887)	(9,126,897)
Bond Issuance Costs	(676,043)	-	(676,043)
Loss on Disposal of Capital Assets	(187,535)	(12,039,569)	(12,227,104)
Federal Credits on Build America Bonds	332,130	-	332,130
Families First Coronavirus Response Act Credits	88,794	19,390	108,184
Pension Expense	(3,186,198)	(360,537)	(3,546,735)
Other Postemployment Benefits Expense	(723,060)	(55,093)	(778,153)
Net Depreciation in Fair Value of Investments	(1,057,374)	(18,438)	(1,075,812)
	<u>(13,179,981)</u>	<u>(12,384,352)</u>	<u>(25,564,333)</u>
Change in Net Position Before Capital Contributions and Transfers	<u>24,018,860</u>	<u>(18,536,597)</u>	<u>5,482,263</u>
Capital Contributions	6,452,692	8,809,468	15,262,160
Transfers In (Out)	1,841,625	(1,841,625)	-
	<u>32,313,177</u>	<u>(11,568,754)</u>	<u>20,744,423</u>
Net Position - Beginning of Year	<u>507,968,443</u>	<u>288,505,713</u>	<u>796,474,156</u>
Net Position - End of Year	<u>\$ 540,281,620</u>	<u>\$ 276,936,959</u>	<u>\$ 817,218,579</u>

See accompanying notes.

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

	Sanitation	Storm Water	Total
Operating Revenues			
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	127,901	25,518	153,419
	<u>99,713,147</u>	<u>13,989,517</u>	<u>113,702,664</u>
Operating Expenses			
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
Bad Debt Expense - Assessment Projects	315,094	-	315,094
Depreciation	26,587,626	14,281,405	40,869,031
	<u>62,310,994</u>	<u>20,355,503</u>	<u>82,666,497</u>
Total Operating Expenses	<u>62,310,994</u>	<u>20,355,503</u>	<u>82,666,497</u>
Operating Income (Loss)	<u>37,402,153</u>	<u>(6,365,986)</u>	<u>31,036,167</u>
Non-Operating Income (Expense)			
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 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	<u>29,487,220</u>	<u>(1,605,625)</u>	<u>27,881,595</u>
Net Position - Beginning of Year	<u>478,481,223</u>	<u>290,111,338</u>	<u>768,592,561</u>
Net Position - End of Year	<u>\$ 507,968,443</u>	<u>\$ 288,505,713</u>	<u>\$ 796,474,156</u>

See accompanying notes.

**SANITATION DISTRICT NO. 1
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021**

	Business-Type Activities Enterprise Funds		
	Sanitation	Storm Water	Total
Cash Flows From Operating Activities			
Received From Customers	\$ 100,924,814	\$ 14,057,527	\$ 114,982,341
Paid to Suppliers for Goods and Services	(17,013,922)	(1,596,159)	(18,610,081)
Paid to or on Behalf of Employees for Services	(17,020,676)	(4,101,428)	(21,122,104)
Net Cash Provided by Operating Activities	<u>66,890,216</u>	<u>8,359,940</u>	<u>75,250,156</u>
Cash Flows From Capital and Related Financing Activities			
Federal Credits on Build America Bonds	332,130	-	332,130
Payments on Long Term Debt	(18,805,554)	(1,206,592)	(20,012,146)
Acquisition and Construction of Capital Assets, Net of Capital Contributions	(30,704,307)	(4,616,167)	(35,320,474)
Proceeds From Sales of Capital Assets	67,429	-	67,429
Interest Paid	(13,039,666)	(6,099)	(13,045,765)
Principal Received on Assessments	56,615	-	56,615
Assessment Interest Income	32,380	-	32,380
Net Cash Flows Used by Capital and Related Financing Activities	<u>(62,060,973)</u>	<u>(5,828,858)</u>	<u>(67,889,831)</u>
Cash Flows From Non-Capital and Related Financing Activities			
Families First Coronavirus Response Act Credits	88,794	19,390	108,184
Cash Flows From Investing Activities			
Interest Income	1,388,706	77,017	1,465,723
Proceeds From the Sale of Investments	36,085,676	1,120,800	37,206,476
Purchase of Investments	(50,565,246)	(1,109,888)	(51,675,134)
Net Cash Provided by Investing Activities	<u>(13,090,864)</u>	<u>87,929</u>	<u>(13,002,935)</u>
Net Change in Cash	(8,172,827)	2,638,401	(5,534,426)
Cash and Cash Equivalents July 1, 2020	<u>82,554,614</u>	<u>20,374,919</u>	<u>102,929,533</u>
Cash and Cash Equivalents June 30, 2021	<u>\$ 74,381,787</u>	<u>\$ 23,013,320</u>	<u>\$ 97,395,107</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(Continued)

	Business-Type Activities		
	Enterprise Funds		
	<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to			
Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 37,198,841	\$ (6,152,245)	\$ 31,046,596
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	26,638,665	14,100,996	40,739,661
Assessment Bad Debt	237,878	-	237,878
Change in Assets and Liabilities			
Accounts Receivable	1,833,288	128,991	1,962,279
Accrued Unbilled Charges	(136,840)	166,300	29,460
Prepaid Items and Deposits	(159,162)	(625)	(159,787)
Rebate Refunding	-	-	-
Accounts Payable	957,781	135,935	1,093,716
Accrued Payroll and Benefits	17,494	1,901	19,395
Compensated Absences	(57,362)	(26,313)	(83,675)
Arbitrage Liability	15,322	-	15,322
Accrued Taxes and Pension	(11,084)	-	(11,084)
Sales Tax Payable	7,864	-	7,864
Other Liabilities	347,531	5,000	352,531
	<u>347,531</u>	<u>5,000</u>	<u>352,531</u>
Net Cash Provided by Operating Activities	<u>\$ 66,890,216</u>	<u>\$ 8,359,940</u>	<u>\$ 75,250,156</u>
Supplemental Schedule of Noncash Capital			
and Related Financing Activities			
Change in Fair Value of Investments	<u>\$ (1,057,374)</u>	<u>\$ (18,438)</u>	<u>\$ (1,075,812)</u>
Investment Fees	<u>\$ (57,050)</u>	<u>\$ (1,646)</u>	<u>\$ (58,696)</u>
Contributions of Capital Assets	<u>\$ 6,452,692</u>	<u>\$ 8,809,468</u>	<u>\$ 15,262,160</u>
Pension Expense	<u>\$ (3,186,198)</u>	<u>\$ (360,537)</u>	<u>\$ (3,546,735)</u>
Other Postemployment Benefit Expense	<u>\$ (723,060)</u>	<u>\$ (55,093)</u>	<u>\$ (778,153)</u>
Issuance of Refunding Revenue Bonds, Series 2020	<u>\$ 67,515,000</u>	<u>\$ -</u>	<u>\$ 67,515,000</u>
Refunding of Series 2010B and 2010D Bonds	<u>\$ (61,535,000)</u>	<u>\$ -</u>	<u>\$ (61,535,000)</u>
Bond Premium	<u>\$ 7,435,178</u>	<u>\$ -</u>	<u>\$ 7,435,178</u>
Deferred Loss on Refunding	<u>\$ (1,432,482)</u>	<u>\$ -</u>	<u>\$ (1,432,482)</u>
Amortization Expense	<u>\$ (3,101,053)</u>	<u>\$ -</u>	<u>\$ (3,101,053)</u>
Bond Issuance Cost	<u>\$ (676,043)</u>	<u>\$ -</u>	<u>\$ (676,043)</u>
Transfers of Capital Assets	<u>\$ 1,838,499</u>	<u>\$ (1,838,499)</u>	<u>\$ -</u>
Reconciliations of Cash and Cash Equivalents			
to the Statement of Net Position			
Cash and Cash Equivalents - Current	\$ 73,383,458	\$ 22,124,444	\$ 95,507,902
Cash and Cash Equivalents - Restricted	<u>998,329</u>	<u>888,876</u>	<u>1,887,205</u>
Cash and Cash Equivalents June 30, 2021	<u>\$ 74,381,787</u>	<u>\$ 23,013,320</u>	<u>\$ 97,395,107</u>

See accompanying notes.

**SANITATION DISTRICT NO. 1
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020**

	Business-Type Activities Enterprise Funds		
	Sanitation	Storm Water	Total
Cash Flows From Operating Activities			
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	(16,273,718)	(4,374,528)	(20,648,246)
Net Cash Provided by Operating Activities	<u>64,495,950</u>	<u>6,759,929</u>	<u>71,255,879</u>
Cash Flows From Capital and Related Financing Activities			
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	34,504	-	34,504
Net Cash Flows Used by Capital and Related Financing Activities	<u>(53,125,871)</u>	<u>(6,220,888)</u>	<u>(59,346,759)</u>
Cash Flows From Non-Capital and Related Financing Activities			
Families First Coronavirus Response Act Credits	127,145	22,862	150,007
Cash Flows From Investing Activities			
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	(36,358,802)	(1,250,753)	(37,609,555)
Net Cash Provided by Investing 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
Cash and Cash Equivalents July 1, 2019	<u>63,240,444</u>	<u>19,488,630</u>	<u>82,729,074</u>
Cash and Cash Equivalents June 30, 2020	<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)

	Business-Type Activities		
	Enterprise Funds		
	Sanitation	Storm Water	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
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
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)
Net Cash Provided by Operating Activities	\$ 64,495,950	\$ 6,759,929	\$ 71,255,879
Supplemental Schedule of Noncash Capital and Related Financing Activities			
Change in Fair Value of Investments	\$ 661,415	\$ 14,636	\$ 676,051
Investment Fees	\$ (59,126)	\$ (1,634)	\$ (60,760)
Contributions of Capital Assets	\$ 3,638,090	\$ 4,953,382	\$ 8,591,472
Pension Expense	\$ (2,739,498)	\$ (508,817)	\$ (3,248,315)
Other Postemployment Benefits Expense (Revenue)	\$ (118,255)	\$ 35,640	\$ (82,615)
Issuance of Refunding Revenue Bonds, Series 2019	\$ 99,490,000	\$ -	\$ 99,490,000
Refunding of Series 2009A, 2010A, and 2010C Bonds	\$ (108,900,000)	\$ -	\$ (108,900,000)
Bond Premium	\$ 11,051,879	\$ -	\$ 11,051,879
Deferred Loss on Refunding	\$ (827,261)	\$ -	\$ (827,261)
Amortization Expense	\$ (2,138,161)	\$ -	\$ (2,138,161)
Bond Issuance Cost	\$ (775,526)	\$ -	\$ (775,526)
Reconciliations of Cash and Cash Equivalents to the Statement of Net Position			
Cash and Cash Equivalents - Current	\$ 81,343,141	\$ 18,899,551	\$ 100,242,692
Cash and Cash Equivalents - Restricted	1,211,473	1,475,368	2,686,841
Cash and Cash Equivalents June 30, 2020	\$ 82,554,614	\$ 20,374,919	\$ 102,929,533

See accompanying notes.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Executive of Kenton, Boone, and Campbell Counties.

Reporting Entity

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

Basis of Accounting and Presentation

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

All activities of SD1 are accounted for within a single proprietary (enterprise) reporting entity. Proprietary entities are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to SD1 is determined by its measurement focus. The transactions of SD1 are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) are segregated into “net investment in capital assets”; “restricted”; and “unrestricted” components.

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

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

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

SD1 has established the following two funds for the purpose of segregating the two primary purposes of SD1 into discernible self-balancing accounts.

1. Sanitation Fund
2. Storm Water Fund

Sanitation Fund

The sanitation fund accounts for financial resources used for general types of operations and expenditures for operation and maintenance of the following budgeted expense areas.

1. Dry Creek Treatment Plant
2. Eastern Regional Waste Water Reclamation Facility
3. Western Regional Waste Water Reclamation Facility
4. Collection System
5. Pump Stations
6. Operations
7. Engineering
8. Administration

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

Storm Water Fund

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

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

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

Use of Estimates

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

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

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

Cash and Cash Equivalents

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

Investments

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

Accounts Receivable - Customers

SD1 follows a monthly cycle billing procedure. When meter readings are delayed, bills are rendered based on estimated meter readings to promote consistency of sewer service revenue. Accounts receivable and related sewer service revenue are recorded when billed. The financial statements include an estimate for unbilled sewer and storm water charges of \$11,040,210 and \$11,069,670 as of June 30, 2021 and 2020, 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, 2021 and 2020 because management expects no material losses.

Inventory

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

Deferred Outflows and Inflows of Resources

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

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

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

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

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

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**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, 2021 and 2020 were \$1,062,137 and \$1,145,812, 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 a rebate liability of \$15,322 and \$0- at June 30, 2021 and 2020, respectively.

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.

Adoption of New 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. The implementation of GASB Statement No. 83 had no effect on the SD1's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*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. The implementation of GASB Statement No. 84 had no effect on SD1's 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. The impact of GASB Statement No. 88 has been implemented in the Long-Term Debt note to the 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. The implementation of GASB Statement No. 90 had no effect on SD1's financial statements.

Recently Issued Significant Accounting Standards*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.

Conduit Debt Obligations

GASB Statement No. 91, *Conduit Debt Obligations*, was issued to provide a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related not disclosures. The requirements of GASB Statement No. 91 are effective for reporting periods beginning after December 15, 2021. The District is currently evaluating the impact GASB Statement No. 91 may have on its financial statements.

Omnibus 2020

GASB Statement No. 92, *Omnibus 2020*, was issued to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of GASB Statement No. 92 are effective for fiscal years or reporting periods beginning after June 15, 2021, other than the requirements related to the effective date of GASB Statement No. 87, which is effective upon issuance. SD1 is currently evaluating the impact GASB Statement No. 92 may have on its financial statements.

Replacement of Interbank Offered Rates

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was issued to address accounting and financial reporting implications that result from the replacement of an interbank offered rate

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(IBOR). The requirements of GASB Statement No. 93, except paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirements in paragraph 11b are effective for reporting periods ending after December 31, 2021. The requirements in paragraphs 13 and 14 are effective for fiscal year periods beginning after June 15, 2021. SD1 is currently evaluating the impact GASB Statement No. 93 may have on its financial statements.

Public-Private and Public-Public Partnerships and Availability Payment Arrangements

GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, was issued to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements and to provide guidance for accounting and financial reporting for availability payment arrangements. The requirements of GASB Statement No. 94 are effective for fiscal years beginning after June 15, 2022. SD1 is currently evaluating the impact GASB Statement No. 94 may have on its financial statements.

Subscription-Based Information Technology Arrangements

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, was issued to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of GASB Statement No. 96 are effective for fiscal years beginning after June 15, 2022. SD1 is currently evaluating the impact GASB Statement No. 96 may have on its financial statements.

Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32, was issued to (1) increase consistency and comparability related to the fiduciary reporting of component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan for benefits provided through those plans. Aspects of GASB Statement No. 97 are effective immediately, however there was no significant impact to SD1's financial statements for the year ended December 31, 2020. Other requirements of GASB Statement No. 97 are effective for fiscal years or reporting periods beginning after June 15, 2021. SD1 is currently evaluating the impact GASB Statement No. 97 may have on its financial statements.

Reclassifications

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

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

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, 2021 and 2020, 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, 2021 and 2020 of \$89,906,346 and \$76,485,253, 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.

The quality ratings for the municipal bonds as of June 30, 2021 and 2020:

Quality Ratings	Years Ended June 30,	
	2021	2020
A	\$ -	\$ 250,350
AA	618,627	101,789
AA-	127,114	-
AA+	-	405,037
AAA	275,853	284,427
Not Rated	251,432	438,879
Total Municipal Bonds	\$ 1,273,026	\$ 1,480,482

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, 2021 and 2020:

	Years Ended June 30,	
	2021	2020
Pursuant to Trust Indenture		
Principal and Interest Accounts	\$ 15,420,008	\$ 15,565,419
Debt Service Reserve	21,537,135	24,521,800
Operation and Maintenance Fund	10,506,075	10,546,917
Construction and Acquisition Fund	1,572,647	-
Improvement, Repair, and Replacement	19,060,997	19,034,197
Self Insurance Fund	7,043,581	7,029,336
Total Pursuant to Trust Indenture	75,140,443	76,697,669
Pursuant to Other Uses		
Agreed Order/Settlement	1,887,205	2,686,841
Total Restricted Assets	\$ 77,027,648	\$ 79,384,510

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.

NOTE 4 – FAIR VALUE MEASUREMENT (Continued)

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, 2021:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and Cash Equivalents	\$ -	\$ 16,507,921	\$ -	\$ 16,507,921
Municipal Bonds	-	1,273,026	-	1,273,026
Treasury Bonds	-	14,666,342	-	14,666,342
Agency Bonds	-	42,556,782	-	42,556,782
Intermediate US Government Funds	-	14,902,275	-	14,902,275
Total Investments at Fair Value	\$ -	\$ 89,906,346	\$ -	\$ 89,906,346

The following table sets forth by level, within the fair value hierarchy, SD1's assets at fair value at June 30, 2020:

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
Total Investments at Fair Value	\$ -	\$ 76,485,253	\$ -	\$ 76,485,253

NOTE 5 – CAPITAL ASSETS

Capital asset activity for SD1 for the year ended June 30, 2021, was as follows:

Sanitation Fund	Balance June 30, 2020	Additions	Retirements /Transfers	Balance June 30, 2021
Capital Assets Not Being Depreciated				
Land	\$ 16,961,694	\$ 448,963	\$ 8,600	\$ 17,402,057
Construction in Progress	11,453,397	30,652,257	16,651,526	25,454,128
Total Capital Assets Not Being Depreciated	28,415,091	31,101,220	16,660,126	42,856,185
Depreciable Capital Assets				
Land Improvements	4,713,013	209,730	-	4,922,743
Collection System	739,639,821	13,300,966	(3,191,490)	756,132,277
Pumping System	103,233,051	1,517,785	510,894	104,239,942
Treatment and Disposal	265,719,629	5,930,142	1,961,079	269,688,692
General Buildings and Structures	30,100,161	-	15,151	30,085,010
Office Furniture and Equipment	8,364,515	261,052	-	8,625,567
Vehicle and Accessories	8,564,107	252,620	385,506	8,431,221
Machinery and Equipment	5,797,122	237,151	24,498	6,009,775
Software Model Development	15,908,869	-	-	15,908,869
Total Depreciable Capital Assets	1,182,040,288	21,709,446	(294,362)	1,204,044,096
Total Capital Assets at Historical Cost	1,210,455,379	52,810,666	16,365,764	1,246,900,281
Less Accumulated Depreciation				
Land Improvements	2,000,452	124,963	-	2,125,415
Collection System	219,757,337	15,121,173	(348,880)	235,227,390
Pumping System	57,845,783	4,161,501	424,569	61,582,715
Treatment and Disposal	99,556,707	6,036,427	1,803,331	103,789,803
General Buildings and Structures	17,077,663	481,658	13,902	17,545,419
Office Furniture and Equipment	7,167,782	338,197	-	7,505,979
Vehicle and Accessories	8,376,339	61,700	385,506	8,052,533
Machinery and Equipment	4,547,483	313,046	20,330	4,840,199
Software Model Development	15,908,869	-	-	15,908,869
Total Accumulated Depreciation	432,238,415	26,638,665	2,298,758	456,578,322
Depreciable Capital Assets, Net	749,801,873	(4,929,219)	(2,593,120)	747,465,774
Sanitation Fund Capital Assets, Net	\$ 778,216,964	\$ 26,172,001	\$ 14,067,006	\$ 790,321,959

NOTE 5 – CAPITAL ASSETS (Continued)

Storm Water Fund	Balance June 30, 2020	Additions	Retirements /Transfers	Balance June 30, 2021
Capital Assets Not Being Depreciation				
Land	\$ 1,617,026	\$ 202,934	\$ -	\$ 1,819,960
Construction in Progress	698,175	4,828,214	3,553,170	1,973,219
Total Capital Assets Not Being Depreciated	<u>2,315,201</u>	<u>5,031,148</u>	<u>3,553,170</u>	<u>3,793,179</u>
Depreciable Capital Assets				
Vehicles	109,944	-	(59,351)	169,295
Machinery and Equipment	136,510	-	(5,317)	141,827
Storm Water Collection System	408,493,635	12,945,516	22,023,750	399,415,401
Software Model Development	5,645,160	-	-	5,645,160
Total Depreciable Capital Assets	<u>414,385,249</u>	<u>12,945,516</u>	<u>21,959,082</u>	<u>405,371,683</u>
Total Capital Assets at Historical Cost	<u>416,700,450</u>	<u>17,976,664</u>	<u>25,512,252</u>	<u>409,164,862</u>
Less Accumulated Depreciation				
Vehicles	93,159	3,724	(59,351)	156,234
Machinery and Equipment	82,407	13,915	(2,191)	98,513
Storm Water Collection System	137,776,024	14,083,357	7,141,571	144,717,810
Software Model Development	5,645,160	-	-	5,645,160
Total Accumulated Depreciation	<u>143,596,750</u>	<u>14,100,996</u>	<u>7,080,029</u>	<u>150,617,717</u>
Depreciable Capital Assets, Net	<u>270,788,499</u>	<u>(1,155,480)</u>	<u>14,879,053</u>	<u>254,753,966</u>
Storm Water Fund Capital Assets, Net	<u>\$ 273,103,700</u>	<u>\$ 3,875,668</u>	<u>\$ 18,432,223</u>	<u>\$ 258,547,145</u>

NOTE 5 – CAPITAL ASSETS (Continued)

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
Capital Assets Not Being Depreciation				
Land	\$ 16,310,617	\$ 651,077	\$ -	\$ 16,961,694
Construction in Progress	15,080,010	21,050,614	24,677,227	11,453,397
Total Capital Assets Not Being Depreciated	31,390,627	21,701,691	24,677,227	28,415,091
Depreciable Capital Assets				
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
Total Depreciable Capital Assets	1,157,742,500	26,857,263	2,559,475	1,182,040,288
Total Capital Assets at Historical Cost	1,189,133,127	48,558,954	27,236,702	1,210,455,379
Less Accumulated Depreciation				
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
Total Accumulated Depreciation	407,968,611	26,587,626	2,317,822	432,238,415
Depreciable Capital Assets, Net	749,773,889	269,637	241,653	749,801,873
Sanitation Fund Capital Assets, Net	\$ 781,164,516	\$ 21,971,328	\$ 24,918,880	\$ 778,216,964

NOTE 5 – CAPITAL ASSETS (Continued)

Storm Water Fund	Balance June 30, 2019	Additions	Retirements /Transfers	Balance June 30, 2020
Capital Assets Not Being Depreciation				
Land	\$ 1,238,152	\$ 378,874	\$ -	\$ 1,617,026
Construction in Progress	2,350,521	6,348,737	8,001,083	698,175
Total Capital Assets Not Being Depreciated	<u>3,588,673</u>	<u>6,727,611</u>	<u>8,001,083</u>	<u>2,315,201</u>
Depreciable Capital Assets				
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
Total Depreciable Capital Assets	<u>402,673,795</u>	<u>12,325,554</u>	<u>614,100</u>	<u>414,385,249</u>
Total Capital Assets at Historical Cost	<u>406,262,468</u>	<u>19,053,165</u>	<u>8,615,183</u>	<u>416,700,450</u>
Less Accumulated Depreciation				
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
Total Accumulated Depreciation	<u>129,870,008</u>	<u>14,281,405</u>	<u>554,663</u>	<u>143,596,750</u>
Depreciable Capital Assets, Net	<u>272,803,787</u>	<u>(1,955,851)</u>	<u>59,437</u>	<u>270,788,499</u>
Storm Water Fund Capital Assets, Net	<u>\$ 276,392,460</u>	<u>\$ 4,771,760</u>	<u>\$ 8,060,520</u>	<u>\$ 273,103,700</u>

NOTE 6 – NOTES RECEIVABLE

SD1 has, at the request of homeowners, extended sanitary sewer service into existing areas for which there was no previous service. SD1 paid the initial cost of this construction and assessed the homeowners to recover the cost of construction. Assessments outstanding was \$540,893 and \$835,286 as of June 30, 2021 and 2020, respectively.

NOTE 7 – ARBITRAGE

The Tax Reform Act of 1986 (Act) substantially revised the treatment to be afforded to earnings on the proceeds of tax-exempt debt and requires SD1 to calculate and remit rebatable arbitrage earnings to the Internal Revenue Service. Certain of SD1's debt and interest earned on the proceeds thereof are subject to the requirements of the Act. SD1 has accrued a liability for estimated rebatable arbitrage earnings and has set aside such earnings as restricted cash. At June 30, 2021 and 2020, the arbitrage rebate liability was \$15,322 and \$0-, respectively.

Rebate calculations are prepared annually. However, any liability due is only required to be paid every 5 years from the original date of the bond. During the year ended June 30, 2021, SD1 did not make any payments. In the upcoming year, no payment is due and therefore no current portion is accrued for.

NOTE 8 – LONG-TERM DEBT**Notes Payable - Direct Borrowings**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.

NOTE 8 – LONG-TERM DEBT (Continued)Frogtown Interceptor Loan A09-07

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

Turkeyfoot/Industrial Road Loan A09-08

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

Narrows Road Diversion Loan A09-09

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

Dry Creek Head Works/Hydraulics Loan A10-11

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

Lakeview, Kentucky Aire, Church Street Loan A11-13

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

Lakeside Park, Vernon Lane Loan A11-14

During the year ended June 30, 2013, SD1 partnered with the Kentucky Infrastructure Authority to fund construction of sewer rehabilitation and Vernon Lane removal of sewer inflow and infiltration. This Kentucky Infrastructure Authority Loan bears an interest rate of 2.0% with interest-only payments due until completion, with final maturity due 20 years after completion. As of October 2019, all funds have been received.

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 8th 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.

NOTE 8 – LONG-TERM DEBT (Continued)

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. In August 2020, these loans were paid in full.

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):

Years	Principal Amount	Interest Amount	Total Debt Service
2022	\$ 8,598,656	\$ 1,772,944	\$ 10,371,600
2023	8,755,021	1,616,578	10,371,599
2024	8,914,730	1,456,870	10,371,600
2025	9,077,861	1,293,738	10,371,599
2026	9,244,499	1,127,101	10,371,600
2027-2031	40,771,006	3,356,252	44,127,258
2032-2036	18,434,712	760,380	19,195,092
2037-2039	2,301,070	73,081	2,374,151
Total	\$ 106,097,555	\$ 11,456,944	\$ 117,554,499

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.

NOTE 8 – LONG-TERM DEBT (Continued)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.

This bond was refinanced during the fiscal year ending June 30, 2021.

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 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. This bond was refinanced during the fiscal year ending June 30, 2021.

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.

NOTE 8 – LONG-TERM DEBT (Continued)

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.

Refunding Revenue Bonds, Series 2020

In September 2020, bonds in the total amount of \$61,535,000 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 2020 Bonds were used to defease \$26,610,000 of the 2010B Bonds, \$40,905,000 of the 2010D Bonds, and to pay the necessary costs and expenses incident to the issuance and delivery of the Series 2020 Bonds.

The reacquisition price exceeded the net carrying amount of the refunded debt by \$1,432,482. This amount is amortized over the remaining life of the new debt. The refunding reduces its total debt service over 20 years by \$24,486,415 and obtains an economic gain (difference between the present values of the old and new debt service) of \$12,339,517.

The original amount of each outstanding issue, the issue date, interest rates and outstanding balances at June 30, 2021 and 2020 are summarized below:

Issue Date	Original Amount	Interest	Outstanding Balance at June 30,	
			2021	2020
Series 2010 B	\$ 42,310,000	2.00 - 4.00%	\$ -	\$ 28,495,000
Series 2010 D	\$ 40,905,000	5.10 - 6.30%	-	40,905,000
Series 2016	\$ 124,990,000	3.00 - 5.00%	104,260,000	108,355,000
Series 2019	\$ 99,490,000	2.25 - 5.00%	95,110,000	99,490,000
Series 2020	\$ 61,535,000	2.00 - 5.00%	61,535,000	-
Plus: Unamortized Bond Premium			24,120,950	20,503,060
			<u>\$ 285,025,950</u>	<u>\$ 297,748,060</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, 2021 for debt service (principal and interest) are as follows:

Years	Principal Amount	Interest Amount	Total Debt Service
2022	\$ 10,555,000	\$ 10,049,500	\$ 20,604,500
2023	11,090,000	9,508,375	20,598,375
2024	11,655,000	8,939,750	20,594,750
2025	12,250,000	8,342,125	20,592,125
2026	12,885,000	7,713,750	20,598,750
2027-2031	74,785,000	28,227,750	103,012,750
2032-2036	76,585,000	13,575,391	90,160,391
2037-2041	51,100,000	2,769,634	53,869,634
Total	<u>\$ 260,905,000</u>	<u>\$ 89,126,275</u>	<u>\$ 350,031,275</u>

NOTE 8 – LONG-TERM DEBT (Continued)

Changes in long-term liabilities for the year ended June 30, 2021 are as follows:

	Debt Outstanding June 30, 2020	Additions of New Debt	Retirements and Repayments	Debt Outstanding June 30, 2021	Amounts Due Within 1 Year
Bond Indebtedness					
Series 2010 B REF	\$ 28,495,000	\$ -	\$ 28,495,000	\$ -	\$ -
Series 2010 B Bond Premium	217,598	-	217,598	-	-
Series 2010 D RZED	40,905,000	-	40,905,000	-	-
Series 2010 D Bond Premium	107,884	-	107,884	-	-
Series 2016 REF	108,355,000	-	4,095,000	104,260,000	4,305,000
Series 2016 Bond Premium	9,830,637	-	1,501,848	8,328,789	1,379,116
Series 2019 REF	99,490,000	-	4,380,000	95,110,000	4,595,000
Series 2019 Bond Premium	10,346,941	-	1,618,359	8,728,582	1,461,736
Series 2020 REF	-	61,535,000	-	61,535,000	1,655,000
Series 2020 Bond Premium	-	7,435,178	371,599	7,063,579	1,170,937
Total Bond Indebtedness	297,748,060	68,970,178	81,692,288	285,025,950	14,566,789
Notes Payable - Direct Borrowings					
KIA Loan A04-09	14,419,178	-	1,741,662	12,677,516	1,794,304
KIA Loan A08-04	46,670,435	-	3,379,118	43,291,317	3,412,993
KIA Loan A09-04	3,068,036	-	239,799	2,828,237	244,619
KIA Loan A09-05	3,135,675	-	271,210	2,864,465	276,662
KIA Loan A09-06	8,841,344	-	601,887	8,239,457	613,985
KIA Loan A09-07	3,170,417	-	225,630	2,944,787	230,166
KIA Loan A09-08	1,492,164	-	101,581	1,390,583	103,623
KIA Loan A09-09	5,601,921	-	381,359	5,220,562	389,024
KIA Loan A10-11	11,841,531	-	740,807	11,100,724	755,698
KIA Loan A11-13	10,127,542	-	457,368	9,670,174	466,561
KIA Loan A11-14	3,830,852	-	167,564	3,663,288	170,932
KIA Loan A12-02	571,365	-	40,663	530,702	41,480
KIA Loan A15-103	1,772,649	-	96,906	1,675,743	98,609
KIA Loan A209-02	409,923	-	409,923	-	-
KIA Loan A209-03	429,474	-	429,474	-	-
KIA Loan A209-01	108,661	-	108,661	-	-
KIA Loan A209-04	258,534	-	258,534	-	-
Total Notes Payable - Direct Borrowings	115,749,701	-	9,652,146	106,097,555	8,598,656
Compensated Absences	1,145,812	354,163	437,838	1,062,137	305,339
Arbitrage Liability	-	15,322	-	15,322	-
Net Pension Liability	36,394,880	3,971,587	-	40,366,467	-
Net OPEB Liability	8,702,115	4,003,749	-	12,705,864	-
Total Long-Term Liabilities	\$ 459,740,568	\$ 77,314,999	\$ 91,782,272	\$ 445,273,295	\$ 23,470,784

NOTE 8 – LONG-TERM DEBT (Continued)

Changes in long-term liabilities for the year ended June 30, 2020 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
Bond Indebtedness					
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
Total Bond Indebtedness	309,159,823	110,541,879	121,953,642	297,748,060	13,556,997
Notes Payable - Direct Borrowings					
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
Total Notes Payable - Direct Borrowings	124,135,749	-	8,386,048	115,749,701	8,541,534
Compensated Absences	999,341	405,577	259,106	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	-
Total Long-Term Liabilities	\$ 475,826,473	\$ 115,185,222	\$ 131,271,127	\$ 459,740,568	\$ 22,350,469

NOTE 9 – 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) (Kentucky Public Pension Authority effective April 2021) under the provision of Kentucky Revised Statute 61.645. The plan covers all regular full-time members employed in non-hazardous and hazardous duty positions of each participating county, city, and any additional eligible local agencies electing to participate in CERS. SD1 participates in the non-hazardous plan.

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

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

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

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

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

NOTE 9 – PENSION PLAN (Continued)

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:	Member begins participating prior to 08/01/2004.	Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
		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%)**

Benefit Formula for Tier 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		
2021	5.29%	4.00%	1.29%	0.97%	4.97%	\$9,203,000
2020	5.51%	4.00%	1.51%	1.13%	5.13%	\$6,360,000

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 hybrid 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.

NOTE 9 – PENSION PLAN (Continued)

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.

House Bill 271 passed during the 2020 legislative session which removed provisions that reduce the monthly payment to a surviving spouse of a member whose death was due to an in line of duty or duty-related injury upon remarriage of the surviving spouse. It also increased benefits for a very small number of surviving spouses and dependent children who did not initially elect the in line of duty or duty-related benefit. There were no other material benefit provision changes since the prior valuation.

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 both fiscal years ended June 30, 2021 and 2020, participating employers contributed 24.06% (19.30% pension fund and 4.76% insurance fund) 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 \$2,553,708 and \$2,638,931 for the years ended June 30, 2021 and 2020, respectively.

NOTE 9 – PENSION PLAN (Continued)

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

Plan Information for June 30, 2021 Financial Statements

At June 30, 2021, SD1 reported a liability of \$40,366,467, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2020, 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, 2021, SD1's proportion for the non-hazardous system was 0.526296%, which was an increase of 0.008812% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, SD1 recognized pension expense of \$3,546,735. At June 30, 2021, 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	\$ 1,010,120	\$ -
Difference Between Expected and Actual Experience	1,006,612	-
Changes of Assumptions	1,576,242	-
Changes in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	445,413	285,576
Contributions After Measurement Date	2,553,708	-
Total	\$ 6,592,095	\$ 285,576

The \$2,553,708 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, 2022. 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,		
2022	\$	1,608,181
2023		1,221,106
2024		517,836
2025		405,688
	\$	3,752,811

NOTE 9 – PENSION PLAN (Continued)

Actuarial assumptions: The total pension liability in the June 30, 2020 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	30 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%
Payroll Growth Rate	2.00%
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 Board of Trustees for the Kentucky Retirement Systems adopted new actuarial assumptions since June 30, 2018. The Total Pension liability as of June 30, 2020 was determined using these updated assumptions.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the Total Pension Liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

The mortality table used for active members was a PUB-2010 General Mortality table with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

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

NOTE 9 – 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 %	4.50 %
Non-US Equity	18.75	5.25
Private Equity	10.00	6.65
Specialty Credit/High Yield	15.00	3.90
Liquidity		
Core Bonds	13.50	(0.25)
Cash	1.00	(0.75)
Diversifying Strategies		
Real Estate	5.00	5.30
Opportunistic	3.00	2.25
Real Return	15.00	3.95
	100.00 %	

Discount rate: The single 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 projections of cash flows used to determine the single discount rate includes an assumption regarding actual employer contributions made each future year. Except where noted, the future contributions are projected assuming that each participating employer in the system contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 Legislative Session. This includes the phase-in provisions from House Bill 362 (passed in 2020) which kept CERS contributions level for fiscal year ending 2021.

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
\$ 49,780,638	\$ 40,366,467	\$ 32,571,176

NOTE 9 – PENSION PLAN (Continued)

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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	<u>2,638,931</u>	<u>-</u>
Total	<u>\$ 7,251,776</u>	<u>\$ 1,370,109</u>

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:

<u>Years Ending June 30,</u>	
2021	\$ 2,202,430
2022	688,219
2023	310,463
2024	<u>41,624</u>
	<u>\$ 3,242,736</u>

NOTE 9 – PENSION PLAN (Continued)

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, 2019
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 10.03%, 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 (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
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 %	

NOTE 9 – PENSION PLAN (Continued)

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

Payables to the Pension Plan

At June 30, 2021 and 2020, 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.

NOTE 10 – 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) (Kentucky Public Pension Authority effective April 2021) 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.

NOTE 10 – OPEB PLAN (Continued)

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

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

Portion Paid by Insurance Fund	
Years 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.

NOTE 10 – OPEB PLAN (Continued)

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. SB 249 (passed during the 2020 legislative session) froze the contribution rates for one year so that the rates for fiscal year ended June 30, 2021 were equal to the rates for fiscal year ended June 30, 2020. For the fiscal years ended June 30, 2021 and 2020, participating employers contributed 24.06% (19.30% pension fund and 4.76% insurance fund), 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 \$629,826 and \$650,845 for the year ended June 30, 2021 and 2020, respectively.

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

Plan Information for June 30, 2021 Financial Statements

At June 30, 2021, SD1 reported a liability of \$12,705,864 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019. The total OPEB liability was rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2020, 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, 2021, the SD1’s proportion for the non-hazardous system was 0.526189%, which was a increase of 0.008808% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, SD1 recognized OPEB expense of \$778,153. At June 30, 2021, 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
Net Difference Between Projected and Actual		
Earnings on OPEB Plan Investments	\$ 422,313	\$ -
Difference Between Expected and Actual Experience	2,122,884	2,124,541
Changes Of Assumptions	2,210,069	13,440
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	93,669	297,907
Contributions After Measurement Date	629,826	-
Total	\$ 5,478,761	\$ 2,435,888

NOTE 10 – OPEB PLAN (Continued)

\$629,826 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, 2022. 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,	
2022	\$ 638,996
2023	763,976
2024	524,690
2025	525,643
2026	<u>(40,258)</u>
	<u>\$ 2,413,047</u>

Actuarial assumptions: The total OPEB liability in the June 30, 2020 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	30 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 11.55%, varies by services
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 6.40% at January 1, 2022 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 2.90% at January 1, 2022, and increasing to 6.30% in 2023, the gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Mortality	
Pre-retirement	PUB-2010 General Mortality Table, for the Non-Hazardous Systems, Projected with the Ultimate Rates from the MP-2014 Mortality Improvement Scale Using a Base Year of 2010.
Post Retirement (non-disabled)	System-Specific Mortality Table Based on Mortality Experience from 2013-2018, Projected with the Ultimate Rates from MP-2014 Mortality Improvement Scale Using a Base Year of 2010.
Post Retirement (disabled)	PUB-2010 Disabled Mortality Table, with a 4-year set-forward for both Male and Female Rates, Projected With the Ultimate Rates from the MP-2014 Mortality Improvement Scale Using a Base Year of 2010.

NOTE 10 – OPEB PLAN (Continued)

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 30 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20-year amortization bases. This change does not impact the calculation of the total OPEB liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan changes.

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
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 single discount rate used to measure the total OPEB liability was 5.34% 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 2.45%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 28, 2020. 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 is not currently being included in the calculation of the system’s actuarial determined contributions, and it is understood that any 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 include an assumption regarding actual employer contributions made each future year. The future contributions are projected assuming that each participating employer in system contributes the actuarially determined employer contribution rate each future year calculated in accordance with the current funding policy, as most recently revised by Senate Bill 249, passed during the 2020 Legislative Session. This includes the phase-in provisions from House Bill 362 (passed in 2018) that applies to the CERS Funds as well as the provisions from Senate Bill 249 (passed in 2020) which kept CERS contributions level from fiscal year ending 2021.

NOTE 10 – OPEB PLAN (Continued)

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 (4.34% for non-hazardous) or 1-percentage-point higher (6.34% for non-hazardous) than the current rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 16,323,306	\$ 12,705,864	\$ 9,734,739

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>
\$ 9,837,515	\$ 12,705,864	\$ 16,186,674

Changes of assumptions: There were no changes in actuarial assumptions for the June 30, 2020 valuation date.

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.

NOTE 10 – OPEB PLAN (Continued)

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
Net Difference Between Projected and Actual		
Earnings on OPEB Plan Investments	\$ -	\$ 386,510
Difference Between Expected and Actual Experience	-	2,625,630
Changes Of Assumptions	2,575,037	17,219
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	379,246
Contributions After Measurement Date	650,845	-
 Total	 \$ 3,225,882	 \$ 3,408,605

\$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 ending 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)
	\$ (833,568)

NOTE 10 – 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.

NOTE 10 – OPEB PLAN (Continued)

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

Asset Class	Target Allocation	Long Term Expected 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 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:

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

NOTE 10 – OPEB PLAN (Continued)

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

<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.

Payables to the OPEB Plan

At June 30, 2021 and 2020, 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.

NOTE 11 – 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 \$1,429,902 for a net asset value of \$871,000. SD1 is expected to receive rental payment of \$166,989 during the year ended June 30, 2022.

NOTE 12 – 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, 2021 and 2020 were \$52,600 and \$52,925, respectively.

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

Years Ending June 30,		
2022	\$	56,425
2023		44,355
2024		<u>24,499</u>
	\$	<u><u>125,279</u></u>

NOTE 13 – REIMBURSEMENT COMMITMENTS

SD1 has entered into inter-local agreements, whereby cities can apply for reimbursement of qualified expenses incurred to accomplish required storm water improvements. There were 13 new agreements totaling \$525,859 for the year ended June 30, 2021 and 12 new agreements totaling \$998,348 for the year ended June 30, 2020.

NOTE 14 – 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 15 – 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 \$298,607 and \$332,684 has been recorded in the accompanying financial statements which is management’s estimate of the unspent balances as of June 30, 2021 and 2020, respectively, that are likely to be paid in future periods.

NOTE 16 – 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 13 separate lawsuits relating to matters arising in the normal course of business. SD1 intends to aggressively defend each of these suits, and financial contingencies that could be awarded in 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 February 29, 2021, the Kentucky Supreme Court denied Coppage's Motion for Discretionary Review and remanded the case to the Kenton Circuit Court. Since the Kentucky Supreme Court's Order, Coppage has not taken any activity to prosecute its sole remaining partnership by estoppel claim against SD1.

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.

On August 26, 2021, the Court granted SD1's Motion to Dismiss. This litigation has been concluded.

NOTE 16 – 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*.

The Kentucky Supreme Court denied *Weinel’s* Motion for Discretionary Review. That makes the Court of Appeals’ decision final. The *Weinel* decision will result in the case no longer being held in abeyance.

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 17 – INSURANCE IN FORCE

SD1 has the following insurance policies in force during the years ended June 30, 2021 and 2020 :

Type of Coverage	Amount of Coverage	
	2021	2020
Property-Buildings, Pump Stations, Machinery	\$ 366,269,341	\$ 359,087,589
Earthquake	\$ 60,000,000	\$ 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	\$ 4,082,165	\$ 3,985,706
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	\$ 467,814
Electronic Vandalism	\$ 100,000	\$ 100,000
Telecommunications-Tower	\$ 89,600	\$ 89,600

NOTE 18 – RISKS AND UNCERTAINTIES – COVID-10 OUTBREAK

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 have 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.

NOTE 19 – INTERFUND TRANSFERS

During the year ended June 30, 2021, SD1 made a one-time transfer of capital assets in the amount of \$1,841,625 from the Storm Water Fund to the Sanitation Fund. This was primarily the result of the City of Covington terminating their interlocal agreement to provide Storm Water services. These capital assets are now solely utilized by the Sanitation Fund.

NOTE 20 – SUBSEQUENT EVENTS

SD1 has evaluated subsequent events through November 29, 2021, which is the date the financial statements were available to be issued.

In December 2021, SD1 issued Sanitation District Revenue Bonds, Series 2021A, in the amount of \$70,000,000 for the purpose to finance the acquisition, construction, installation, and equipping of improvements to the System; and issued Sanitation District Revenue Refunding Bonds, Series 2021B, in the amount of \$11,525,000 for the purpose of refunding the KIA Loan A04-09.

REQUIRED SUPPLEMENTARY INFORMATION

SANITATION DISTRICT NO. 1
SCHEDULE OF SD1'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2021

County Employees Retirement System
Last 10 Fiscal Years*

	<u>2021</u>	<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	0.526296%	0.517484%	0.528005%	0.540918%	0.544995%	0.566115%	0.564690%
SD1's Proportionate Share of the Net Pension Liability	\$ 40,366,467	\$ 36,394,880	\$ 32,157,114	\$ 31,661,594	\$ 26,833,461	\$ 24,340,276	\$ 18,320,686
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
SD1's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	296.94%	275.11%	240.72%	237.37%	202.65%	182.91%	141.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%

* 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 PENSION CONTRIBUTIONS
JUNE 30, 2021**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 2,553,708	\$ 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>(2,553,708)</u>	<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	\$ 13,231,649	\$ 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	19.30%	19.41%	16.28%	14.48%	13.95%	12.42%	12.75%	13.74%

* Only eight 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, 2021**

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
SD1's Proportion of the Net OPEB Liability	0.526189%	0.517381%	0.527995%	0.540918%
SD1's Proportionate Share of the Net OPEB Liability	\$ 12,705,864	\$ 8,702,115	\$ 9,374,446	\$ 10,874,302
SD1's Covered Payroll	\$ 13,594,328	\$ 13,229,298	\$ 13,358,633	\$ 13,338,602
SD1's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll	93.46%	65.78%	70.18%	81.53%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	51.67%	60.44%	57.62%	52.39%

** Only four 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, 2021

County Employees Retirement System
Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 629,826	\$ 650,845	\$ 698,331	\$ 627,856	\$ 630,916
Contributions in Relation to the Contractually Required Contribution	<u>(629,826)</u>	<u>(650,845)</u>	<u>(698,331)</u>	<u>(627,856)</u>	<u>(630,916)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
SD1's Covered Payroll	\$ 13,231,649	\$ 13,594,328	\$ 13,229,298	\$ 13,358,633	\$ 13,338,602
Contributions as a Percentage of Covered Payroll	4.76%	4.79%	5.28%	4.70%	4.73%

* Only five 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, 2021

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget (Unfavorable) Favorable
Revenues			
Sewer Service Charges	\$ 89,800,000	\$ 87,905,999	\$ (1,894,001)
Storm Water Charges	13,685,000	13,463,003	(221,997)
Surcharges	2,702,000	3,273,986	571,986
Capacity Connection Fees	3,300,000	5,484,602	2,184,602
Penalties	630,000	605,977	(24,023)
Fines	8,500	13,750	5,250
Inspections	187,000	231,981	44,981
Permits	409,500	416,516	7,016
Project Reimbursements	-	53,554	53,554
Contractual Services	150,000	163,467	13,467
Sludge Hauling	600,000	805,838	205,838
Bad Debt Recoveries	17,000	11,320	(5,680)
Other Revenues	25,000	322,731	297,731
Total Revenues	<u>\$ 111,514,000</u>	<u>\$ 112,752,724</u>	<u>\$ 1,238,724</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
GENERAL REVENUES
YEAR ENDED JUNE 30, 2020

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Revenues			
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	-	25,518	25,518
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
Total Revenues	<u>\$ 110,855,150</u>	<u>\$ 113,702,664</u>	<u>\$ 2,847,514</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, 2021

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Expenses			
Salaries and Wages	\$ 2,328,283	\$ 2,265,598	\$ 62,685
Medical and Dental Self Insured Plan	609,906	713,453	(103,547)
Pension Plan	527,223	499,916	27,307
Payroll Taxes	178,114	165,744	12,370
Employee Benefits	34,639	37,814	(3,175)
Credit Charged to Capital Projects	-	(12,730)	12,730
Insurance and Bond	221,752	214,810	6,942
Professional and Contracted Services	241,135	197,386	43,749
Postage	1,620	7,258	(5,638)
Office and Operating Supplies	150,160	160,329	(10,169)
Travel, Training, and Certification	58,900	26,339	32,561
Operating Maintenance - Building Grounds	97,000	77,014	19,986
Subscriptions	949	-	949
Legal Advertising	-	229	(229)
Electric and Gas	1,152,000	967,402	184,598
Telephone and Radio	38,020	29,545	8,475
Water	48,000	39,958	8,042
Vehicle Fuels	48,200	38,364	9,836
Auto and Truck Expense	126,750	56,341	70,409
Sludge and Grit Removal	842,384	1,099,124	(256,740)
Safety Equipment Expense	18,000	12,970	5,030
SD1 Penalties and Fines Paid	-	723	(723)
Rental	8,400	7,716	684
Contract Labor - Building Maintenance	3,000	1,373	1,627
Chemicals	1,218,996	1,280,929	(61,933)
Fuel Oil	40,000	37,757	2,243
Maintenance Material - Plant Equipment	220,000	276,422	(56,422)
	<u> </u>	<u> </u>	<u> </u>
Total Dry Creek Treatment Plant Expenses	\$ 8,213,431	8,201,784	11,647

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, 2021

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget (Unfavorable) Favorable
Expenses			
Salaries and Wages	\$ 388,553	\$ 415,786	\$ (27,233)
Medical and Dental Self Insured Plan	99,465	109,644	(10,179)
Pension Plan	91,170	93,491	(2,321)
Payroll Taxes	29,724	30,118	(394)
Employee Benefits	6,471	5,369	1,102
Credit Charged to Capital Projects	(33,000)	(40,707)	7,707
Insurance and Bond	50,177	47,256	2,921
Professional and Contracted Services	60,400	39,411	20,989
Postage	200	-	200
Office and Operating Supplies	23,500	23,726	(226)
Travel and Certification	4,960	10,038	(5,078)
Operating Maintenance - Building Grounds	31,538	26,798	4,740
Subscriptions	400	339	61
Electric and Gas	323,610	284,499	39,111
Telephone and Radio	32,724	8,961	23,763
Water	6,500	4,890	1,610
Vehicle Fuels	12,019	9,368	2,651
Auto and Truck Expense	15,388	24,712	(9,324)
Sludge and Grit Removal	114,300	87,881	26,419
Safety Equipment Expense	6,200	3,705	2,495
Rentals	1,000	3,499	(2,499)
Chemicals	115,000	87,070	27,930
Fuel Oil	4,940	3,070	1,870
Maintenance Material - Plant Equipment	145,000	82,559	62,441
Total Eastern Regional Reclamation Facility Expenses	\$ 1,530,239	\$ 1,361,483	\$ 168,756

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, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Expenses			
Salaries and Wages	\$ 649,591	\$ 620,572	\$ 29,019
Medical and Dental Self Insured Plan	184,826	213,211	(28,385)
Pension Plan	155,155	143,152	12,003
Payroll Taxes	49,694	45,237	4,457
Employee Benefits	10,012	10,864	(852)
Credit Charged to Capital Projects	-	(2,015)	2,015
Insurance and Bond	83,378	81,243	2,135
Professional and Contracted Services	87,650	41,380	46,270
Postage	500	194	306
Office and Operating Supplies	35,205	32,733	2,472
Travel and Certification	6,031	1,824	4,207
Operating Maintenance - Building Grounds	39,716	41,940	(2,224)
Subscriptions	660	-	660
Contract Labor - Building Maintenance	2,040	-	2,040
Electric and Gas	750,000	775,626	(25,626)
Telephone and Radio	22,281	14,570	7,711
Water	3,060	-	3,060
Vehicle Fuels	3,200	3,637	(437)
Auto and Truck Expense	15,470	15,558	(88)
Sludge and Grit Removal	747,262	815,562	(68,300)
Safety Equipment Expense	8,000	3,753	4,247
Rental	3,000	5,566	(2,566)
Chemicals	213,447	191,714	21,733
Fuel Oil	5,668	90	5,578
Maintenance Material - Plant Equipment	145,000	183,339	(38,339)
Total Western Regional Reclamation Facility Expenses	<u>\$ 3,220,846</u>	<u>\$ 3,239,750</u>	<u>\$ (18,904)</u>

See accompanying notes.

**SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
COLLECTION SYSTEM
YEAR ENDED JUNE 30, 2021**

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget (Unfavorable) Favorable
Expenses			
Salaries and Wages	\$ 2,705,785	\$ 2,822,915	\$ (117,130)
Medical and Dental Self Insured Plan	723,315	962,888	(239,573)
Pension Plan	641,444	646,489	(5,045)
Payroll Taxes	206,993	204,363	2,630
Employee Benefits	45,796	48,329	(2,533)
Credit Charged to Capital Projects	(846,971)	(935,004)	88,033
Insurance and Bond	505,590	563,253	(57,663)
Professional and Contracted Services	965,000	843,903	121,097
Postage	4,600	3,985	615
Office and Operating Supplies	13,094	9,975	3,119
Travel and Certification	19,080	15,212	3,868
Subscriptions	1,871	406	1,465
Telephone and Radio	39,657	34,655	5,002
Vehicle Fuels	127,369	118,640	8,729
Auto and Truck Expense	318,235	327,648	(9,413)
Sludge and Grit Removal	20,500	16,694	3,806
Safety Equipment Expense	21,700	28,993	(7,293)
Maintenance Material - Collection Systems	352,000	367,302	(15,302)
Private Lateral Program	200,000	307,185	(107,185)
	<u>6,065,058</u>	<u>6,387,831</u>	<u>(322,773)</u>
Total Collection System Expenses	\$ 6,065,058	\$ 6,387,831	\$ (322,773)

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, 2021

	<u>Budget</u>	<u>Actual</u>	Variance with Final Budget (Unfavorable) Favorable
Expenses			
Salaries and Wages	\$ 865,094	\$ 906,114	\$ (41,020)
Medical and Dental Self Insured Plan	225,656	270,056	(44,400)
Pension Plan	197,985	203,944	(5,959)
Payroll Taxes	66,180	66,384	(204)
Employee Benefits	13,399	15,986	(2,587)
Credit Charged to Capital Projects	(44,100)	(54,518)	10,418
Insurance and Bond	134,044	73,232	60,812
Professional and Contracted Services	265,500	218,464	47,036
Office and Operating Supplies	19,750	18,916	834
Travel and Certification	13,500	3,996	9,504
Operating Maintenance - Building Grounds	42,231	29,647	12,584
Electric and Gas	1,650,840	1,841,264	(190,424)
Telephone and Radio	58,526	45,630	12,896
Water	31,000	31,500	(500)
Vehicle Fuels	34,900	40,916	(6,016)
Auto and Truck Expense	53,819	69,181	(15,362)
Sludge and Grit Removal	202,500	152,178	50,322
Safety Equipment Expense	12,500	9,904	2,596
Rental	51,068	49,141	1,927
Chemicals	1,821,898	1,524,543	297,355
Fuel Oil	10,500	4,293	6,207
Operating Maintenance - Pump Stations	<u>212,000</u>	<u>174,848</u>	<u>37,152</u>
Total Pump Stations / Field Tech Expenses	\$ <u>5,938,790</u>	\$ <u>5,695,619</u>	\$ <u>243,171</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
OPERATIONS
YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Expenses			
Salaries and Wages	\$ 674,776	\$ 655,974	\$ 18,802
Medical and Dental Self Insured Plan	142,602	157,894	(15,292)
Pension Plan	153,124	153,273	(149)
Payroll Taxes	51,621	47,746	3,875
Employee Benefits	7,261	7,189	72
Credit Charged to Capital Projects	(9,600)	(3,993)	(5,607)
Insurance and Bond	50,573	44,499	6,074
Professional and Contracted Services	268,887	173,490	95,397
Office and Operating Supplies	9,933	7,875	2,058
Travel and Certification	18,895	2,535	16,360
Operating Maintenance - Building Grounds	160,016	125,278	34,738
Subscriptions	4,203	1,776	2,427
Electric and Gas	128,335	110,388	17,947
Telephone and Radio	5,864	16,094	(10,230)
Water	20,319	24,237	(3,918)
Vehicle Fuels	7,182	2,343	4,839
Auto and Truck Expense	15,810	8,071	7,739
Safety Equipment Expense	1,360	-	1,360
Basement Backup Program	225,000	104,050	120,950
	<u> </u>	<u> </u>	<u> </u>
Total Operations Expense	\$ 1,936,161	\$ 1,638,719	\$ 297,442

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
ENGINEERING
YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Expenses			
Salaries and Wages	\$ 1,345,795	\$ 1,339,109	\$ 6,686
Medical and Dental Self Insured Plan	283,527	335,450	(51,923)
Pension Plan	320,821	302,253	18,568
Payroll Taxes	102,954	97,857	5,097
Employee Benefits	15,984	13,248	2,736
Credit Charged to Capital Projects	(714,674)	(679,041)	(35,633)
Insurance and Bond	115,779	166,380	(50,601)
Professional and Contracted Services	311,900	227,423	84,477
Legal Services	16,000	20,470	(4,470)
Postage	850	130	720
Office and Operating Supplies	21,712	27,839	(6,127)
Travel and Certification	22,374	6,475	15,899
Subscriptions	2,112	599	1,513
Telephone and Radio	15,191	16,484	(1,293)
Vehicle Fuels	14,694	12,990	1,704
Auto and Truck Expense	10,619	7,578	3,041
Safety Equipment Expense	5,995	4,637	1,358
Total Engineering Expenses	<u>\$ 1,891,633</u>	<u>1,899,881</u>	<u>(8,248)</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
STORM WATER PROGRAM
YEAR ENDED JUNE 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Expenses			
Salaries and Wages	\$ 3,203,469	\$ 2,816,769	\$ 386,700
Board of Directors	7,088	6,498	590
Medical and Dental Self Insured Plan	703,345	724,690	(21,345)
Pension Plan	745,064	634,260	110,804
Payroll Taxes	245,066	205,605	39,461
Employee Benefits	44,761	36,062	8,699
Unemployment Tax	2,893	143	2,750
Credit Charged to Capital Projects	(365,971)	(347,011)	(18,960)
Insurance and Bond	65,467	33,507	31,960
Professional and Contracted Services	850,000	649,394	200,606
Legal Services	-	8,388	(8,388)
Bank Services	68,525	54,050	14,475
Auditing Services	8,679	6,982	1,697
Collection Agency Services	2,770	2,177	593
Postage	119,470	104,178	15,292
Office and Operating Supplies	90,091	68,547	21,544
Travel and Certification	56,379	19,756	36,623
Operating Maintenance - Building Grounds	53,744	42,863	10,881
Storm Water Program	35,000	29,385	5,615
Subscriptions	170,452	105,123	65,329
Electric and Gas	38,885	32,910	5,975
Telephone and Radio	54,798	50,097	4,701
Water	5,681	6,776	(1,095)
Vehicle Fuels	56,324	32,768	23,556
Auto and Truck Expense	121,783	74,306	47,477
Storm Water Facilities and Features	5,000	1,618	3,382
Safety Equipment Expense	15,432	10,219	5,213
Rental	1,000	614	386
Maintenance Material - Collection Systems	95,000	64,363	30,637
Culvert Cost Share Program	50,000	50,000	-
Technical Assistance Program	30,000	16,935	13,065
Assistance Cost Share Program	75,000	38,142	36,858
Total Storm Water Expenses	<u>\$ 6,655,195</u>	<u>\$ 5,580,114</u>	<u>\$ 1,075,081</u>

See accompanying notes.

SANITATION DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
OPERATION, MAINTENANCE, AND ADMINISTRATION
ADMINISTRATION
YEAR ENDED JUNE 30, 2021

	Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Expenses			
Salaries and Wages	\$ 2,772,830	\$ 2,608,839	\$ 163,991
Board of Directors	22,312	22,902	(590)
Medical and Dental Self Insured Plan	540,365	669,931	(129,566)
Pension Plan	636,417	559,843	76,574
Payroll Taxes	212,121	186,581	25,540
Employee Benefits	41,097	42,354	(1,257)
Unemployment Taxes	9,107	-	9,107
Credit Charged to Capital Projects	(7,647)	(20,152)	12,505
Insurance and Bond	278,290	224,213	54,077
Professional and Contracted Services	744,815	585,277	159,538
Legal Services	119,000	20,190	98,810
Bank Services	215,725	226,853	(11,128)
Auditing Services	27,321	21,978	5,343
Collection Agency Services	8,720	6,854	1,866
Postage	375,480	327,916	47,564
Office and Operating Supplies	118,605	80,465	38,140
Travel and Certification	65,970	33,609	32,361
Subscriptions	59,041	112,087	(53,046)
Legal Advertising	1,550	-	1,550
Telephone and Radio	91,376	85,721	5,655
Vehicle Fuels	1,821	521	1,300
Auto and Truck Expense	1,548	1,612	(64)
Safety Equipment Expense	13,054	5,279	7,775
SD1 Penalties and Fines Paid	1,226	805	421
Rental	43,200	38,531	4,669
	6,393,344	5,842,209	551,135
Total Administration Expenses	6,393,344	5,842,209	551,135
Total Operation, Maintenance, and Administration Expenses	\$ 41,844,697	\$ 39,847,390	\$ 1,997,307
Reconciliation of Budget to Actual to the Statements of Revenues, Expenses, and Changes in Net Position			
General Revenues		\$ 112,752,724	
Operating, Maintenance, and Administrative Expenses		(39,847,390)	
Major Repair Expenses		(881,199)	
Bad Debt Expense - Assessment Projects		(237,878)	
Depreciation		(40,739,661)	
Net Operating Income		\$ 31,046,596	

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>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Expenses			
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
Total Dry Creek Treatment Plant Expenses	\$ 7,804,026	\$ 8,128,525	\$ (324,499)

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>	<u>Variance with Final Budget (Unfavorable) Favorable)</u>
Expenses			
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)
Rental	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
Total Eastern Regional Reclamation Facility Expenses	\$ 1,539,244	\$ 1,384,374	\$ 154,870

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>	<u>Variance with Final Budget (Unfavorable) Favorable)</u>
Expenses			
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>
Total Western Regional Reclamation Facility Expenses	\$ 3,119,635	\$ 3,164,036	\$ (44,401)

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>	Variance with Final Budget (Unfavorable) Favorable)
Expenses			
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>6,162,276</u>	<u>5,958,458</u>	<u>203,818</u>
Total Collection System Expenses	\$ 6,162,276	\$ 5,958,458	\$ 203,818

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>	Variance with Final Budget (Unfavorable) Favorable
Expenses			
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	<u>200,000</u>	<u>186,235</u>	<u>13,765</u>
Total Pump Stations / Field Tech Expenses	\$ <u>5,599,574</u>	\$ <u>5,395,857</u>	\$ <u>203,717</u>

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>
Expenses			
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>
Total Operations Expense	\$ 2,448,635	\$ 2,166,929	\$ 281,706

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>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Expenses			
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
Total Engineering Expenses	<u>\$ 2,508,996</u>	<u>\$ 2,160,015</u>	<u>\$ 348,981</u>

See accompanying notes.

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Expenses			
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 Taxes	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
Total Storm Water Program Expenses	\$ 6,631,187	\$ 5,826,994	\$ 804,193

See accompanying notes.

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

	Budget	Actual	Variance with Final Budget (Unfavorable) Favorable
Expenses			
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
	5,565,188	5,263,835	301,353
Total Administration Expenses			
	5,565,188	5,263,835	301,353
Total Operation, Maintenance, and Administration Expenses	\$ 41,378,761	\$ 39,449,023	\$ 1,929,738
Reconciliation of Budget to Actual to the Statements of Revenues, Expenses, and Changes in Net Position			
General Revenues		\$ 113,702,664	
Operating, Maintenance, and Administrative Expenses		(39,449,023)	
Major Repair Expenses		(2,033,349)	
Bad Debt Expense - Assessment Projects		(315,094)	
Depreciation		(40,869,031)	
Net Operating Income		\$ 31,036,167	

See accompanying notes.

STATISTICAL SECTION

STATISTICAL SECTION NARRATIVE

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

CONTENTS:

PAGE

Financial Trends:

99 – 105

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

Revenue Capacity:

106 – 109

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

Debt Service Coverage:

110 – 112

These schedules present information to help readers assess SD1's current level of outstanding debt and SD1's ability to issue additional debt in the future.

Demographic and Economic Information:

113 – 117

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

Operating Information:

118 – 119

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									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Assets and Deferred Outflow of Resources										
Current Assets										
Cash and Cash Equivalents	\$ 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	\$ 95,507,902
Investments	-	-	-	-	-	-	-	-	-	14,902,275
Accounts Receivable										
Customers, Net of Allowance	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	8,602,711
Communities	20,731	24,631	12,068	14,484	14,450	13,506	12,231	13,361	11,638	18,165
KIA Loan Receivable	6,940,435	4,235,102	1,204,334	274,991	-	-	-	-	-	-
Others	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	2,629,038
Due From Other Fund	7,302,667	11,461,121	14,313,219	-	-	-	-	-	-	-
Accrued Unbilled Charges	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	11,040,210
Prepays And Deposits	637,983	596,152	1,363,240	695,557	765,868	703,728	894,254	929,123	910,011	1,069,798
Accrued Interest Income	27,324	15,778	13,980	28,170	22,208	26,267	34,001	34,473	36,839	16,618
Total Current Assets	47,951,862	59,354,469	73,202,105	63,527,279	69,438,953	78,251,515	87,282,501	105,520,205	125,471,405	133,786,717
Noncurrent Assets										
Restricted Assets										
Cash	32,583,239	19,577,365	11,596,453	7,099,462	3,633,285	2,366,227	999,364	1,916,051	2,471,268	1,887,205
Investments	80,747,604	82,613,373	83,424,890	84,756,917	85,017,276	83,531,917	83,376,441	81,381,605	76,700,826	75,004,071
Accrued Interest	162,673	152,282	108,183	124,195	130,370	161,677	220,016	243,323	212,416	136,372
Prepaid Items	98,519	49,354	188	-	-	-	-	-	-	-
Total Restricted Assets	113,592,035	102,392,374	95,129,714	91,980,574	88,780,931	86,059,821	84,595,821	83,540,979	79,384,510	77,027,648
Receivables										
Assessments	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	540,893
Improvement notes	5,443	5,130	5,130	5,130	5,130	5,130	5,130	5,130	-	-
Total Receivables	1,744,162	1,649,779	1,560,331	1,475,321	1,385,870	1,326,604	1,259,677	1,206,111	835,386	540,893
Capital Assets										
Land	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	19,222,017
Building, Systems, Equipment, and Vehicles	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	1,609,415,779
Construction in Progress	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	27,427,347
Less: Accumulated Depreciation	(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)	(607,196,039)
Total Capital Assets	1,123,165,946	1,134,364,159	1,118,583,966	1,103,188,309	1,088,020,618	1,075,070,660	1,067,540,117	1,057,556,976	1,051,320,664	1,048,869,104
Total Noncurrent Assets	1,238,502,143	1,238,406,312	1,215,274,011	1,196,644,204	1,178,187,419	1,162,457,085	1,153,395,615	1,142,304,066	1,131,540,560	1,126,437,645
Total Assets	1,286,454,005	1,297,760,781	1,288,476,116	1,260,171,483	1,247,626,372	1,240,708,600	1,240,678,116	1,247,824,271	1,257,011,965	1,260,224,362
Deferred Outflow of Resources										
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	6,592,095
Deferred Outflows Related to OPEB	-	-	-	-	-	630,915	2,994,036	2,570,546	3,225,882	5,478,761
Deferred Loss on Refundings	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	6,594,519
Total Deferred Outflow of Resources	4,071,573	3,458,564	5,351,973	4,112,471	6,549,646	13,256,340	19,687,728	14,965,252	17,013,265	18,665,375
Total Assets and Deferred Outflow of Resources	\$ 1,290,525,578	\$ 1,301,219,345	\$ 1,293,828,089	\$ 1,264,283,954	\$ 1,254,176,018	\$ 1,253,964,940	\$ 1,260,365,844	\$ 1,262,789,523	\$ 1,274,025,230	\$ 1,278,889,737

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Liabilities and Deferred Inflow of Resources										
Current Liabilities										
Bond Indebtedness	\$ 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	\$ 14,566,789
Notes Payable	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	8,598,656
Accounts Payable	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	8,121,255
Accrued Payroll and Benefits	647,174	794,074	872,739	905,503	967,085	1,031,245	1,053,226	1,081,829	436,851	456,246
Accrued Interest Payable	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	4,465,892
Accrued Taxes and Pension	(104)	2,772	11,008	(24)	(176)	1,166	3,715	(838)	186,288	175,204
Compensated Absences	303,127	342,729	342,242	315,970	315,335	322,350	297,652	259,392	251,938	305,339
Due to Other Fund	7,302,667	11,461,121	14,313,219	-	-	-	-	-	-	-
Communities	733	156	47	47	-	-	-	-	-	-
Other Liabilities	67,578	45,183	31,076	74,923	167,636	142,544	141,785	140,710	97,407	449,938
Sales Tax Payable	-	47,590	61	102	(643)	150,286	35,713	30,885	-	7,864
Total Current Liabilities	44,031,804	49,205,412	48,021,375	34,751,629	33,744,395	38,164,156	36,901,515	36,225,756	35,382,261	37,147,183
Long-Term Liabilities (Net of Current Portion)										
Bonds Payable, Net of Amortization	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	270,459,161
Notes Payable	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	97,498,899
Compensated Absences	540,485	611,096	610,228	563,384	562,252	574,760	642,231	739,949	893,874	756,798
Arbitrage Liability	-	-	-	-	-	-	-	-	-	15,322
Net Pension Liability	-	-	20,730,248	18,320,686	24,340,276	26,833,461	31,661,594	32,157,114	36,394,880	40,366,467
Net OPEB Liability	-	-	-	-	8,529,478	8,529,478	10,874,302	9,374,446	8,702,115	12,705,864
Total Noncurrent Liabilities	523,572,332	525,544,889	534,744,551	512,929,874	508,683,875	489,775,488	476,126,474	454,520,132	437,390,099	421,802,511
Total Liabilities	567,604,136	574,750,301	582,765,926	547,681,503	542,428,270	527,939,644	513,027,989	490,745,888	472,772,360	458,949,694
Deferred Inflow of Resources										
Deferred inflows Related to Pension	-	-	-	2,045,032	-	565,983	3,348,910	1,452,751	1,370,109	285,576
Deferred inflows Related to OPEB	-	-	-	-	-	-	569,347	1,998,323	3,408,605	2,435,888
Total Deferred Inflow of Resources	-	-	-	2,045,032	-	565,983	3,918,257	3,451,074	4,778,714	2,721,464
Total Liabilities and Deferred Inflow of Resources	567,604,136	574,750,301	582,765,926	549,726,535	542,428,270	528,505,627	516,946,246	494,196,962	477,551,074	461,671,158
Net Position										
Net Investment in Capital Assets	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	664,340,118
Restricted for:										
Debt Service Funds, Net of Current Liabilities	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	36,957,143
Operations, Infrastructure, and Insurance Reserves	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	36,610,653
Capital Improvement/Programs	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	899,153
Other Purposes	947,170	514,215	939,102	937,711	949,705	949,968	962,614	982,955	1,211,473	2,560,699
Unrestricted	18,105,252	29,625,989	25,995,001	30,317,310	28,125,485	34,226,352	40,952,655	54,740,439	72,731,136	75,850,813
Total Net Position	722,921,442	726,469,044	711,065,360	714,557,419	711,747,748	725,459,313	743,419,598	768,592,561	796,474,156	817,218,579
Total Liabilities and Net Position	\$ 1,290,525,578	\$ 1,301,219,345	\$ 1,293,831,286	\$ 1,264,283,954	\$ 1,254,176,018	\$ 1,253,964,940	\$ 1,260,365,844	\$ 1,262,789,523	\$ 1,274,025,230	\$ 1,278,889,737

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Operating Revenues										
Sewer Service Charges	\$ 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	\$ 91,179,985
Storm Water Charges	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	13,463,003
Permits and Tap-In Fees	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	5,901,118
Sludge Hauling	147,409	120,776	84,480	72,692	101,621	274,630	401,941	914,722	717,245	805,838
Inspections	69,300	69,682	74,348	177,073	217,454	158,531	173,623	217,307	266,058	231,981
Penalties and Fines	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	619,727
Contractual Services	141,038	125,689	128,752	132,614	136,592	140,689	160,732	136,004	158,882	163,467
Bad Debt Recoveries	19,097	35,392	21,873	70,916	138,003	50,134	25,135	18,823	19,111	11,320
Other Revenues	69,044	50,993	33,287	230,623	297,083	325,918	32,021	84,313	127,903	322,731
Project Reimbursements	549,579	68,321	1,450,000	53,274	-	-	131,856	61,628	25,516	53,554
Total Operating Revenues	83,951,284	89,707,117	92,660,157	94,462,113	94,435,079	98,976,003	103,276,256	109,017,581	113,702,664	112,752,724
Operating Expenses										
Operation, Maintenance and Administration										
Salary and Wages	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	12,385,907
Employee Benefit, Incentive and Tax Expenses	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	8,660,832
Professional and Contractual Services	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	4,792,459
Office Administration Expenses	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	1,588,707
Utilities, Fuel Oil and Chemicals Expense	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	7,550,673
Vehicle Operation Expenses	1,276,021	1,087,065	1,068,097	983,314	885,648	824,241	847,695	981,150	841,792	844,557
Infrastructure, Equipment and Other Expenses	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	4,024,255
Supplemental/State Environmental Projects	61,218	-	1,924	-	-	-	-	-	-	-
Total Operation, Maintenance and Administration	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	39,847,390
Major Repairs and Other	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	881,199
Bad Debt Expense - Assessment Projects	-	-	-	-	-	-	-	-	315,094	237,878
Depreciation	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	40,739,661
Total Operating Expenses	74,417,977	80,102,641	77,164,975	79,974,193	79,887,524	80,468,842	79,265,743	80,831,980	82,666,497	81,706,128
Operating Income	9,533,307	9,604,476	15,495,182	14,487,921	14,547,555	18,507,161	24,010,513	28,185,601	31,036,167	31,046,596

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Non-Operating Income (Expense)										
Interest Income	\$ 723,911	\$ 831,632	\$ 567,152	\$ 686,943	\$ 906,611	\$ 1,264,451	\$ 1,777,381	\$ 2,917,957	\$ 2,574,891	\$ 1,441,419
Arbitrage Rebate Expense										(15,322)
Interest on Long-Term Debt	(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)	(9,126,897)
Bond Issuance Cost	(395,549)	(43,097)	(44,515)	(46,031)	(47,182)	(835,292)	-	-	(770,627)	(676,043)
Federal Credits on Build America Bonds	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	332,130
Families First Coronavirus Response Act Credits	-	-	-	-	-	-	-	-	150,007	108,184
Loss on Disposal of Capital Assets	(2,392,458)	(1,810,778)	(1,105,803)	(323,186)	(407,480)	(160,790)	(202,205)	(264,890)	(229,512)	(12,227,104)
Pension Expense	-	-	-	(385,954)	(1,115,015)	(1,671,301)	(3,224,119)	(2,585,443)	(3,248,315)	(3,546,735)
Other Postemployment Benefits Expense (Revenue)	-	-	-	-	-	630,915	(551,050)	(352,610)	(82,615)	(778,153)
Net Appreciation/(Depreciation) in Fair Value of Investments	286,941	(486,536)	165,073	68,787	287,462	(655,619)	(603,600)	1,099,877	676,051	(1,075,812)
Total Non-Operating Income (Expense)	(16,226,094)	(17,249,422)	(17,715,732)	(17,222,884)	(17,065,613)	(14,910,074)	(15,591,717)	(11,608,573)	(11,746,044)	(25,564,333)
Change in Net Position Before Capital Contributions	(6,692,787)	(7,644,946)	(2,220,551)	(2,734,964)	(2,518,058)	3,597,087	8,418,796	16,577,028	19,290,123	5,482,263
Capital Contributions	5,989,648	14,468,617	5,331,548	6,230,218	8,237,866	10,114,478	9,541,489	8,595,935	8,591,472	15,262,160
Change in Net Position	\$ (703,139)	\$ 6,823,671	\$ 3,110,998	\$ 3,495,255	\$ 5,719,808	\$ 13,711,565	\$ 17,960,285	\$ 25,172,963	\$ 27,881,595	\$ 20,744,423

Sanitation District No. 1
Statements of Cash Flows
Last Ten Fiscal Years

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Cash Flow From Operating Activities										
Received From Customers	\$ 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	\$ 114,982,341
Paid to Suppliers for Goods and Services	(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)	(18,610,081)
Paid to or on Behalf of Employees for Services	(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)	(21,122,104)
Net Cash Provided by Operating Activities	47,330,261	45,426,653	52,330,169	54,221,245	53,292,155	60,744,655	62,258,913	69,981,890	71,255,879	75,250,156
Cash Flows From Capital and Related Financing Activities										
Principal Received on Notes and Bonds	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	3,805,832	3,590,813	3,530,769	3,452,910	3,406,316	3,353,778	3,303,372	3,251,747	1,512,972	332,130
Proceeds From Sale of Capital Assets	203,895	223,786	83,100	140,528	22,420	229,710	62,010	17,359	71,578	67,429
Bond Issuance Costs	-	-	-	-	-	(835,292)	-	-	-	-
Payments Made on Long Term Debt	(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)	(20,012,146)
Proceeds on Bond Refunding	-	-	-	-	-	141,450,636	-	-	-	-
Interest Paid, Net of Capitalized Interest	(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)	(13,045,765)
Acquisition and Construction of Capital Assets, Net of Contributed Capital	(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)	(35,320,474)
Principal Received on Assessments	-	-	-	-	-	59,266	66,927	53,566	55,631	56,615
Assessment Interest Income	-	-	-	-	-	39,804	38,247	37,599	34,504	32,380
(Increase) Decrease in Restricted Funds	(6,390,514)	(1,234,258)	(1,185,570)	515,580	(319,435)	-	-	-	-	-
Net Cash Used by Capital and Related Financing Activities	(64,493,980)	(47,339,787)	(46,412,549)	(52,051,776)	(51,309,476)	(52,432,214)	(50,762,669)	(57,006,354)	(59,346,759)	(67,889,831)
Cash Flows From Non-Capital and Related Financing Activities										
Families First Coronavirus Response Act Credits	-	-	-	-	-	-	-	-	150,007	108,184
Cash Flows From Investing Activities										
Investment Income	768,608	853,569	613,049	656,740	906,398	345,624	782,270	1,590,001	2,610,940	1,465,723
Proceeds From the Sale of Investments	-	-	-	-	-	5,312,777	16,829,301	21,604,760	43,139,947	37,206,476
Purchase of Investments	-	-	-	-	-	(6,175,715)	(21,865,151)	(17,243,471)	(37,609,555)	(51,675,134)
Net (Increase) Decrease on Investments	(319)	(2,352,305)	(646,444)	(1,263,240)	27,103	-	-	-	-	-
Net Cash Provided (Used) by Investing Activities	768,289	(1,498,736)	(33,395)	(606,500)	933,501	(517,314)	(4,253,580)	5,951,290	8,141,332	(13,002,935)
(Decrease) Increase in Cash and Cash Equivalents	(16,395,430)	(3,411,870)	5,884,225	1,562,969	2,916,180	7,795,127	7,242,664	18,926,826	20,200,459	(5,534,426)
Cash and Cash Equivalents Beginning of Year	58,208,383	41,812,953	38,401,083	44,285,308	45,848,277	48,764,457	56,559,584	63,802,248	82,729,074	102,929,533
Cash and Cash Equivalents End of Year	\$ 41,812,953	\$ 38,401,083	\$ 44,285,308	\$ 45,848,277	\$ 48,764,457	\$ 56,559,584	\$ 63,802,248	\$ 82,729,074	\$ 102,929,533	\$ 97,395,107

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Capital Assets Not Depreciated										
Land/Easements	\$ 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	\$ 17,402,057
Construction in Progress	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	25,454,128
Total Capital Assets Not Depreciated	61,276,105	55,550,619	21,145,295	24,695,116	24,110,229	23,723,389	29,160,137	31,390,627	28,415,091	42,856,185
Capital Assets Being Depreciated										
Land Improvements	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	4,922,743
Collection System	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	756,132,277
Pump Stations	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	104,239,942
Treatment and Disposal	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	269,688,692
General Buildings and Structures	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	30,085,010
Office Furniture and Equipment	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	8,625,567
Machinery and Equipment	3,520,150	4,051,862	5,002,506	5,455,902	5,538,344	5,391,878	5,668,102	5,646,769	5,797,122	6,009,775
Vehicles and Accessories	9,361,895	9,697,562	9,822,479	9,747,902	9,753,125	8,852,228	8,731,079	8,730,255	8,564,107	8,431,221
Software Model Development	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	15,908,869
Total Capital Assets Being Depreciated	1,000,391,206	1,040,134,613	1,087,543,288	1,098,639,486	1,113,551,665	1,127,776,683	1,141,767,404	1,157,742,500	1,182,040,288	1,204,044,096
Total Capital Assets	\$ 1,061,667,311	\$ 1,095,685,232	\$ 1,108,688,583	\$ 1,123,334,602	\$ 1,137,661,894	\$ 1,151,500,072	\$ 1,170,927,541	\$ 1,189,133,127	\$ 1,210,455,379	\$ 1,246,900,281
Less Accumulated Depreciation										
Land Improvements	(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)	(2,125,415)
Collection System	(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)	(235,227,390)
Pump Stations	(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)	(61,582,715)
Treatment and Disposal	(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)	(103,789,803)
General Buildings and Structures	(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)	(17,545,419)
Office Furniture and Equipment	(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)	(7,505,979)
Machinery and Equipment	(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)	(4,840,199)
Vehicles and Accessories	(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)	(8,052,533)
Software Model Development	(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)	(15,908,869)
Total Accumulated Depreciation	(239,908,382)	(263,554,551)	(284,859,629)	(310,001,050)	(335,091,187)	(359,149,169)	(383,880,260)	(407,968,611)	(432,238,415)	(456,578,322)
Total Capital Assets, Net	\$ 821,758,929	\$ 832,130,680	\$ 823,828,954	\$ 813,333,552	\$ 802,570,707	\$ 792,350,903	\$ 787,047,281	\$ 781,164,516	\$ 778,216,964	\$ 790,321,959

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Capital Assets Not Depreciated										
Land/Easements	\$ 409,729	\$ 466,990	\$ 528,073	\$ 555,072	\$ 720,023	\$ 861,938	\$ 1,013,259	\$ 1,238,152	\$ 1,617,026	\$ 1,819,960
Construction in Progress	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	1,973,219
Total Capital Assets Not Depreciated	3,869,777	1,486,556	2,272,192	3,332,866	3,180,100	4,331,230	5,729,869	3,588,673	2,315,201	3,793,179
Capital Assets Being Depreciated										
Collection System	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	399,415,401
Machinery and Equipment		56,096	47,634	54,485	74,201	103,041	116,881	126,577	136,510	141,827
Vehicles and Accessories	-	-	52,500	52,499	52,499	83,853	109,944	109,944	109,944	169,295
Software Model Development	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	5,645,160
Total Capital Assets Being Depreciated	333,180,406	349,997,578	355,458,391	363,069,691	371,984,171	381,288,073	391,020,474	402,673,795	414,385,249	405,371,683
Total Capital Assets	\$ 337,050,183	\$ 351,484,133	\$ 357,730,583	\$ 366,402,557	\$ 375,164,271	\$ 385,619,303	\$ 396,750,343	\$ 406,262,468	\$ 416,700,450	\$ 409,164,862
Less accumulated depreciation										
Collection System	\$ (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)	\$ (144,717,810)
Machinery and Equipment	-	(4,021)	(5,466)	(10,566)	(17,008)	(48,990)	(58,226)	(69,650)	(82,407)	(98,513)
Vehicles and Accessories	-	-	(10,207)	(20,701)	(31,224)	(73,072)	(82,932)	(89,424)	(93,159)	(156,234)
Software Model Development	(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)	(5,645,160)
Total Accumulated Depreciation	(35,643,166)	(49,250,654)	(62,975,571)	(76,547,800)	(89,714,360)	(102,899,546)	(116,257,507)	(129,870,008)	(143,596,750)	(150,617,717)
Total Capital Assets, Net	\$ 301,407,017	\$ 302,233,479	\$ 294,755,012	\$ 289,854,757	\$ 285,449,911	\$ 282,719,757	\$ 280,492,836	\$ 276,392,460	\$ 273,103,700	\$ 258,547,145

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

	Fiscal Year																			
	2012		2013		2014		2015		2016		2017		2018		2019		2020		2021	
	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change	Rate	% Change
Non-Residential (1)																				
Water Usage in																				
100 Cubic Feet (HCF)																				
0 - 1,700	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%	8.51	0%
1,701 - 8,400	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%	7.64	0%
Over 8,400	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%	5.91	0%
Monthly Minimum Bill	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%	17.02	0%
Residential (2)																				
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		16.00		19.00	19%
Variable Rate	n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		7.25		6.05	-17%
Environmental Surcharge	n/a		n/a		n/a		n/a		n/a		n/a		n/a		n/a		5.00		6.00	20%
Flat Rate Per																				
100 Cubic Feet (HCF)	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		n/a	
Monthly Minimum Bill	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%	25.00	19%
Unmetered Service																				
1 or 2 Room House	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%	25.51	0%
3 to 6 Room House	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%	41.90	0%
More than 6 Rooms	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%	55.41	0%

(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 disappear 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									
	2012		2013		2014		2015		2016	
Monthly Rate Per ERU	4.54	2.3%	4.68	3.1%	4.80	2.6%	5.04	5.0%	5.04	0.0%
Quarterly Rate Per ERU	13.62	2.3%	14.04	3.1%	14.40	2.6%	15.12	5.0%	15.12	0.0%
	Fiscal Year									
	2017		2018		2019		2020		2021	
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 and Storm Water Revenues Breakdown By Billing Class
Fiscal Year 2012 through Fiscal Year 2021

Account Name	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Sewer Service Revenues										
Residential Class	\$ 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	51,654,216
Non-Residential Class	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	37,469,079
Less: Special Meter Refunds	(465,147)	(750,438)	(449,965)	(558,031)	(549,176)	(553,822)	(377,293)	(486,906)	(410,613)	(419,459)
Total Sewer Revenues	\$ 66,509,171	\$ 71,703,013	\$ 71,892,717	\$ 74,880,384	\$ 74,119,197	\$ 78,488,693	\$ 82,482,286	\$ 86,589,815	\$ 90,752,245	\$ 88,703,836
Sewer Service Penalties										
Residential Class	979,052	1,066,267	1,099,704	1,163,565	1,076,486	1,042,725	998,859	993,641	629,083	374,830
Non-Residential Class	270,058	310,258	275,121	258,129	230,315	246,169	238,989	226,913	183,069	134,642
Total Sewer Service Penalties	\$ 1,249,110	\$ 1,376,525	\$ 1,374,825	\$ 1,421,694	\$ 1,306,801	\$ 1,288,894	\$ 1,237,848	\$ 1,220,554	\$ 812,152	\$ 509,473
Total Sewer Service Write Off's	\$ (1,100,084)	\$ (1,286,550)	\$ (1,408,117)	\$ (1,386,469)	\$ (1,213,562)	\$ (1,087,236)	\$ (986,232)	\$ (524,209)	\$ (520,941)	\$ (797,836)
Percentage of Write Off's to Revenues and Penalties Billed	1.62%	1.76%	1.92%	1.82%	1.61%	1.36%	1.18%	0.60%	0.57%	0.89%
Net Sewer Service Revenues	\$ 66,658,197	\$ 71,792,988	\$ 71,859,425	\$ 74,915,609	\$ 74,212,436	\$ 78,690,351	\$ 82,733,902	\$ 87,286,160	\$ 91,043,457	\$ 88,415,473
Storm Water Revenues										
Residential Class	\$ 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	\$ 5,176,372
Non-Residential Class	6,780,700	7,027,579	7,148,676	7,482,093	7,643,149	7,816,638	8,021,471	8,345,718	8,422,645	8,404,682
Total Storm Water Revenues	\$ 11,508,992	\$ 11,900,600	\$ 12,123,511	\$ 12,696,581	\$ 12,882,224	\$ 13,110,336	\$ 13,383,500	\$ 13,705,714	\$ 13,809,886	\$ 13,581,053
Storm Water Service Penalties										
Residential Class	\$ 96,906	\$ 106,411	\$ 102,955	\$ 110,868	\$ 107,938	\$ 102,673	\$ 90,571	\$ 87,868	\$ 50,376	\$ 32,211
Non-Residential Class	71,120	81,675	73,648	76,849	72,686	67,540	70,708	84,809	58,180	64,294
Total Sewer Service Penalties	\$ 168,026	\$ 188,086	\$ 176,603	\$ 187,717	\$ 180,624	\$ 170,213	\$ 161,279	\$ 172,677	\$ 108,556	\$ 96,505
Total Storm Water Write Off's	\$ (120,258)	\$ (149,417)	\$ (224,405)	\$ (291,526)	\$ (136,726)	\$ (145,039)	\$ (265,423)	\$ (101,252)	\$ (162,722)	\$ (118,050)
Percentage of Write Off's to Revenues and Penalties Billed	1.03%	1.24%	1.82%	2.26%	1.05%	1.09%	1.96%	0.73%	1.17%	0.86%
Net Storm Water Revenues	\$ 11,556,760	\$ 11,939,269	\$ 12,075,709	\$ 12,592,772	\$ 12,926,122	\$ 13,135,510	\$ 13,279,356	\$ 13,777,139	\$ 13,755,720	\$ 13,559,509
Customer Accounts										
Sewer Service Accounts Estimates										
Residential Class	92,374	92,924	93,366	94,021	94,821	95,438	96,299	97,138	98,056	99,196
Non-Residential Class	9,752	9,489	9,481	9,551	9,679	10,059	10,311	10,255	10,326	10,432
Total Sewer Accounts	102,126	102,413	102,847	103,572	104,500	105,497	106,610	107,393	108,382	109,628
Storm Water Accounts Estimates										
Residential Class	86,579	87,092	86,576	86,634	87,100	87,855	89,583	88,906	89,416	87,187
Non-Residential Class	7,921	7,674	7,594	7,567	7,558	7,900	8,364	8,398	8,443	8,359
Total Storm Water Accounts	94,500	94,766	94,170	94,201	94,658	95,755	97,947	97,304	97,859	95,546

Source: SD1 billing registers

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

Account Name	Fiscal Year																			
	2012		2013		2014		2015		2016		2017		2018		2019		2020		2021	
	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount
Lyons-Magnus	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	1	\$ 1,958,836
Sara Lee Foods	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	2	1,379,545
Tastemaker	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	3	1,042,327
Taylor Farms Tennessee, Inc.	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	4	944,184
Environmental Services Inc.	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	5	723,442
Wild Flavors, Inc.	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	6	601,659
St. Elizabeth Medical Center	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	7	510,087
Kenton County Airport	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	8	497,381
Safran Landing Systems, KY	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	14	238,572	5	774,173	5	855,962	9	480,921
Global Supply Chain	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	10	339,876
Camco Chemical Company	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	11	235,924
L'Oreal USA Florence	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	12	228,870
A.O. Smith	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	13	198,737
Northern KY University	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	14	151,179
Aristech Acrylics LLC	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	15	140,428
Bluegrass Quality Meats	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	16	129,291
White Castle Distributing, Inc.	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	17	98,572
Van Melle USA, Inc.	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	18	98,249
Northern KY Water District	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	19	96,493
Ferra Snacks LLC	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	20	87,694
Newly Weds Foods	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	1,733	30	13,318	26	42,056	21	66,744
Duro Paper Bag	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	22	48,070
IOFINA Chemical Inc.	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	23	47,208
Domino's National Comm.	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	24	41,832
Churchill Downs Inc.	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	25	37,689
Signode Plastic Recycling	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	26	30,967
Klosterman Bakery	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	27	28,981
Savannah Foods and Industries	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	28	22,740
Highway Transport Chemical LLC	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	29	22,446
Tressa Inc.	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	NR	-	30	12,663	30	10,363

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 and Plastics	Lightweight Auto Components Producer.	Northern KY University	Metropolitan State University with more than 16,000 Students.
Bluegrass Quality Meats	Deli meats and packaged meats plant.	Northern KY Water 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 and 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.	Ulta 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.	White Castle Distributing, Inc.	Markets and distributes frozen and microwavable hamburgers.
Kenton County Airport	Greater Cincinnati Northern Kentucky International Airport (CVG)	Wild Flavors, Inc.	Produces natural flavors and ingredients for the beverage industry.
L'Oreal USA Florence	Produces shampoos, conditioners and styling products		

Source: SD1 billing records/invoices

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
System Revenues										
Total Operating Revenues	\$ 83,951,284	\$ 89,707,117	\$ 92,660,157	\$ 94,462,113	\$ 94,435,079	\$ 98,976,003	\$ 103,276,256	\$ 109,017,581	\$ 113,702,664	\$ 112,752,724
Total Non-Operating Revenues	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	1,881,733
Total System Revenues	\$ 88,481,027	\$ 94,129,562	\$ 96,758,078	\$ 98,584,143	\$ 98,748,007	\$ 103,594,232	\$ 108,357,009	\$ 115,187,285	\$ 117,940,534	\$ 114,634,457
Operating Expenses										
Operation, Maintenance and Administration										
Salary Expense	\$ 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	\$ 12,385,907
Employee Benefit, Incentive and Tax Expenses	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	8,660,832
Professional and Contractual Services	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	4,792,459
Office Administration Expenses	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	1,588,707
Utilities, Fuel Oil and Chemical Expenses	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	7,550,673
Vehicle Operation Expenses	1,276,021	1,087,065	1,068,097	983,314	885,648	824,241	847,695	981,150	841,792	844,557
Infrastructure, Equipment and Other Expenses	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	4,024,255
Supplemental / State Environmental Projects	61,218	-	1,924	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-
Total Operation, Maintenance and Administration	\$ 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	\$ 39,847,390
Major Repairs and Other Expenses	\$ 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	\$ 881,199
Bad Debt Expense - Assessment Projects	\$ -	\$ -	\$ -	\$ 315,094	\$ 237,878					
Net System Revenues	\$ 52,487,168	\$ 53,089,413	\$ 59,112,493	\$ 58,272,375	\$ 58,439,337	\$ 62,741,504	\$ 69,057,185	\$ 74,672,314	\$ 76,143,068	\$ 73,667,990
Revenue Bonds (Senior Debt) - Principal and Interest Due										
Series 2001A - (Revenue Bonds)	\$ 1,271,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2005A - (Refunding Bonds)	4,196,300	4,194,600	4,187,900	4,186,000	4,183,600	4,010,500	-	-	-	-
Series 2006A - (Revenue Bonds)	3,019,311	3,015,666	3,010,301	3,008,109	3,008,874	2,126,859	-	-	-	-
Series 2007A - (Revenue Bonds)	5,969,750	5,980,450	6,003,650	6,019,150	6,025,375	3,748,500	-	-	-	-
Series 2009A - (Build America Bonds)	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)	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)	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	2,454,900
Series 2010C - (Build America Bonds)	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)	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	1,233,956
Series 2016A - (Refunding Bonds)	-	-	-	-	-	1,377,110	11,625,081	11,626,581	8,730,956	8,731,206
Series 2019A - (Refunding Bonds)	-	-	-	-	-	-	-	-	1,588,700	8,161,194
Series 2020A - (Refunding Bonds)	-	-	-	-	-	-	-	-	-	667,486
Total Principal and Interest on Revenue Bonds	\$ 30,507,534	\$ 30,478,618	\$ 30,451,500	\$ 30,417,194	\$ 30,369,068	\$ 28,353,227	\$ 28,650,967	\$ 28,579,827	\$ 23,953,654	\$ 21,248,742
Debt Service Coverage Ratio - Bonds (Senior Debt)										
* Calculated	172%	174%	194%	192%	192%	221%	241%	261%	318%	347%
** Required	125%	125%	125%	125%	125%	125%	125%	125%	125%	125%

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

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

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
KIA and Other Notes (Subordinate Debt) Principal and Interest Due										
A04-09 Eastern Regional Water Reclamation Facility	\$ 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	\$ 2,189,246
A08-04 Western Regional Water Reclamation Facility Construction Project	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	3,929,051
A09-04 Dry Creek WWTP Clarifier Project	175,650	309,015	309,102	308,683	308,255	307,819	307,374	306,920	306,456	305,984
A09-05 Sunnybrook Sewer Project	343,158	342,702	342,238	341,763	341,280	340,786	340,283	339,769	339,245	338,711
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	793,103
A09-07 Frogtown Interceptor	30,258	187,232	297,079	296,685	296,282	295,872	295,453	295,026	294,590	294,145
A09-08 Turkeyfoot Rd / Industrial Rd. Force Main Project	14,234	32,496	135,410	134,996	134,815	134,630	134,442	134,249	134,053	133,853
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	502,514
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	997,267
A11-13 - Church St, Lakeview, and KY Aire Pump Station Replacement	-	-	114,300	174,829	202,912	213,112	214,179	456,580	678,572	677,671
A11-14 Lakeside Park and Vernon Lane Projects	-	-	9,195	21,538	23,245	26,840	46,408	74,826	246,268	250,926
A12-02 Wolpert Pump station Rehab and Force Main Replacement	-	26,903	53,539	53,468	53,395	53,321	53,246	53,169	53,090	53,010
A15-103 Patton and 8th Street Wet Well Rehab	-	-	-	-	12,525	132,558	131,566	131,381	131,193	131,002
A209-01 ARRA Banklick Creek Sewer Project	11,891	11,876	11,860	11,843	11,826	11,809	11,792	11,774	11,756	109,210
A209-02 ARRA Banklick Creek Wetlands Project	19,424	41,385	41,299	41,243	41,187	41,128	41,068	41,008	40,946	411,995
A209-03 ARRA Regional Bioretention Project	26,510	45,050	44,989	44,928	44,865	44,801	44,735	44,668	44,600	431,644
A209-04 ARRA Terraced Reforestation Project	2,496	23,455	25,098	25,065	25,030	24,995	24,959	24,923	24,886	259,841
Total KIA and Other Notes Principal and Interest	\$ 3,613,066	\$ 4,443,161	\$ 9,153,571	\$ 9,941,675	\$ 9,972,069	\$ 10,091,516	\$ 10,096,524	\$ 10,352,262	\$ 10,730,348	\$ 11,809,173
All Bonds and Notes-Annual Principal and Interest Payments	\$ 34,120,600	\$ 34,921,779	\$ 39,605,071	\$ 40,358,870	\$ 40,341,137	\$ 38,444,743	\$ 38,747,490	\$ 38,932,089	\$ 34,684,002	\$ 33,057,915
All Debt Service Coverage Ratio										
*** Calculated	154%	152%	149%	144%	145%	163%	178%	192%	220%	223%

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

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

Fiscal Year	Revenue Bonds (1)	Notes Payable	Total Outstanding Debt	Sewer Service Accounts (2)	Outstanding Debt per Sewer Service Account	Total Assets	Debt to Assets Ratio
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%
2021	285,025,950	106,097,554	391,123,504	109,628	3,568	1,260,224,362	31.0%

(1) Presented net of original issuance discounts and premiums

(2) Source: SD1 billing registers

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

<u>NORTHERN KY COUNTIES</u>	<u>2010 (ACS 5-Year Estimates)</u>				<u>2011 (ACS 5-Year Estimates)</u>				<u>2012 (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>
POPULATION												
Total Population	114,723	89,016	158,034	361,773	117,216	89,598	159,008	365,822	119,406	90,119	159,926	369,451
Median Age (Years)	35.1	37.2	36.0	n/a	35.4	37.0	36.0	n/a	35.7	36.9	36.2	n/a
HOUSEHOLDS												
Total Households	41,612	35,300	61,912	138,824	41,843	35,258	62,054	139,155	42,617	35,235	62,260	140,112
Average Household Size	2.74	2.41	2.52	2.56	2.78	2.47	2.52	2.59	2.78	2.48	2.53	2.59
Populations in Households	114,026	84,982	155,997	355,005	116,487	86,930	156,402	359,819	118,644	87,391	157,383	363,418
Population 25 Years and Older	78,519	63,859	112,276	254,654	80,378	64,499	113,339	258,216	82,033	65,184	114,494	261,711
HOUSING OCCUPANCY												
Total Housing Units	45,053	39,185	68,768	153,006	45,694	39,385	68,901	153,980	46,196	39,497	69,053	154,746
Occupied Housing Units	41,612	35,300	61,912	138,824	41,843	35,258	62,054	139,155	42,617	35,235	62,260	140,112
Owner-Occupied Units	31,777	25,516	42,867	100,160	32,316	25,201	42,640	100,157	32,362	24,857	42,361	99,580
Renter-Occupied Units	9,835	9,784	19,045	38,664	9,527	10,057	19,414	38,998	10,255	10,378	19,899	40,532
Vacant Housing Units	3,441	3,885	6,856	14,182	3,851	4,127	6,847	14,825	3,579	4,262	6,793	14,634
Vacant Housing Rate	7.6%	9.9%	10.0%	9.3%	8.4%	10.5%	9.9%	9.6%	7.7%	10.8%	9.8%	9.5%
Median (Value)	\$ 175,900	\$ 146,300	\$ 145,200	n/a	\$ 175,200	\$ 145,500	\$ 146,700	n/a	\$ 173,000	\$ 147,600	\$ 146,200	n/a
EMPLOYMENT STATUS												
Population 16 Years and Older	85,506	71,034	122,683	279,223	87,382	71,593	123,695	282,670	89,053	72,133	124,387	285,573
Population in Civilian Labor Force	63,072	48,127	85,333	196,532	63,267	49,150	84,808	197,225	63,730	49,122	84,991	197,843
Employed	59,510	44,793	79,683	183,986	59,801	45,535	78,617	183,953	59,622	45,175	78,089	182,886
Employed Percentage	94.4%	93.1%	93.4%	93.6%	94.5%	92.6%	92.7%	93.3%	93.6%	92.0%	91.9%	92.4%
Unemployed	3,562	3,334	5,650	12,546	3,466	3,615	6,191	13,272	4,108	3,947	6,902	14,957
Unemployed Percentage	5.6%	6.9%	6.6%	6.4%	5.5%	7.4%	7.3%	6.7%	6.4%	8.0%	8.1%	7.6%
INCOME												
Median Household Income	\$ 66,549	\$ 51,482	\$ 53,213	n/a	\$ 68,087	\$ 53,018	\$ 53,375	n/a	\$ 67,125	\$ 53,580	\$ 53,900	n/a
Mean Household Income	\$ 77,789	\$ 66,869	\$ 68,247	\$ 70,757	\$ 79,126	\$ 67,773	\$ 69,117	\$ 71,786	\$ 78,904	\$ 67,013	\$ 69,366	\$ 71,675
Per Capita Income	\$ 28,520	\$ 27,096	\$ 27,205	\$ 27,601	\$ 28,630	\$ 27,501	\$ 27,484	\$ 27,859	\$ 28,640	\$ 27,063	\$ 27,669	\$ 27,840
POVERTY LEVEL												
Percentage Whose Income in the Past 12 Months is Below Poverty Level												
All Families	5.8%	8.8%	8.4%	7.3%	5.5%	8.6%	9.5%	8.0%	6.4%	9.5%	10.1%	8.7%
All People	7.5%	11.3%	11.4%	10.1%	7.2%	11.3%	12.6%	10.5%	8.3%	12.4%	13.2%	11.4%
Under 18 Years	9.2%	16.5%	16.5%	13.9%	8.5%	15.8%	18.6%	14.4%	10.6%	17.2%	19.8%	15.9%
65 Years and Older	8.5%	8.2%	7.5%	8.0%	7.8%	7.4%	7.2%	7.4%	8.0%	6.5%	7.5%	7.4%

Source: factfinder2.census.gov/

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

<u>NORTHERN KY COUNTIES</u>	<u>2013 (ACS 5-Year Estimates)</u>				<u>2014 (ACS 5-Year Estimates)</u>				<u>2015 (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>
POPULATION												
Total Population	121,214	90,606	160,828	372,648	123,030	91,268	161,915	376,213	124,617	91,475	163,007	379,099
Median Age (Years)	36.0	37.0	36.4	n/a	36.1	37.0	36.3	n/a	36.2	37.3	36.4	n/a
HOUSEHOLDS												
Total Households	43,255	35,203	61,800	140,258	43,903	35,478	61,962	141,343	44,709	35,477	62,225	142,411
Average Household Size	2.78	2.49	2.56	2.61	2.78	2.49	2.57	2.62	2.77	2.49	2.58	2.62
Populations in Households	120,390	87,830	158,303	366,523	122,141	88,307	159,438	369,886	123,644	88,421	160,718	372,783
Population 21 Years and Older	83,378	65,772	115,346	264,496	84,911	66,322	116,400	267,633	86,329	66,896	117,493	270,718
Population 65 Years and Older	12,107	11,856	18,552	42,515	12,724	12,004	19,225	43,953	13,236	12,365	19,988	45,589
HOUSING OCCUPANCY												
Total Housing Units	46,635	39,560	69,081	155,276	47,052	39,705	69,242	155,999	47,466	39,754	69,369	156,589
Occupied Housing Units	43,255	35,203	61,800	140,258	43,903	35,478	61,962	141,343	44,709	35,477	62,225	142,411
Owner-Occupied Units	32,649	24,643	42,038	99,330	32,561	24,417	41,536	98,514	32,785	24,368	40,956	98,109
Renter-Occupied Units	10,606	10,560	19,762	40,928	11,342	11,061	20,426	42,829	11,924	11,109	21,269	44,302
Vacant Housing Units	3,380	4,357	7,281	15,018	3,149	4,227	7,280	14,656	2,757	4,277	7,144	14,178
Vacant Housing Rate	7.2%	11.0%	10.5%	9.7%	6.7%	10.6%	10.5%	9.4%	5.8%	10.8%	10.3%	9.1%
Median (Value) Owner-Occupied Units	\$ 172,700	\$ 146,300	\$ 144,300	n/a	\$ 174,200	\$ 147,700	\$ 143,900	n/a	\$ 175,100	\$ 150,400	\$ 145,200	n/a
EMPLOYMENT STATUS												
Population 16 Years and Older	90,433	72,430	125,242	288,105	92,145	73,165	126,093	291,403	93,587	73,523	127,102	294,212
Population in Civilian Labor Force	64,347	49,548	85,459	199,354	65,546	49,526	85,229	200,301	66,346	49,211	86,096	201,653
Employed	59,917	45,336	77,880	183,133	61,454	45,481	78,082	185,017	62,624	45,872	79,447	187,943
Employed Percentage	93.1%	91.5%	91.1%	91.9%	93.8%	91.8%	91.6%	92.4%	94.4%	93.2%	92.3%	93.2%
Unemployed	4,430	4,212	7,579	16,221	4,092	4,045	7,147	15,284	3,722	3,339	6,649	13,710
Unemployed Percentage	6.9%	8.5%	8.9%	8.1%	6.2%	8.2%	8.4%	7.6%	5.6%	6.8%	7.7%	6.8%
INCOME												
Median Household Income	\$ 67,225	\$ 54,306	\$ 54,270	n/a	\$ 67,286	\$ 54,482	\$ 54,817	n/a	\$ 66,730	\$ 54,621	\$ 54,296	n/a
Mean Household Income	\$ 80,339	\$ 67,244	\$ 69,687	\$ 72,359	\$ 81,417	\$ 68,553	\$ 70,126	\$ 73,238	\$ 81,500	\$ 70,780	\$ 70,236	\$ 73,908
Per Capita Income	\$ 29,235	\$ 26,945	\$ 27,704	\$ 28,025	\$ 29,656	\$ 27,479	\$ 27,788	\$ 28,331	\$ 29,866	\$ 28,248	\$ 27,847	\$ 28,612
POVERTY LEVEL												
Percentage Whose Income in the Past 12 Months is Below Poverty Level												
All Families	7.4%	10.0%	10.5%	9.3%	7.1%	10.4%	11.1%	9.6%	6.6%	10.3%	11.8%	9.6%
All People	9.0%	13.0%	13.7%	12.0%	8.7%	14.0%	14.3%	12.4%	8.2%	14.6%	14.6%	12.5%
Under 18 Years	12.2%	17.5%	20.8%	17.0%	11.7%	19.2%	21.8%	17.6%	11.2%	20.5%	23.0%	18.2%
65 Years and Older	6.9%	8.0%	8.3%	7.8%	8.2%	8.0%	8.8%	8.4%	5.9%	9.8%	8.5%	8.1%

Source: factfinder2.census.gov/

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

<u>NORTHERN KY COUNTIES</u>	<u>2016 (ACS 5-Year Estimates)</u>				<u>2017 (ACS 5-Year Estimates)</u>				<u>2018 (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>
POPULATION												
Total Population	125,656	91,456	163,393	380,505	127,682	91,804	163,987	383,473	129,095	92,267	164,688	386,050
Median Age (Years)	36.6	37.9	36.7	n/a	37.1	38.0	36.9	n/a	37.3	38.1	37.0	n/a
HOUSEHOLDS												
Total Households	45,649	35,954	62,746	144,349	46,095	35,870	62,929	144,894	46,404	36,308	63,529	146,241
Average Household Size	2.73	2.46	2.57	2.59	2.75	2.46	2.57	2.60	2.76	2.44	2.55	2.59
Populations in Households	124,657	88,314	161,085	374,056	126,649	88,392	161,610	376,651	128,053	88,744	162,253	379,050
Population 21 Years and Older	87,486	67,314	118,478	273,278	89,342	67,938	119,155	276,435	90,557	68,424	120,201	279,182
Population 65 Years and Older	13,980	12,702	20,747	47,429	15,414	13,264	21,556	50,234	16,093	13,707	22,334	52,134
HOUSING OCCUPANCY												
Total Housing Units	47,878	39,873	69,520	157,271	48,499	39,929	69,484	157,912	48,961	40,109	69,635	158,705
Occupied Housing Units	45,649	35,954	62,746	144,349	46,095	35,870	62,929	144,894	46,404	36,308	63,529	146,241
Owner-Occupied Units	32,880	24,530	41,155	98,565	33,885	24,675	41,329	99,889	34,370	25,018	41,781	101,169
Renter-Occupied Units	12,769	11,424	21,591	45,784	12,210	11,195	21,600	45,005	12,034	11,290	21,748	45,072
Vacant Housing Units	2,229	3,919	6,774	12,922	2,404	4,059	6,555	13,018	2,557	3,801	6,106	12,464
Vacant Housing Rate	4.7%	9.8%	9.7%	8.2%	5.0%	10.2%	9.4%	8.2%	5.2%	9.5%	8.8%	7.9%
Median (Value) Owner-Occupied Units	\$ 178,300	\$ 156,600	\$ 147,000	n/a	\$ 183,700	\$ 160,700	\$ 149,700	n/a	\$ 186,500	\$ 168,300	\$ 155,200	n/a
EMPLOYMENT STATUS												
Population 16 Years and Older	95,134	73,934	127,720	296,788	97,459	74,589	128,542	300,590	98,981	75,215	129,244	303,440
Population in Civilian Labor Force	67,334	49,093	87,231	203,658	67,873	48,795	87,172	203,840	69,183	48,901	87,789	205,873
Employed	63,757	46,233	81,588	191,578	64,527	46,154	82,552	193,233	66,174	46,679	83,543	196,396
Employed Percentage	94.7%	94.2%	93.5%	94.1%	95.1%	94.6%	94.7%	94.8%	95.7%	95.5%	95.2%	95.4%
Unemployed	3,577	2,860	5,643	12,080	3,346	2,641	4,620	10,607	3,009	2,222	4,246	9,477
Unemployed Percentage	5.3%	5.8%	6.5%	5.9%	4.9%	5.4%	5.3%	5.2%	4.3%	4.5%	4.8%	4.6%
INCOME												
Median Household Income	\$ 69,165	\$ 56,772	\$ 56,568	n/a	\$ 72,731	\$ 57,208	\$ 58,674	n/a	\$ 75,043	\$ 59,782	\$ 61,606	n/a
Mean Household Income	\$ 85,590	\$ 74,223	\$ 72,452	\$ 77,048	\$ 90,790	\$ 77,224	\$ 76,160	\$ 81,078	\$ 93,086	\$ 79,669	\$ 80,194	\$ 84,154
Per Capita Income	\$ 31,593	\$ 29,834	\$ 28,785	\$ 29,968	\$ 33,553	\$ 31,065	\$ 30,195	\$ 31,528	\$ 34,433	\$ 32,225	\$ 31,811	\$ 32,794
POVERTY LEVEL												
Percentage Whose Income in the Past 12 Months is Below Poverty Level												
All Families	6.5%	11.0%	10.9%	9.4%	6.0%	9.5%	9.9%	8.4%	5.3%	9.2%	9.5%	8.0%
All People	7.9%	14.9%	13.6%	12.0%	7.6%	14.2%	12.9%	11.4%	7.1%	13.8%	12.6%	11.0%
Under 18 Years	11.4%	22.0%	21.5%	17.9%	10.6%	19.2%	19.5%	16.2%	10.2%	17.0%	18.3%	15.1%
65 Years and Older	6.3%	10.2%	8.0%	8.1%	5.2%	12.2%	8.0%	8.2%	4.7%	12.3%	7.7%	8.0%

Source: data.census.gov/

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

<u>NORTHERN KY COUNTIES</u>	<u>2019 (ACS 5-Year Estimates)</u>			
	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>
POPULATION				
Total Population	130,820	92,861	165,668	389,349
Median Age (Years)	37.5	38.2	37.1	n/a
HOUSEHOLDS				
Total Households	46,997	36,746	63,966	147,709
Average Household Size	2.76	2.43	2.55	2.59
Populations in Households	129,808	89,261	163,247	382,316
Population 21 Years and Older	91,544	68,770	120,648	280,962
Population 65 Years and Older	16,864	14,117	23,111	54,092
HOUSING OCCUPANCY				
Total Housing Units	49,443	40,312	69,661	159,416
Occupied Housing Units	46,997	36,746	63,966	147,709
Owner-Occupied Units	35,015	25,624	42,303	102,942
Renter-Occupied Units	11,982	11,122	21,663	44,767
Vacant Housing Units	2,446	3,566	5,695	11,707
Vacant Housing Rate	4.9%	8.8%	8.2%	7.3%
Median (Value) Owner-Occupied Units	\$ 189,800	\$ 172,000	\$ 161,100	n/a
EMPLOYMENT STATUS				
Population 16 Years and Older	100,352	75,592	130,197	306,141
Population in Civilian Labor Force	70,331	48,952	89,136	208,419
Employed	67,668	46,997	85,375	200,040
Employed Percentage	96.2%	96.0%	95.8%	96.0%
Unemployed	2,663	1,955	3,761	8,379
Unemployed Percentage	3.8%	4.0%	4.2%	4.0%
INCOME				
Median Household Income	\$ 78,327	\$ 63,050	\$ 64,339	n/a
Mean Household Income	\$ 97,356	\$ 83,704	\$ 83,684	\$ 88,039
Per Capita Income	\$ 35,991	\$ 34,025	\$ 33,330	\$ 34,396
POVERTY LEVEL				
Percentage Whose Income in the Past 12 Months is Below Poverty Level				
All Families	5.4%	9.4%	8.1%	7.5%
All People	7.2%	13.5%	11.5%	10.5%
Under 18 Years	10.0%	15.9%	16.4%	14.6%
65 Years and Older	3.6%	12.7%	8.6%	8.1%

Source: data.census.gov/

Sanitation District No. 1
Northern Kentucky Top Ten Employers
2021 and 2012

Top Ten Employers in Northern Kentucky - 2021 (Ranked by Local Employees)		
Company	Employees	Percentage of Employed Work Force
St. Elizabeth Healthcare	9,770	4.7%
Amazon.com LLC	6,000	2.9%
Fidelity Investments	4,675	2.2%
Kroger Company	4,100	2.0%
Boone County School District	3,800	1.8%
Citi	2,000	1.0%
Northern Kentucky University	1,951	0.9%
Pomeroy	1,500	0.7%
Mubea NA	1,300	0.6%
Novolex	1,288	0.6%
Totals:	36,384	17.5%
Source: Business Courier 2021 Book of Lists		

Top Ten Employers in Northern Kentucky - 2012 (Ranked by Local Employees)		
Company	Employees	Percentage of Employed Work Force
St. Elizabeth Healthcare	7,211	3.6%
Fidelity Investments	3,800	1.9%
Internal Revenue Service	3,500	1.8%
Boone County Schools	3,348	1.7%
Citi	2,400	1.2%
Delta Air Lines Inc.	2,200	1.1%
Northern Kentucky University	2,043	1.0%
DHL	2,000	1.0%
Castellini Group of Companies	1,500	0.8%
Toyota Motor Engineering and Manufacturing North America Inc.	1,223	0.6%
Totals:	29,225	14.8%
Source: Business Courier 2012 Book of Lists		

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

Average Daily Wastewater Flow (MGD)	Design Capacity MGD	Fiscal Year									
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Treatment Plant Flow (1)											
Dry Creek	46.5	35.9	27.3	26.4	20.7	27.4	27.0	27.0	27.0	30.0	25.3
Eastern Regional WRF*	4.0	0.8	0.8	0.94	1.05	1.03	1.00	1.00	1.00	1.00	1.15
Western Regional WRF**	20.0	3.4	7.6	8.43	7.77	8.12	8.00	8.00	8.00	9.00	9.00
	<u>70.5</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>	<u>35.5</u>
Staffing Levels (2)											
Administration		61	62	58	59	58.5	54	43	45	44.5	56
Engineering		27	27	21	21	21	21	23	25	28.5	29.5
Operations				6	6	5	5	20	23.5	25.5	13.5
Water Resources		18	14	15.5	15.5	16.5	16.5	16.5	11.5	11.5	11.5
Collection System		83	89	88	88	84	78	72	69	66	66
Field Tech (Pump Stations)		14	13	15	15	15	15	15	15	15	16
Eastern Regional and Small Plants		10	9	10.5	10.5	10.5	9.5	9.5	7.5	7.5	7.5
Western Regional Plant		13	13	12	13	13	13	13	13	13	13
Dry Creek and Lab		46	49	47.5	46.5	45.5	45.5	45.5	44.5	43	43
Total Employees		<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>	<u>256.0</u>

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

(2) Source: SD1 budget documents

* Eastern Regional Water Reclamation Facility went online 10/2007

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

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

	Fiscal Year									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Miles of Sanitary Sewers <i>(Includes sanitary, Force Mains and Combined)</i>	1,600	1,600	1,600	1,600	1,620	1,620	1,640	1,650	1,662	1,685
Regional Wastewater Treatment Plants	2	3	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	2	3	3	3	3	2
Pump Stations										
Owned and Operated	131	133	121	121	121	120	121	121	121	122
Operated but not Owned	13	13	14	14	3	3	3	3	3	3
Flood Stations	15	15	15	15	15	15	15	15	15	15
Flood Gate Structures	89	89	88	88	89	89	92	93	93	93
Storm Structures	29,165	31,669	32,062	32,541	32,820	33,097	31,106	31,657	32,728	32,300
Miles of Separate Storm Sewers	417	440	442	447	447	451	416	425	428	433

Source: SD1 GIS records

REQUIRED REGULATORY INFORMATION

**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 November 29, 2021.

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
November 29, 2021