

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



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



**2021-2022**  
**Annual Comprehensive Financial Report**  
*For the Fiscal Years Ended June 30, 2022 and 2021*

**SANITATION DISTRICT NO. 1**

**ANNUAL COMPREHENSIVE  
FINANCIAL REPORT**

**For the Years Ended June 30, 2022 and 2021**

**Prepared by:**

**Sanitation District No. 1  
Finance Department**

**Ron Schmitt, Jr.  
Director**

**Deborah Vinson  
Accounting Manager**

<p><b>SANITATION DISTRICT NO. 1</b></p> <p><b>ANNUAL COMPREHENSIVE</b></p> <p><b>FINANCIAL REPORT</b></p> <p><b>For the Years Ended June 30, 2022 and 2021</b></p>
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## **INTRODUCTORY SECTION**



November 30, 2022

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, 2022. 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 Chamberlin Owen & Co., Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that SD1's financial statements for the fiscal year ended June 30, 2022 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, 2022 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 347,000 residents throughout Boone, Campbell and Kenton Counties.

SD1 maintains approximately 1,685 miles of sanitary sewer line, 123 wastewater pumping stations, 15 flood pump stations, six package treatment plants, three major wastewater treatment plants, approximately 441 miles of storm sewer pipe and 32,915 storm sewer structures.

In Fiscal Year 2022, SD1 served a sanitary sewer customer base of 110,790 accounts and a storm water customer base of 85,389 accounts. SD1's sanitary sewer customer base has experienced a 0.970 percent average annual growth rate over the past five years, while SD1's storm water customer base has experienced a 3.372 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. 2020 Census 5-year estimates, Northern Kentucky's population was 392,528. 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 16-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 several years up until April 2020 which was a result of COVID-19 and the subsequent shelter-in-place and stay-at-homes orders. Over the past 12 months, the Cincinnati MSA average unemployment rate was 3.7 percent compared to a high of 13.0 percent in April 2020. The regional average 2022 unemployment rate is currently below the average national unemployment rate of 4.2 percent.

In Northern Kentucky, the housing market continues to show strong sales activity, increasing home values, and a rise in new home construction. However, the housing market continues to also face challenges such as limited inventory, higher mortgage rates, economic uncertainty, and elevated construction costs.

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

SD1 is in the fourth 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 fourth year of a residential rate restructure that includes a base rate to help cover fixed costs and a variable rate for higher-volume users. The base rate, which includes the first 2 hundred cubic feet of wastewater treatment, has increased over the past four years as the variable rate has decreased. This has more closely aligned sanitary sewer rates with the actual cost of providing service and has also addressed 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 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 \$440,628,681. Outstanding bonds of SD1 are rated Aa2 stable by Moody's and AA by Standard & Poor's rating agencies. For fiscal year ended June 30, 2022, net revenues covered debt service on both revenue bonds and Kentucky Infrastructure Authority (KIA) notes by 2.51 times. Unrestricted cash was at a level representing at least 1,190 days' cash which equated to \$135.0 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**

#### **Projects in Wilder Help SD1 Double Initial Clean H2O40 Milestone a Year Early**

In Fiscal Year 2022, SD1 completed the construction of the Wilder wet weather equalization (EQ) tank that, in coordination with an adjacent project completed earlier in the year, eliminated about 47 million gallons of typical year sanitary sewer overflow (SSO).

The Wilder EQ Tank is an important part of SD1's Clean H2O40 sewer overflow mitigation program. When full, the tank can store about 7.3 million gallons of sewer system flow, preventing systems from becoming overwhelmed by typical year wet-weather events.

The cost to implement the Clean H2O40 program has been reduced by over 50 percent from its original \$1.3 million estimate due to a strategic shift away from inflow and infiltration removal to a controlled storage and release approach. EQ tank projects are also proving to be more economical than expected. The cost of the Wilder EQ Tank, originally estimated at \$20.5 million was completed at a cost of approximately \$11 million, amounting to project savings of 46 percent.

In a typical year, SD1's system experiences about 115 million gallons of SSO; the Wilder project eliminates more than 40 percent of that overflow volume. With the Wilder project now complete, SD1 has more than doubled its 2023 goal of eliminating 20 percent of typical year SSO a year ahead of schedule. SD1's next Clean H2O40 goal will be to eliminate 75 percent of a typical year SSO by the year 2029.

#### **Revenue Streams: SD1 Mitigation Bank Program**

SD1 has created a Stream Mitigation Bank Program that generates new revenue while mitigating the disruption new development brings to local stream habitats.

Section 404 of the Clean Water Act of 1972 requires that stream habitat footage lost to dredge or fill (e.g. development) must be "made up for" or "mitigated." SD1 generates

mitigation credits by restoring, enhancing, or preserving stream habitats across Northern Kentucky. Much of SD1's horizontal assets are located within or near streams. Stream bank erosion not only endangers aquatic habitats, but also threaten critical assets through exposure, settling, and bank movement. The mitigation bank strategies serve the dual purposes of protecting assets and preserving habitats. Credits derived from these strategies can then be sold to the development community to meet the requirements of Section 404.

### *Strategic Bonding Initiatives Pay Off*

In December of 2021, SD1 issued \$70 million in Series 2021A revenue bonds which are being used to fund Clean H2O40 Amended Consent Decree projects. While SD1 had sufficient capital reserves to complete the next several years of capital projects, financial indicators pointed to a potential bottoming of rates in the market. Due to SD1's projected long term debt structure, small moves in interest rates can have large impacts on future cash flows. Management made the decision to issue low-interest bonds in late 2021 to fund near-term projects and maintain its cash reserves as a hedge against anticipated interest rate hikes. SD1 secured the Series 2021A funding at an interest rate of 2.36 percent on the 30-year bonds. Since the issuance, interest rates have more than doubled.

Concurrently with the Series 2021A funding, SD1 completed a bond refunding of Series 2021B. This latest round of bond refunding, combined with previous rounds of bond refunding over the past five years, has saved current and future SD1 ratepayers over \$75.5 million, amounting to an annual savings of nearly \$3 million per year through 2041. SD1 continues to look for ways to become more efficient in its mission to reliably provide the Northern Kentucky region with wastewater and storm water services, and the District's bonding strategies are just the latest example.

### ***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, 2021. This was the ninth 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*

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Adam Chaney  
Executive Director

*Ron Schmitt, Jr.*

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Ron Schmitt, Jr.  
Director of Finance

**SANITATION DISTRICT NO. 1**  
**ANNUAL COMPREHENSIVE**  
**FINANCIAL REPORT**  
**For the Years Ended June 30, 2022 and 2021**

**Board of Directors**  
(As of June 30, 2022)

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Bob Boswell, President  
Boone County

Rick Wessels, Vice-President  
Kenton County

Katie Nolan, Treasurer  
Boone County

Robert Horine, Secretary  
Campbell County

Joe Bessler  
Kenton County

Jason Finch  
Kenton County

Russ Horsley  
Kenton County

Jack Scott  
Campbell County

**Management**

Adam Chaney  
Executive Director



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Sanitation District No. 1  
Kentucky**

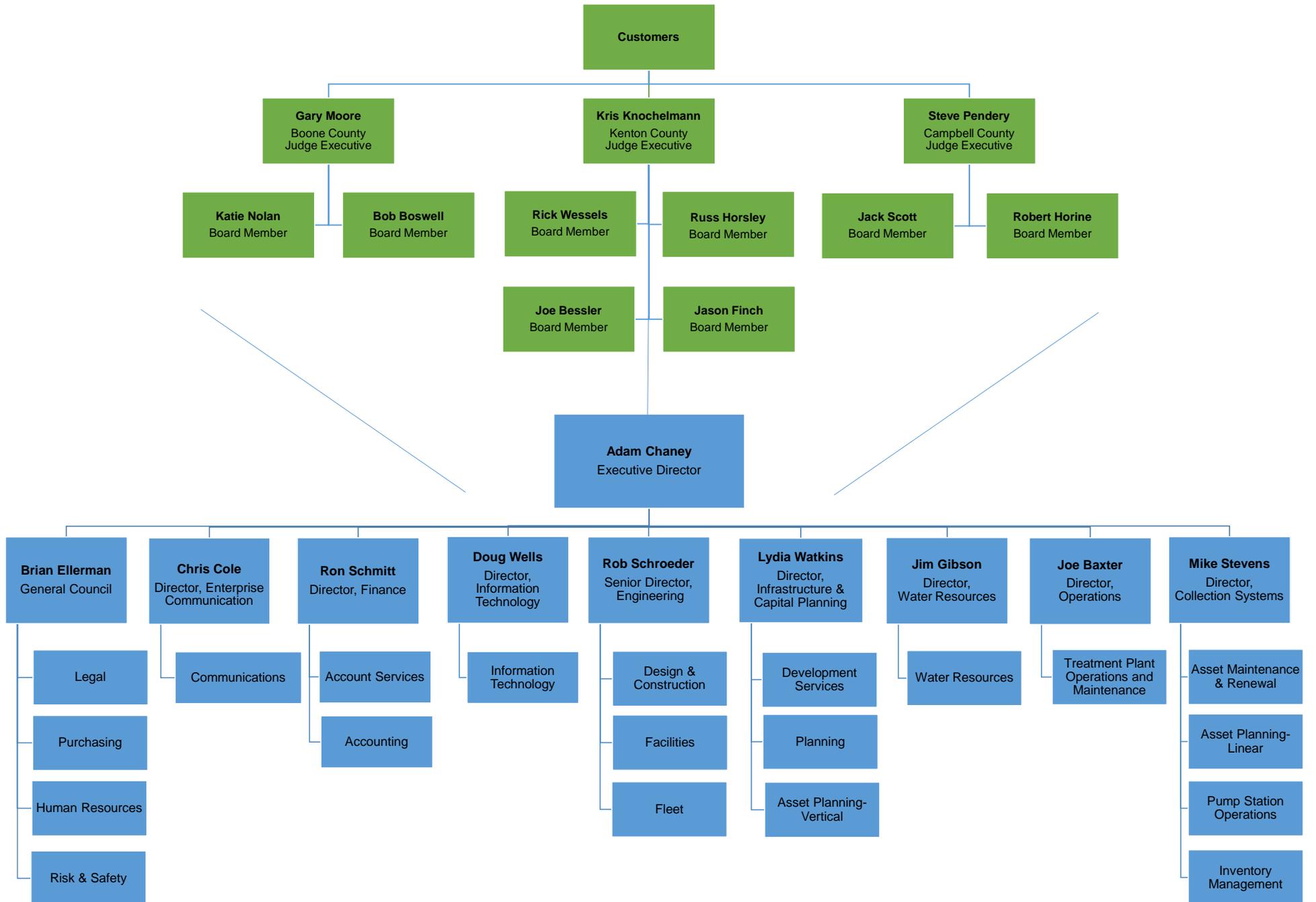
For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

**SANITATION DISTRICT NO. 1  
ORGANIZATION CHART**  
as of June 30, 2022



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## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

We have audited the accompanying financial statements of the business-type activities of the Sanitation District No. 1, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Sanitation District No. 1's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with accounting standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Sanitation District No. 1 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sanitation District No. 1's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the

aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sanitation District No. 1's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sanitation District No. 1's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and *Multiple Employer, Cost Sharing, Defined Benefit Pension and OPEB Plan* disclosures be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sanitation District No. 1's basic financial statements. The Budgetary Comparison Schedule – Budget to Actual is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 Budgetary Comparison Schedule – Budget to Actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

This financial statements of the business-type activities of Sanitation District No. 1 as of June 30, 2022 are displayed in comparative format with the financial statements as of June 30, 2021, which were audited by other auditors whose report dated November 29, 2021, expressed an unmodified opinion on those statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022, on our consideration of the Sanitation District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Sanitation District No. 1'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 Sanitation District No. 1's internal control over financial reporting and compliance.

*Chamberlin Owen & Co., Inc.*

**Chamberlin Owen, & Co., Inc.**

Erlanger, Kentucky  
November 30, 2022

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## **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, 2022 and 2021. 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.

### **2022 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 \$851.8 million (*net position*). Of this amount, \$97.7 million represents unrestricted net position.
- Net investment in capital assets decreased \$36.1 million to \$628.2 million.
- Operating revenues increased \$6.1 million to \$118.9 million.
- Operation, maintenance and administration expenses increased \$594,000 to \$40.4 million.
- SD1's total outstanding debt increased by \$49.5 million or 12.66%.

### **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, \$75.8 million represents unrestricted net position.
- Net investment in capital assets increased \$19.9 million to \$664.3 million.
- Operating revenues decreased almost \$950,000 to \$112.7 million.
- Operation, maintenance and administration expenses increased \$398,000 to \$39.8 million.
- SD1's total outstanding debt decreased by \$22.3 million or 5.41%.

### **Overview of the Financial Statements**

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

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

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

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

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

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in SD1's basic financial statements. The notes to the financial statements can be found on pages 34-77 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information concerning budgetary comparisons. Other supplementary information can be found on pages 81-100 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 2022 compared to 2021 and 2020.

		<b>Table 1 Net Position</b>		
		<b>June 30,</b>		
		<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Assets</b>				
Current Assets	\$	159,737,755	\$ 133,786,717	\$ 125,471,405
Restricted Assets		125,837,781	77,027,648	79,384,510
Receivables - Noncurrent		494,365	540,893	835,386
Capital Assets		<u>1,062,802,365</u>	<u>1,048,869,104</u>	<u>1,051,320,664</u>
Total Assets		<u>1,348,872,266</u>	<u>1,260,224,362</u>	<u>1,257,011,965</u>
<b>Deferred Outflows of Resources</b>		<u>15,019,544</u>	<u>18,665,375</u>	<u>17,013,265</u>
<b>Liabilities</b>				
Current Liabilities		41,652,727	37,147,183	35,382,261
Noncurrent Liabilities		<u>460,469,413</u>	<u>421,802,511</u>	<u>437,390,099</u>
Total Liabilities		<u>502,122,140</u>	<u>458,949,694</u>	<u>472,772,360</u>
<b>Deferred Inflows of Resources</b>		<u>9,925,052</u>	<u>2,721,464</u>	<u>4,778,714</u>
<b>Net Position</b>				
Net Investment in Capital Assets		628,222,347	664,340,118	644,358,510
Restricted		125,837,781	77,027,648	79,384,510
Unrestricted		<u>97,784,490</u>	<u>75,850,813</u>	<u>72,731,136</u>
<b>Total Net Position</b>	<b>\$</b>	<b><u>851,844,618</u></b>	<b><u>817,218,579</u></b>	<b><u>796,474,156</u></b>

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

Total assets increased \$88.6 million in 2022 and \$3.2 million in 2021. Current assets increased \$25.9 million in 2022 and \$8.3 million in 2021 primarily due to an increase in unrestricted cash. Noncurrent assets increased \$62.6 million in 2022 and decreased \$5.1 million in 2021. The increase in 2022 was due to the addition of new bond proceeds and an increase in on-going construction projects. The decrease in 2021 is attributed primarily to accumulated depreciation on existing assets increasing more than the amount being invested in new capital improvement projects and a decrease in restricted investments 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 in 2021 pursuant to SD1's Trust Indenture.

Total liabilities increased \$43.1 million in 2022 and decreased \$13.8 million in 2021. The majority of the increase in 2022 was a result of the issuance of \$70 million in revenue bonds to finance capital related projects. This increase was offset as normal debt service payments were made on prior year bonds and notes, as well as a \$9.9 million decrease in the net pension and OPEB liabilities. The majority of the decrease in 2021 was a result of not issuing any new bonds, other than a refunding and continuing to pay on the existing debt. This decrease was offset by a \$7.9 million increase in the pension and OPEB liabilities. The net pension liability and OPEB liability was a combined \$43.0 million in 2022 compared to \$53.0 million in 2021 which is determined each year based on the Kentucky Public Pensions Authority (KPPA) actuarial valuation calculations.

Deferred outflow of resources decreased \$3.6 million in 2022 and increased \$1.6 million in 2021. Deferred inflow of resources increased \$7.2 million in 2022 and decreased \$2.0 million in 2021. The majority of the change for both years was primarily a result of differences between pension and OPEB projected and actual earnings on plan investments which will fluctuate each year based on market performance.

Total net position increased \$34.6 million in 2022 and \$20.7 million in 2021. The largest portion of SD1's net position \$628.2 million or 73.7% 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 increased 63.37% from 2021 and 58.52% since 2020. The increase was primarily a result of issuing revenue bonds for the purpose of financing capital related projects. The remaining balance represents unrestricted net position and may be used to meet SD1's ongoing obligations to customers and creditors. Unrestricted net position increased 28.92% at the end of 2022 and increased 4.29% at the end of 2021. The majority of the increase was in unrestricted cash reserves as bond proceeds are currently being used to fund capital improvement projects.

**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 2022 compared to 2021 and 2020.

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

	<u>Years Ended June 30,</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Operating Revenues</b>			
Sewer service charges	\$ 99,677,308	\$ 91,179,985	\$ 93,494,058
Storm water charges	11,435,609	13,463,003	13,647,164
Permits and tap-in fees	5,236,913	5,901,118	4,312,269
Sludge hauling	686,607	805,838	717,245
Inspections	286,223	231,981	266,058
Penalties	1,264,687	619,727	934,458
Contractual services	162,126	163,467	158,882
Bad debt recoveries	31,796	11,320	19,111
Other revenues	159,880	376,285	153,419
	<u>118,941,149</u>	<u>112,752,724</u>	<u>113,702,664</u>
<b>Operating Expenses</b>			
Operation, maintenance and administration	40,441,814	39,847,390	39,449,023
Major repairs and other	987,956	881,199	2,033,349
Depreciation	40,858,594	40,739,661	40,869,031
	<u>82,288,364</u>	<u>81,468,250</u>	<u>82,351,403</u>
Net Operating Income	36,652,785	31,284,474	31,351,261
<b>Non-Operating Income (Expense)</b>			
Interest Income	1,394,925	1,441,419	2,574,891
Bad Debt - assessment loan receivable	-	(237,878)	(315,094)
Arbitrage rebate	15,322	(15,322)	-
Interest on long-term debt	(9,391,519)	(9,126,897)	(12,328,896)
Bond issuance cost	(1,323,639)	(676,043)	(770,627)
Federal credits on Build America Bonds	-	332,130	1,512,972
Families First Coronavirus Response Act Credits	(258,191)	108,184	150,007
Loss on disposal of capital assets	(262,369)	(12,227,104)	(229,512)
Net effect of change in pension expense	(186,622)	(3,546,735)	(3,248,315)
Net effect of change in OPEB expense	(119,263)	(778,153)	(82,615)
Net change, fair value of investments	(3,275,868)	(1,075,812)	676,051
	<u>(13,407,224)</u>	<u>(25,802,211)</u>	<u>(12,061,138)</u>
<b>Change in Net Position Before Capital Contributions</b>	23,245,561	5,482,263	19,290,123
Capital Contributions	11,380,478	15,262,160	8,591,472
<b>Change in Net Position</b>	34,626,039	20,744,423	27,881,595
<b>Net Position, Beginning of Year</b>	817,218,579	796,474,156	768,592,561
<b>Net Position, End of Year</b>	<u>\$ 851,844,618</u>	<u>\$ 817,218,579</u>	<u>\$ 796,474,156</u>

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

In 2022, SD1's total operating revenues experienced an increase of \$6.1 million or 5.49%. Sanitary sewer revenues increased \$8.4 million, which was a result of a 5% rate increase that became effective July 1, 2021. Storm water revenues decreased \$2 million due to a 9.9% reduction in storm water rates and to a full year of SD1 no longer billing parcels in the City of Covington for storm water charges since the termination of their interlocal agreement. Permits and connection fees decreased \$664,000 due to a decrease in the number of capacity connection fees which fluctuates each year based on new construction activities and timing of when new permits are issued. Penalties increased \$644,000 due to having a full year of penalties being added to delinquent accounts since the temporary suspension of penalties as a result of COVID-19. Sludge hauling decreased \$119,000 due to a reduction in the volume of sludge and leachate being disposed from landfills.

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 \$180,000 due to the City of Covington terminating its interlocal agreement effective March 1, 2021. Permits and connection fees increased \$1.5 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 2022, operations, maintenance and administration expenses increased \$594,000 or 1.49%. The following contributed to the change in expenses:

- Salaries, wages, and benefits increased \$136,000, which was primarily due to a \$401,000 increase in pension costs as a result of a state mandated rate increase in the CERS non-hazardous pension rate for full-time employees. This increase was partially offset by a \$194,000 decrease in salaries and wages due to some positions being unfilled during a portion of the year and a \$110,000 decrease in medical costs due to a reduction in medical claims.
- Professional and Contractual services decreased \$384,000 mainly due to a decrease in CCTV inspection and cleaning services due to contractors having staff shortages combined with high river levels creating access issues.
- Travel, Training & Certification increased almost \$100,000 due to an increase in Lean Six Sigma continuous improvement and leadership trainings for staff as a result of SD1's increased commitment for the retention and development of SD1 personnel, as well as a return to traditional in-person trainings and conferences after being halted by COVID-19.
- Dues and subscriptions decreased \$117,000 due to a one-time addition of planimetric mapping services in 2021 of sidewalks and driveways within Campbell and Kenton counties to assist with proper calculations of impervious areas as well as current data for GIS mapping, project planning, system modeling and advanced reporting throughout the service area.
- Electricity increased \$604,000 due to non-controllable factors such as higher fuel surcharges and rate increases that were a result of higher market prices for power purchased during periods when a primary source power plant was offline for scheduled maintenance. In addition, some of the increase was a result of bringing additional equipment online due to new wet weather equalization (EQ) tanks across the region.
- Vehicle operations increased \$91,000 which was a direct result of experiencing higher fuel costs.

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

- Pump Stations parts, materials and supplies increased \$75,000 due to the installation of new control panels at 13 flood stations, increased preventive maintenance on pump station generators, and material increases due to rising inflation.

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.

Major repairs and other expenses increased \$106,000 in 2022 due to an increase in the number of preliminary studies, evaluations, and conceptual design work on proposed capital projects occurring in the year.

Major repairs and other expenses decreased \$1.1 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.

Non-operating expenses decreased \$12.3 million in 2022, which was the net result of a one-time loss on disposal of capital assets due to the transfer of all Covington related storm water assets that occurred in 2021; \$2.2 million net depreciation in fair value of investments; \$4.0 million decrease in SD1's share of the net effect of change in pension and OPEB liabilities; and a \$264,000 increase in interest expense as well as a \$647,000 increase in bond issuance cost due to an \$11.5 million refunding bond and \$70 million revenue bonds.

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 market value of investments; \$993,000 increase in SD1's share of the pension and OPEB expenses; and \$2.1 million net decrease in interest expense and federal credits on long term debt due to the refunding of bonds.

Capital contributions decreased \$3.8 million in 2022 and increased \$6.6 million in 2021. Capital contributions consist primarily of developer dedicated sanitary and storm water infrastructure and can vary from year to year depending on the amount of infrastructure completed in any given year.

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

**Capital Assets**

SD1's investment in capital assets as of June 30, 2022, was \$1.062 billion (net of accumulated depreciation). This represents a 1.33% increase from 2021. Capital assets increased \$52.7 million and accumulated depreciation increased \$38.7 million. Construction in progress increased \$26.2 million which was the biggest driver for the growth in capital assets. Collection system assets increased \$12.9 million and included new and improved sewers, dedicated assets and infrastructure repairs. Pumping system assets increased \$1.2 million and included infrastructure improvements, telemetry upgrades, and equipment replacements. Treatment and disposal assets increased \$1.8 million and included treatment plant improvements and equipment replacements. Storm water collection system assets increased \$9.4 million and included new storm water pipes and infrastructure.

SD1's investment in capital assets as of June 30, 2021, was \$1.048 billion (net of accumulated depreciation). This represents a 0.23% decrease from 2020. Although capital assets increased \$28.9 million, accumulated depreciation increased \$31.3 million. Collection system assets increased \$16.4 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 \$3.9 million and included treatment plant improvements, new aeration blowers and equipment replacements. Construction in progress increased \$15.2 million due to an increase in capital project activity and storm water collection system assets decreased almost \$9.1 million which the majority of the decrease was attributable to the removal of the Covington storm water related assets.

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

	<b>June 30,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Not Being Depreciated</b>			
Land	\$ 19,542,461	\$ 19,222,017	\$ 18,578,720
Construction in Progress	53,715,784	27,427,347	12,151,572
<b>Other Capital Assets</b>			
Land Improvements	4,961,377	4,922,743	4,713,013
Collection System	769,033,165	756,132,277	739,639,821
Pumping System	105,532,123	104,239,942	103,233,051
Treatment and Disposal	271,578,555	269,688,692	265,719,629
General Buildings and Structures	30,092,148	30,085,010	30,100,161
Office Furniture and Equipment	9,334,036	8,625,567	8,364,515
Vehicle and Accessories	8,512,914	8,600,516	8,674,051
Machinery and Equipment	6,110,582	6,151,602	5,933,632
Software Model Development	21,554,029	21,554,029	21,554,029
Storm Water Collection System	408,831,048	399,415,401	408,493,635
Subtotal	1,708,798,222	1,656,065,143	1,627,155,829
Less Accumulated Depreciation	645,995,857	607,196,039	575,835,165
<b>Totals</b>	<b>\$ 1,062,802,365</b>	<b>\$ 1,048,869,104</b>	<b>\$ 1,051,320,664</b>

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

Additional information on SD1's capital assets can be found in the Capital Assets note to the financial statements on pages 44 - 47 of this report.

**Debt Administration**

SD1 ended fiscal year 2022 with \$440.6 million in outstanding bonds and notes compared to \$391.1 million in 2021 and \$413.4 million in 2020. This represents an increase of 12.66% in 2022 and 6.56% since 2021 as shown in Table 4. In 2022, SD1 issued revenue bonds in the amount of \$70 million to finance various capital improvement projects and saved ratepayers by borrowing early at extremely low rates. In addition, SD1 issued refunding bonds in the amount of \$11.5 million to refinance an outstanding Kentucky Infrastructure Authority note payable to take advantage of favorable interest rates. In 2021, SD1 issued bonds in the amount \$61,535,000 to refund Series 2010B Bonds and Series 2010D Bonds, as well as in 2020 issued bonds in the amount of \$99,490,000 to refund Series 2009A Bonds, Series 2010A Bonds and Series 2010C Bonds to take advantage of favorable interest rates.

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

**Table 4  
Debt Summary**

	<b>June 30,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Bond Indebtedness	\$ 354,012,995	\$ 285,025,950	\$ 297,748,060
Notes Payable	86,615,686	106,097,555	115,749,701
	<b>\$ 440,628,681</b>	<b>\$ 391,123,505</b>	<b>\$ 413,497,761</b>

Additional information on SD1's long-term debt can be found in the Long-Term Debt note to the financial statements on pages 48-54 of this report.

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

In June 2022, SD1's Board of Directors and the Judges Executive of Boone, Campbell and Kenton Counties approved the fiscal year 2023 Operating & Maintenance (O&M) and Capital Budgets. The 2023 O&M Budget was approved for \$46.2 million, which reflects a 4.92% increase compared to the 2022 Budget.

The revenue budget includes the final year 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 \$2.7 million over 2022 actual sewer service revenue. Capacity fee connection revenue is budgeted at \$4.5 million which is a \$316,000 decrease over 2022 actual revenue and was determined based on anticipated growth with sensitivity to developer plans and economic factors. The budget anticipates no rate increase for storm water services and includes a slight decrease of \$275,000 in storm water fees due to a strong cash position and a pause in construction activities as various watersheds are being evaluated.

In preparing the 2023 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

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

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 \$439.8 million, of which \$397.0 million is estimated for sanitary projects, \$39.8 million for storm water projects, and \$3.0 million for capital asset purchases.

The 2023 capital budget approved spending plan calls for \$70.3 million, of which \$34.3 million is for sanitary and storm water asset management projects, \$19.6 million for consent decree projects, \$9.8 million for economic growth and community needs, \$2.0 million for storm water capital improvement projects, \$1.4 million for storm water cost share programs, \$200,000 for storm water planning development, and \$3.0 million for new capital asset purchases.

Funds needed for funding capital projects and programs will be provided from cash reserves, net revenues, and the most recent 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](mailto:info@sd1.org).

**SANITATION DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**June 30, 2022**

	<u>Sanitation</u>	<u>Stormwater</u>	<u>Total</u>
<b>Assets and Deferred Outflows of Resources</b>			
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	\$ 95,774,559	\$ 25,517,189	\$ 121,291,748
Investments	13,764,008	-	13,764,008
Accounts receivable			
Customers, net of allowance	7,557,477	1,806,777	9,364,254
Communities	18,837	-	18,837
Other	2,497,612	-	2,497,612
Accrued unbilled charges	10,144,500	1,462,300	11,606,800
Prepays and deposits	1,173,260	1,405	1,174,665
Accrued interest income	16,658	3,173	19,831
Total Current Assets	<u>130,946,911</u>	<u>28,790,844</u>	<u>159,737,755</u>
Noncurrent Assets			
Restricted Assets			
Cash and cash equivalents	47,306,865	534,385	47,841,250
Investments	76,160,358	1,701,032	77,861,390
Accrued interest	135,141	-	135,141
Total Restricted Assets	<u>123,602,364</u>	<u>2,235,417</u>	<u>125,837,781</u>
Receivables			
Assessments	494,365	-	494,365
Capital Assets			
Land	17,709,851	1,832,610	19,542,461
System, building, and equipment	1,220,752,647	414,787,330	1,635,539,977
Construction in progress	52,314,366	1,401,418	53,715,784
Less: accumulated depreciation	(481,650,931)	(164,344,926)	(645,995,857)
Total Capital Assets, Net	<u>809,125,933</u>	<u>253,676,432</u>	<u>1,062,802,365</u>
Total Noncurrent Assets	<u>933,222,662</u>	<u>255,911,849</u>	<u>1,189,134,511</u>
Total Assets	<u>1,064,169,573</u>	<u>284,702,693</u>	<u>1,348,872,266</u>
<b>Deferred Outflow of Resources</b>			
Deferred loss on refundings	6,048,663	-	6,048,663
Deferred outflows related to pensions	3,080,025	840,088	3,920,113
Deferred outflows related to OPEB	3,968,379	1,082,389	5,050,768
Total Deferred Outflow of Resources	<u>13,097,067</u>	<u>1,922,477</u>	<u>15,019,544</u>
<b>Total Assets and Deferred</b>			
<b>Outflow of Resources</b>	<u>\$ 1,077,266,640</u>	<u>\$ 286,625,170</u>	<u>\$ 1,363,891,810</u>

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

<b>SANITATION DISTRICT NO. 1</b> <b>STATEMENT OF NET POSITION (Continued)</b> <b>June 30, 2022</b>
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	Sanitation	Stormwater	Total
<b>Liabilities and Deferred Inflow of Resources</b>			
<b>Liabilities</b>			
Current Liabilities			
Bond indebtedness	\$ 17,223,874	\$ -	\$ 17,223,874
Notes payable	6,906,485	-	6,906,485
Accounts payable	10,346,977	967,355	11,314,332
Accrued payroll and benefits	440,986	109,879	550,865
Accrued interest payable	5,178,222	-	5,178,222
Accrued taxes and pension	3,269	-	3,269
Compensated absences	260,789	68,358	329,147
Sales tax payable	104	-	104
Other liabilities	146,429	-	146,429
<b>Total Current Liabilities</b>	<u>40,507,135</u>	<u>1,145,592</u>	<u>41,652,727</u>
Long-Term Liabilities (Net of Current Portion)			
Bonded indebtedness	336,789,121	-	336,789,121
Notes payable	79,709,201	-	79,709,201
Compensated absences	656,226	240,212	896,438
Net pension liability	26,029,609	7,099,668	33,129,277
Net OPEB liability	7,814,063	2,131,313	9,945,376
<b>Total Long-Term Liabilities, Net</b>	<u>450,998,220</u>	<u>9,471,193</u>	<u>460,469,413</u>
<b>Total Liabilities</b>	<u>491,505,355</u>	<u>10,616,785</u>	<u>502,122,140</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflow related to pensions	3,957,880	1,079,526	5,037,406
Deferred inflow related to OBEB	3,840,214	1,047,432	4,887,646
<b>Total Deferred Inflows of Resources</b>	<u>7,798,094</u>	<u>2,126,958</u>	<u>9,925,052</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>499,303,449</u>	<u>12,743,743</u>	<u>512,047,192</u>
<b>Net Position</b>			
Net investment in capital assets	374,545,915	253,676,432	628,222,347
Restricted for:			
Debt service funds	42,146,734	-	42,146,734
Operations, infrastructure, and insurance	34,148,765	1,701,032	35,849,797
Capital improvement project and programs	46,304,227	-	46,304,227
Other purposes	1,002,638	534,385	1,537,023
Unrestricted	79,814,912	17,969,578	97,784,490
<b>Total Net Position</b>	<u>577,963,191</u>	<u>273,881,427</u>	<u>851,844,618</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 1,077,266,640</u>	<u>\$ 286,625,170</u>	<u>\$ 1,363,891,810</u>

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

<b>SANITATION DISTRICT NO. 1</b> <b>STATEMENT OF NET POSITION</b> <b>June 30, 2021</b>
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	<u>Sanitation</u>	<u>Stormwater</u>	<u>Total</u>
<b>Assets and Deferred Outflows of Resources</b>			
<b>Assets</b>			
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, net of allowance	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
Prepays and deposits	1,069,173	625	1,069,798
Accrued interest income	13,959	2,659	16,618
Total Current Assets	<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
Total Restricted Assets	<u>74,466,188</u>	<u>2,561,460</u>	<u>77,027,648</u>
Receivables			
Assessments	<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	<u>(456,578,322)</u>	<u>(150,617,717)</u>	<u>(607,196,039)</u>
Total Capital Assets, Net	<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>
<b>Deferred Outflow of Resources</b>			
Deferred loss on refundings	6,594,519	-	6,594,519
Deferred outflows related to pensions	5,300,284	1,291,811	6,592,095
Deferred outflows related to OPEB	4,405,123	1,073,638	5,478,761
Total Deferred Outflow of Resources	<u>16,299,926</u>	<u>2,365,449</u>	<u>18,665,375</u>
<b>Total Assets and Deferred Outflow of Resources</b>	<u>\$ 989,663,417</u>	<u>\$ 289,226,320</u>	<u>\$ 1,278,889,737</u>

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

<b>SANITATION DISTRICT NO. 1</b> <b>STATEMENT OF NET POSITION (Continued)</b> <b>June 30, 2021</b>
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	<u>Sanitation</u>	<u>Stormwater</u>	<u>Total</u>
<b>Liabilities and Deferred Inflow of Resources</b>			
<b>Liabilities</b>			
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
Total Current Liabilities	<u>35,969,293</u>	<u>1,177,890</u>	<u>37,147,183</u>
Long-Term Liabilities (Net of Current Portion)			
Bonded 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 OPEB liability	10,215,976	2,489,888	12,705,864
Total Long-Term Liabilities, Net	<u>411,224,349</u>	<u>10,578,162</u>	<u>421,802,511</u>
Total Liabilities	<u>447,193,642</u>	<u>11,756,052</u>	<u>458,949,694</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflow related to pensions	229,613	55,963	285,576
Deferred inflow related to OBEB	1,958,542	477,346	2,435,888
Total Deferred Inflows of Resources	<u>2,188,155</u>	<u>533,309</u>	<u>2,721,464</u>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>449,381,797</u>	<u>12,289,361</u>	<u>461,671,158</u>
<b>Net Position</b>			
Net investment in capital assets	405,792,973	258,547,145	664,340,118
Restricted for:			
Debt service funds	36,957,143	-	36,957,143
Operations, infrastructure, and insurance	34,938,069	1,672,584	36,610,653
Capital improvement project and programs	10,277	888,876	899,153
Other purposes	2,560,699	-	2,560,699
Unrestricted	<u>60,022,459</u>	<u>15,828,354</u>	<u>75,850,813</u>
Total Net Position	<u>540,281,620</u>	<u>276,936,959</u>	<u>817,218,579</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 989,663,417</u>	<u>\$ 289,226,320</u>	<u>\$ 1,278,889,737</u>

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

<b>SANITATION DISTRICT NO. 1</b> <b>STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b> <b>For the Year Ended June 30, 2022</b>
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<b>Operating Revenues</b>	<b>Sanitation</b>	<b>Stormwater</b>	<b>Total</b>
Sewer service charges	\$ 99,677,308	\$ -	\$ 99,677,308
Storm water charges	-	11,435,609	11,435,609
Permits and tap-in fees	5,159,599	77,314	5,236,913
Sludge hauling	686,607	-	686,607
Inspections	151,067	135,156	286,223
Penalties and fines	1,115,041	149,646	1,264,687
Contractual services	162,126	-	162,126
Bad debt recoveries	23,023	8,773	31,796
Other revenues	106,450	53,430	159,880
<b>Total Operating Revenues</b>	<b>107,081,221</b>	<b>11,859,928</b>	<b>118,941,149</b>
<b>Operating Expenses</b>			
Operation, maintenance and administration	34,612,444	5,829,370	40,441,814
Major repairs and other	878,293	109,663	987,956
Depreciation	26,853,931	14,004,663	40,858,594
<b>Total Operating Expenses</b>	<b>62,344,668</b>	<b>19,943,696</b>	<b>82,288,364</b>
<b>Operating Income (Expense)</b>	<b>44,736,553</b>	<b>(8,083,768)</b>	<b>36,652,785</b>
<b>Non-Operating Income</b>			
Interest income	1,286,206	108,719	1,394,925
Arbitrage rebate	15,322	-	15,322
Interest on long-term debt	(9,391,519)	-	(9,391,519)
Bond issuance costs	(1,323,639)	-	(1,323,639)
Gain/(Loss) on disposal of capital assets	(171,297)	(91,072)	(262,369)
Families First Coronavirus Response Act credits	(215,939)	(42,252)	(258,191)
Net effect of change in pension expense	477,971	(664,593)	(186,622)
Net effect of change in OPEB expense	83,497	(202,760)	(119,263)
Net change, fair value of investments	(3,223,363)	(52,505)	(3,275,868)
<b>Total Non-Operating Income (Expense)</b>	<b>(12,462,761)</b>	<b>(944,463)</b>	<b>(13,407,224)</b>
<b>Change in Net Position Before Capital Contributions</b>	<b>32,273,792</b>	<b>(9,028,231)</b>	<b>23,245,561</b>
Capital Contributions	5,407,779	5,972,699	11,380,478
Transfers In (Out)	-	-	-
<b>Change in Net Position</b>	<b>37,681,571</b>	<b>(3,055,532)</b>	<b>34,626,039</b>
<b>Net Position, Beginning of Year</b>	<b>540,281,620</b>	<b>276,936,959</b>	<b>817,218,579</b>
<b>Net Position, End of Year</b>	<b>\$ 577,963,191</b>	<b>\$ 273,881,427</b>	<b>\$ 851,844,618</b>

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

<b>SANITATION DISTRICT NO. 1</b> <b>STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION</b> <b>For the Year Ended June 30, 2021</b>
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	<i>(Restated)</i>		
	<b>Sanitation</b>	<b>Stormwater</b>	<b>Total</b>
<b>Operating Revenues</b>			
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 and fines	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
<b>Total Operating Revenues</b>	<u>98,990,488</u>	<u>13,762,236</u>	<u>112,752,724</u>
<b>Operating Expenses</b>			
Operation, maintenance and administration	34,267,276	5,580,114	39,847,390
Major repairs and other	647,828	233,371	881,199
Depreciation	26,638,665	14,100,996	40,739,661
<b>Total Operating Expenses</b>	<u>61,553,769</u>	<u>19,914,481</u>	<u>81,468,250</u>
<b>Operating Income (Expense)</b>	<u>37,436,719</u>	<u>(6,152,245)</u>	<u>31,284,474</u>
<b>Non-Operating Income</b>			
Interest income	1,367,637	73,782	1,441,419
Bad debt - assessment loans receivable	(237,878)	-	(237,878)
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)
Gain/(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
Net effect of change in pension expense	(3,186,198)	(360,537)	(3,546,735)
Net effect of change in OPEB expense	(723,060)	(55,093)	(778,153)
Net change, fair value of investments	(1,057,374)	(18,438)	(1,075,812)
<b>Total Non-Operating Income (Expense)</b>	<u>(13,417,859)</u>	<u>(12,384,352)</u>	<u>(25,802,211)</u>
<b>Change in Net Position Before Capital Contributions</b>	24,018,860	(18,536,597)	5,482,263
Capital Contributions	6,452,692	8,809,468	15,262,160
Transfers In (Out)	1,841,625	(1,841,625)	-
<b>Change in Net Position</b>	32,313,177	(11,568,754)	20,744,423
<b>Net Position, Beginning of Year</b>	<u>507,968,443</u>	<u>288,505,713</u>	<u>796,474,156</u>
<b>Net Position, End of Year</b>	<u>\$ 540,281,620</u>	<u>\$ 276,936,959</u>	<u>\$ 817,218,579</u>

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

**SANITATION DISTRICT NO. 1**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2022**

	<b>Sanitation</b>	<b>Stormwater</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Received from customers	\$ 105,528,381	\$ 12,215,389	\$ 117,743,770
Paid to suppliers for goods and services	(15,796,719)	(1,523,322)	(17,320,041)
Paid to or on behalf of employees for services	(16,860,166)	(4,386,490)	(21,246,656)
<b>Net Cash Provided by Operating Activities</b>	<u>72,871,496</u>	<u>6,305,577</u>	<u>79,177,073</u>
<b>Cash Flows from Investing Activities</b>			
Investment income	1,254,388	108,205	1,362,593
Proceeds from sale of investments	24,497,300	1,498	24,498,798
Purchase of investments	(29,411,273)	(82,454)	(29,493,727)
<b>Net Cash Used by Investing Activities</b>	<u>(3,659,585)</u>	<u>27,249</u>	<u>(3,632,336)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal received on notes and bonds	83,210,428	-	83,210,428
Cash received from sale of asset	128,964	14,775	143,739
Payments made on long term debt	(30,921,868)	-	(30,921,868)
Interest paid	(12,240,348)	-	(12,240,348)
Acquisition and construction of capital assets	(40,550,389)	(3,267,095)	(43,817,484)
Principal received on assessments	46,528	-	46,528
Assessment interest income	30,350	-	30,350
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(296,335)</u>	<u>(3,252,320)</u>	<u>(3,548,655)</u>
<b>Cash Flows from Non-Capital and Related Financing Activities</b>			
Families First Coronavirus Response Act credits	(215,939)	(42,252)	(258,191)
<b>Net Cash Used by Non-Capital and Related Financing Activities</b>	<u>(215,939)</u>	<u>(42,252)</u>	<u>(258,191)</u>
<b>Increase in Cash and Cash Equivalents</b>	68,699,637	3,038,254	71,737,891
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>74,381,787</u>	<u>23,013,320</u>	<u>97,395,107</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 143,081,424</u>	<u>\$ 26,051,574</u>	<u>\$ 169,132,998</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income (loss)	\$ 44,736,553	\$ (8,083,768)	\$ 36,652,785
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	26,853,931	14,004,663	40,858,594
Change in operating assets and liabilities			
Decrease (Increase) in receivables	(1,055,204)	293,661	(761,543)
Decrease (Increase) in accrued unbilled charges	(628,390)	61,800	(566,590)
Decrease (Increase) in communities receivable	(672)	-	(672)
Decrease (Increase) in other receivables	131,426	-	131,426
Decrease (Increase) in prepaid assets	(104,087)	(780)	(104,867)
Increase (Decrease) in accounts payable	3,250,183	(57,106)	3,193,077
Increase (Decrease) in accrued payroll and benefits	70,954	23,665	94,619
Increase (Decrease) in accrued taxes and pension	(171,935)	-	(171,935)
Increase (Decrease) in sales taxes	(7,760)	-	(7,760)
Increase (Decrease) in compensated absences payable	95,006	68,442	163,448
Increase (Decrease) in other liabilities	(298,509)	(5,000)	(303,509)
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 72,871,496</u>	<u>\$ 6,305,577</u>	<u>\$ 79,177,073</u>

<b>SANITATION DISTRICT NO. 1</b> <b>STATEMENT OF CASH FLOWS (Continued)</b> <b>For the Year Ended June 30, 2022</b>
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**Supplemental Schedule of Noncash Capital and Related Financing**

Change in fair value of investments	\$ (3,223,363)	\$ (52,505)	\$ (3,275,868)
Investment fees	\$ (55,639)	\$ (1,702)	\$ (57,341)
Contributions of capital assets	\$ 5,407,779	\$ 5,972,699	\$ 11,380,478
Net effect of change in pension expense	\$ 477,971	\$ (664,593)	\$ (186,622)
Net effect of change in OPEB expense	\$ 83,497	\$ (202,760)	\$ (119,263)
Issuance of Revenue Bonds, Series 2021A	\$ 70,000,000	\$ -	\$ 70,000,000
Issuance of Refunding Bonds, Series 2021B	\$ 11,525,000	\$ -	\$ 11,525,000
Bond premium	\$ 3,009,081	\$ -	\$ 3,009,081
Amortization expense	\$ (3,561,181)	\$ -	\$ (3,561,181)
Bond issuance cost	\$ (1,323,639)	\$ -	\$ (1,323,639)

**Reconciliation of Cash and Cash Equivalents to the Statement of Net Position**

Cash and Cash Equivalents - Current	\$ 95,774,559	\$ 25,517,189	\$ 121,291,748
Cash and Cash Equivalents - Restricted	47,306,865	534,385	47,841,250
Cash and Cash Equivalents, June 30, 2022	<u>\$ 143,081,424</u>	<u>\$ 26,051,574</u>	<u>\$ 169,132,998</u>

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

**SANITATION DISTRICT NO. 1**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2021**

	<b>Sanitation</b>	<b>Stormwater</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
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)
<b>Net Change in Cash from Operating Activities</b>	<b>66,890,216</b>	<b>8,359,940</b>	<b>75,250,156</b>
<b>Cash Flows from Investing Activities</b>			
Investment income	1,388,706	77,017	1,465,723
Proceeds from sale of investments	36,085,676	1,120,800	37,206,476
Purchase of investments	(50,565,246)	(1,109,888)	(51,675,134)
<b>Net Change in Cash from Investing Activities</b>	<b>(13,090,864)</b>	<b>87,929</b>	<b>(13,002,935)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Federal credits on Build America Bonds	332,130	-	332,130
Payments made on long term debt	(18,805,554)	(1,206,592)	(20,012,146)
Acquisition and construction of capital assets,	(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 assessment loans	56,615	-	56,615
Assessment interest income	32,380	-	32,380
<b>Net Change in Cash from Capital and Related Financing Activities</b>	<b>(62,060,973)</b>	<b>(5,828,858)</b>	<b>(67,889,831)</b>
<b>Cash Flows from Non-Capital and Related Financing Activities</b>			
Families First Coronavirus Response Act credits	88,794	19,390	108,184
<b>Net Change in Cash and Cash Equivalents</b>	<b>(8,172,827)</b>	<b>2,638,401</b>	<b>(5,534,426)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>82,554,614</b>	<b>20,374,919</b>	<b>102,929,533</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>74,381,787</b>	<b>\$ 23,013,320</b>	<b>\$ 97,395,107</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income (loss)	\$ 37,198,841	\$ (6,152,245)	\$ 31,046,596
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	26,638,665	14,100,996	40,739,661
Assessment bad debt	237,878	-	237,878
Change in operating assets and liabilities			
Decrease (Increase) in receivables	1,833,288	128,991	1,962,279
Decrease (Increase) in accrued unbilled charges	(136,840)	166,300	29,460
Decrease (Increase) in prepaid assets	(159,162)	(625)	(159,787)
Increase (Decrease) in accounts payable	957,781	135,935	1,093,716
Increase (Decrease) in accrued payroll and benefits	17,494	1,901	19,395
Increase (Decrease) in compensated absences	(57,362)	(26,313)	(83,675)
Increase (Decrease) in arbitrage liability	15,322	-	15,322
Increase (Decrease) in accrued taxes and pension	(11,084)	-	(11,084)
Increase (Decrease) in sales tax payable	7,864	-	7,864
Increase (Decrease) in other liabilities	347,531	5,000	352,531
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 66,890,216</b>	<b>\$ 8,359,940</b>	<b>\$ 75,250,156</b>

<b>SANITATION DISTRICT NO. 1</b> <b>STATEMENT OF CASH FLOWS (Continued)</b> <b>For the Year Ended June 30, 2021</b>
---

**Supplemental Schedule of Noncash Capital and Related Financing**

Change in fair value of investments	\$ (1,057,374)	\$ (18,438)	\$ (1,075,812)
Investment fees	\$ (57,050)	\$ (1,646)	\$ (58,696)
Contributions of capital assets	\$ (6,452,692)	\$ 8,809,468	\$ 2,356,776
Net effect of change in pension expense	\$ (3,186,198)	\$ (360,537)	\$ (3,546,735)
Net effect of change in OPEB expense	\$ (723,060)	\$ (55,093)	\$ (778,153)
Issuance of Refunding Revenue Bonds, Series 2020	\$ 67,515,000	\$ -	\$ 67,515,000
Refunding of Series 2010B and 2010D Bonds	\$ (61,535,000)	\$ -	\$ (61,535,000)
Bond premium	\$ 7,435,178	\$ -	\$ 7,435,178
Deferred Loss on refunding	\$ (1,432,482)	\$ -	\$ (1,432,482)
Amortization expense	\$ (3,101,053)	\$ -	\$ (3,101,053)
Bond issuance cost	\$ (676,043)	\$ -	\$ (676,043)
Transfers of capital assets	\$ 1,838,499	\$ (1,838,499)	\$ -

**Reconciliation 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	998,329	888,876	1,887,205
Cash and Cash Equivalents, June 30, 2021	\$ 74,381,787	\$ 23,013,320	\$ 97,395,107

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

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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## **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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Use of Estimates**

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

**Operating Revenues and Expenses**

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

**Cash and Cash Equivalents**

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

**Investments**

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

**Accounts Receivable - Customers**

SD1 follows a monthly cycle billing procedure. When meter readings are delayed, bills are rendered based on estimated meter readings to promote consistency of sewer service revenue. Accounts receivable and related sewer service revenue are recorded when billed. The financial statements include an estimate for unbilled sewer and storm water charges of \$11,606,800 and \$11,040,210 as of June 30, 2022 and 2021, 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, 2022 and 2021 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.

<p><b>SANITATION DISTRICT NO. 1</b>  <b>NOTES TO FINANCIAL STATEMENTS</b>  <b>For the Years Ended June 30, 2022 and 2021</b></p>
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows and Inflows of Resources**

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

**Capital Assets**

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

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

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

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

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

**Construction in Progress**

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

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****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.

**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, 2022 and 2021 were \$1,225,585 and \$1,062,137, 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 \$0 and \$15,322 at June 30, 2022 and 2021, 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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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***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. The implementation of GASB Statement No. 87 had no effect on SD1's 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. The implementation of GASB Statement No. 92 had no effect on SD1's 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 (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. The implementation of GASB Statement No. 93 had no effect on SD1's 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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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. The implementation of GASB Statement No. 97 had no effect on SD1's financial statements.

**Recently Issued Significant Accounting Standards***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.

*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.

**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.

*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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

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, 2022 and 2021, 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, 2022 and 2021 of \$91,625,397 and \$89,906,346, 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, 2022 and 2021:

Quality Ratings	Years Ended June 30,	
	2022	2021
AA	\$ -	\$ 618,627
AA-	-	127,114
AA+	200,326	-
AAA	-	275,853
Not Rated	-	251,432
	<u>\$ 200,326</u>	<u>\$ 1,273,026</u>

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

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**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, 2022 and 2021:

	Years Ended June 30,	
	2022	2021
Pursuant to Trust Indenture		
Principal and Interest Accounts	\$ 16,926,428	\$ 15,420,008
Debt Service Reserve	25,211,914	21,537,135
Operation and Maintenance Fund	10,355,021	10,506,075
Construction & Acquisition Fund	-	1,572,647
Improvement, Repair, and Replacement	18,609,326	19,060,997
Self Insurance Fund	6,893,842	7,043,581
Bond Proceeds	46,304,227	-
Subtotal	124,300,758	75,140,443
Pursuant to Other Uses		
Agreed Order Settlement	1,537,023	1,887,205
Total Restricted Assets	<u>\$ 125,837,781</u>	<u>\$ 77,027,648</u>

**NOTE 4 – FAIR VALUE MEASUREMENT**

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

**Level 1** – Unadjusted price quotations in active markets/exchanges for identical assets or liabilities that SD1 has the ability to access.

**Level 2** – Other observable inputs (included but not limited to, quotes process for similar assets or liabilities in the markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets and liabilities (such as interest rates, yield curves, volatilities, loss severities, credit risks, and default rates) or other market-corroborated inputs).

**Level 3** – Unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 4 – FAIR VALUE MEASUREMENT (Continued)**

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, 2022:

	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	\$ -	\$ 21,590,400	\$ -	\$ 21,590,400
Municipal Bonds	-	200,326		200,326
Treasury Bonds	-	25,297,305		25,297,305
Agency Bonds	-	30,773,359		30,773,359
Intermediate US Gov. Funds	-	13,764,008		13,764,008
<b>Total Investments at Fair Value</b>	<b>\$ -</b>	<b>\$ 91,625,398</b>	<b>\$ -</b>	<b>\$ 91,625,398</b>

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 Gov. Funds	-	14,902,275		14,902,275
<b>Total Investments at Fair Value</b>	<b>\$ -</b>	<b>\$ 89,906,346</b>	<b>\$ -</b>	<b>\$ 89,906,346</b>

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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### NOTE 5 – CAPITAL ASSETS

Capital asset activity for SD1 for the year ended June 30, 2022, was as follows:

Sanitation Fund	Balance at June 30, 2021	Additions	Deletions/ Transfers	Balance at June 30, 2022
Capital Assets Not Being Depreciated				
Land	\$ 17,402,057	\$ 307,794	\$ -	\$ 17,709,851
Construction in progress	25,454,128	40,511,029	(13,650,791)	52,314,366
Total Capital Assets Not Being Depreciated	42,856,185	40,818,823	(13,650,791)	70,024,217
Depreciable Capital Assets				
Land improvements	4,922,743	38,634	-	4,961,377
Collection system	756,132,277	13,703,926	(803,038)	769,033,165
Pumping system	104,239,942	1,423,048	(130,867)	105,532,123
Treatment and disposal	269,688,692	1,974,315	(84,452)	271,578,555
Buildings and structures	30,085,010	23,177	(16,039)	30,092,148
Office furniture and equipment	8,625,567	1,304,934	(596,465)	9,334,036
Vehicles and accessories	8,431,221	244,978	(332,580)	8,343,619
Machinery and equipment	6,009,775	101,618	(142,638)	5,968,755
Software model development	15,908,869	-	-	15,908,869
Total Depreciable Capital Assets	1,204,044,096	18,814,630	(2,106,079)	1,220,752,647
Total Capital Assets at Historical Cost	1,246,900,281	59,633,453	(15,756,870)	1,290,776,864
Less Accumulated Depreciation				
Land improvements	(2,125,415)	(131,889)	-	(2,257,304)
Collection system	(235,227,390)	(15,388,378)	552,927	(250,062,841)
Pumping system	(61,582,715)	(4,019,375)	118,171	(65,483,919)
Treatment and disposal	(103,789,803)	(6,029,360)	32,539	(109,786,624)
Buildings and structures	(17,545,419)	(440,109)	16,039	(17,969,489)
Office furniture and equipment	(7,505,979)	(445,164)	596,465	(7,354,678)
Vehicles and accessories	(8,052,533)	(94,928)	332,581	(7,814,880)
Machinery and equipment	(4,840,199)	(304,728)	132,600	(5,012,327)
Software model development	(15,908,869)	-	-	(15,908,869)
Total Accumulated Depreciation	(456,578,322)	(26,853,931)	1,781,322	(481,650,931)
Depreciable Capital Assets, Net	747,465,774	(8,039,301)	(324,757)	739,101,716
Sanitation Fund Capital Assets, Net	\$ 790,321,959	\$ 32,779,522	\$ (13,975,548)	\$ 809,125,933

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 5 – CAPITAL ASSETS (Continued)**

Storm Water Fund	Balance at June 30, 2021	Additions	Deletions/ Transfers	Balance at June 30, 2022
Capital Assets Not				
Being Depreciated				
Land	\$ 1,819,960	\$ 100,551	\$ (87,901)	\$ 1,832,610
Construction in progress	1,973,219	3,327,187	(3,898,988)	1,401,418
Total Capital Assets Not				
Being Depreciated	<u>3,793,179</u>	<u>3,427,738</u>	<u>(3,986,889)</u>	<u>3,234,028</u>
Depreciable Capital Assets				
Vehicles and accessories	169,295	-	-	169,295
Machinery and equipment	141,827	-	-	141,827
Storm water collection system	399,415,401	9,711,596	(295,949)	408,831,048
Software model development	5,645,160	-	-	5,645,160
Total Depreciable				
Capital Assets	<u>405,371,683</u>	<u>9,711,596</u>	<u>(295,949)</u>	<u>414,787,330</u>
Total Capital Assets at				
Historical Cost	<u>409,164,862</u>	<u>13,139,334</u>	<u>(4,282,838)</u>	<u>418,021,358</u>
Less Accumulated Depreciation				
Vehicles and accessories	(156,234)	(3,724)	-	(159,958)
Machinery and equipment	(98,513)	(13,915)	-	(112,428)
Storm water collection system	(144,717,810)	(13,987,024)	277,454	(158,427,380)
Software model development	(5,645,160)	-	-	(5,645,160)
Total Accumulated				
Depreciation	<u>(150,617,717)</u>	<u>(14,004,663)</u>	<u>277,454</u>	<u>(164,344,926)</u>
Depreciable Capital				
Assets, Net	<u>254,753,966</u>	<u>(4,293,067)</u>	<u>(18,495)</u>	<u>250,442,404</u>
Storm Water Fund Capital				
Assets, Net	<u>\$ 258,547,145</u>	<u>\$ (865,329)</u>	<u>\$ (4,005,384)</u>	<u>\$ 253,676,432</u>

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 5 – CAPITAL ASSETS (Continued)**

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

Sanitation Fund	Balance at June 30, 2020	Additions	Deletions/ Transfers	Balance at 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
Buildings and structures	30,100,161	-	(15,151)	30,085,010
Office furniture and equipment	8,364,515	261,052	-	8,625,567
Vehicles 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)
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)
Vehicles and accessories	(8,376,339)	(61,700)	385,506	(8,052,533)
Machinery and equipment	(4,547,483)	(313,046)	20,300	(4,840,229)
Software model development	(15,908,869)	-	-	(15,908,869)
Total Accumulated Depreciation	(432,238,415)	(26,638,665)	2,298,728	(456,578,352)
Depreciable Capital Assets, Net	749,801,873	(4,929,219)	2,593,090	747,465,744
Sanitation Fund Capital Assets, Net	\$ 778,216,964	\$ 26,172,001	\$ (14,067,036)	\$ 790,321,929

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 5 – CAPITAL ASSETS (Continued)**

Storm Water Fund	Balance at June 30, 2020	Additions	Deletions/ Transfers	Balance at June 30, 2021
Capital Assets Not				
Being Depreciated				
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 and accessories	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 and accessories	(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 6 – NOTES RECEIVABLE - ASSESSMENTS**

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 \$494,365 and \$540,893 as of June 30, 2022 and 2021, respectively.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**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, 2022 and 2021, the arbitrage rebate liability was \$0 and \$15,322, 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. SD1 did not make any payments in fiscal year 2022 or 2021. In the upcoming year, no payment is due and therefore no current portion is accrued.

**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. This note was paid in full from proceeds of the Series 2021B Revenue Refunding Bonds issued December 1, 2021.

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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 8 – LONG-TERM DEBT (Continued)**

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

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

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

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

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest &amp; Fees</u>	<u>Total</u>
2023	\$ 6,906,485	\$ 1,473,634	\$ 8,380,119
2024	7,010,321	1,355,933	8,366,254
2025	7,115,892	1,236,289	8,352,181
2026	7,223,229	1,114,667	8,337,896
2027	7,332,363	991,031	8,323,394
2028-2032	37,710,211	3,033,105	40,743,316
2033-2037	11,875,360	545,386	12,420,746
2038-2039	1,441,825	34,467	1,476,292
Totals	<u>\$ 86,615,686</u>	<u>\$ 9,784,512</u>	<u>\$ 96,400,198</u>

**Bonds**

Refunding Revenue Bonds, Series 2010B

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

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

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

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

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 8 – LONG-TERM DEBT (Continued)**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.

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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 8 – LONG-TERM DEBT (Continued)**

Revenue Bonds, Series 2021A

In December 2021, bonds in the total amount of \$70,000,000 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.

The proceeds for the sale of the Series 2021A Bonds will be used to fund Clean H2O40 Amended Consent Decree Projects.

Revenue Refunding Bonds, Series 2021B

In December 2021, bonds in the total amount of \$11,525,000 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 2021B Bonds were used to refund KIA Note A04-09 balance (detailed in *Notes Payable – Direct Borrowings* above) of \$11,787,042.

The original amount of each outstanding issue, the issue date, interest rates and outstanding balances at June 30, 2022 and 2021 are summarized below:

Issue Date	Original Amount	Interest Rate	Outstanding Balance at June 30,	
			2022	2021
Series 2016	\$ 124,990,000	3.00 - 5.00 %	\$ 99,955,000	\$ 104,260,000
Series 2019	99,490,000	2.25 - 5.00 %	90,515,000	95,110,000
Series 2020	61,535,000	2.00 - 5.00 %	59,880,000	61,535,000
Series 2021A	70,000,000	2.00 - 5.00 %	70,000,000	-
Series 2021B	11,525,000	5.00%	10,640,000	-
Plus: Unamortized Bond Premium			23,022,995	24,120,950
			<u>\$ 354,012,995</u>	<u>\$ 285,025,950</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, 2022 for debt service (principal and interest) are as follows:

Year ending June 30,	Principal	Interest	Total
2023	\$ 13,080,000	\$ 11,800,169	\$ 24,880,169
2024	13,750,000	11,129,419	24,879,419
2025	14,455,000	10,424,294	24,879,294
2026	15,195,000	9,683,044	24,878,044
2027	15,975,000	8,903,794	24,878,794
2028-2032	89,165,000	32,528,719	121,693,719
2033-2037	88,265,000	16,975,066	105,240,066
2038-2042	48,625,000	6,170,250	54,795,250
2043-2047	15,275,000	3,025,256	18,300,256
2048-2052	17,205,000	1,096,813	18,301,813
Totals	<u>\$ 330,990,000</u>	<u>\$ 111,736,824</u>	<u>\$ 442,726,824</u>

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 8 – LONG-TERM DEBT (Continued)**

Changes in long-term liabilities for the year ended June 30, 2022 are as follows:

	Debt			Debt		Amounts
	Outstanding	Additions	Retirements	Outstanding	Due Within	1 Year
	June 30, 2021			June 30, 2022		
<b>Bond Indebtedness</b>						
Series 2016 REF	\$ 104,260,000	\$ -	\$ (4,305,000)	\$ 99,955,000	\$ 4,530,000	
Series 2016 Bond Premium	8,328,789		(1,379,116)	6,949,673	1,251,449	
Series 2019 REF	95,110,000	-	(4,595,000)	90,515,000	4,825,000	
Series 2019 Bond Premium	8,728,582		(1,461,736)	7,266,846	1,295,969	
Series 2020 REF	61,535,000	-	(1,655,000)	59,880,000	1,735,000	
Series 2020 Bond Premium	7,063,579		(1,170,937)	5,892,642	1,095,758	
Series 2021A Revenue	-	70,000,000	-	70,000,000	420,000	
Series 2021A Bond Premium		1,494,403	(14,401)	1,480,002	85,905	
Series 2021B REF	-	11,525,000	(885,000)	10,640,000	1,570,000	
Series 2021B Bond Premium		1,514,678	(80,846)	1,433,832	414,793	
<b>Total Bond Indebtedness</b>	<b>\$ 285,025,950</b>	<b>\$ 84,534,081</b>	<b>\$ (15,547,036)</b>	<b>\$ 354,012,995</b>	<b>\$ 17,223,874</b>	
<b>Notes Payable-Direct Borrowings</b>						
KIA Loan A04-09	12,677,516	-	(12,677,516)	-	-	
KIA Loan A08-04	43,291,317	-	(3,412,993)	39,878,324	3,447,208	
KIA Loan A09-04	2,828,237	-	(244,619)	2,583,618	249,536	
KIA Loan A09-05	2,864,465	-	(276,662)	2,587,803	282,222	
KIA Loan A09-06	8,239,457	-	(613,985)	7,625,472	626,326	
KIA Loan A09-07	2,944,787	-	(230,166)	2,714,621	234,792	
KIA Loan A09-08	1,390,583	-	(103,623)	1,286,960	105,706	
KIA Loan A09-09	5,220,562	-	(389,024)	4,831,538	396,844	
KIA Loan A10-11	11,100,724	-	(755,698)	10,345,026	770,887	
KIA Loan A11-13	9,670,174	-	(466,561)	9,203,613	475,939	
KIA Loan A11-14	3,663,288	-	(170,932)	3,492,356	174,368	
KIA Loan A12-02	530,702	-	(41,480)	489,222	42,314	
KIA Loan A15-103	1,675,743	-	(98,610)	1,577,133	100,343	
<b>Total Notes Payable</b>						
- Direct Borrowings	106,097,555	-	(19,481,869)	86,615,686	6,906,485	
Compensated Absences	1,062,137	695,812	(532,364)	1,225,585	329,147	
Arbitrage Liability	15,322	-	(15,322)	-	-	
Net Pension Liability	40,366,467	-	(7,237,190)	33,129,277	-	
Net OPEB Liability	12,705,864	-	(2,760,488)	9,945,376	-	
<b>Total Long-Term Liabilities</b>	<b>\$ 445,273,295</b>	<b>\$ 85,229,893</b>	<b>\$ (45,574,269)</b>	<b>\$ 484,928,919</b>	<b>\$ 24,459,506</b>	

**SANITATION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 8 – LONG-TERM DEBT (Continued)**

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

	Debt		Debt		Amounts
	Outstanding	Additions	Retirements	Outstanding	Due
	June 30,	of	and	June 30,	Within
	2020	New Debt	Repayments	2021	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
<b>Total Bond Indebtedness</b>	<b>297,748,060</b>	<b>68,970,178</b>	<b>81,692,288</b>	<b>285,025,950</b>	<b>14,566,789</b>
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	-	-
<b>Total Notes Payable</b>					
- 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	-
<b>Total Long-Term Liabilities</b>	<b>\$ 459,740,568</b>	<b>\$ 77,314,999</b>	<b>\$ 91,782,272</b>	<b>\$ 445,273,295</b>	<b>\$ 23,470,784</b>

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**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. Membership in CERS consisted of the following at June 30, 2021:

	Non-Hazardous	
	Pension	OPEB
Active Plan Members	81,250	80,745
Inactive Plan Members	95,692	29,208
Retired Members	65,414	37,037
	<u>242,356</u>	<u>146,990</u>
Number of participating employers		<u>1,139</u>

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

**SANITATION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 9 – PENSION PLAN (Continued)**

<b>Benefit Formula for Tiers 1 &amp; 2</b>				
<b>Final Compensation</b>	<b>X</b>	<b>Benefit Factor</b>	<b>X</b>	<b>Years of Service</b>
Average of the five highest 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%)**

<b>Benefit Formula for Tier 3</b>						
<b>(A-B) = C X 75% = D, then B+D = Interest</b>						
<b>Measurement Year</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>Interest Rate Earned (4% + Upside)</b>	<b>Total Interest Credited to Members' Account</b>
	<b>5 Year Geometric Average Return</b>	<b>Less Guarantee Rate</b>	<b>Upside Sharing Interest</b>	<b>Interest Rate Earned</b>		
<b>2021</b>	10.35%	4.00%	6.35%	4.76%	8.76%	\$ 21,116,000
<b>2020</b>	5.29%	4.00%	1.29%	0.97%	4.97%	\$ 9,203,000

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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**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 members were classified in the Tier 3 structure of benefits. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute 5.00% non-hazardous of their annual creditable compensation and 1.00% to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with 4.00% non-hazardous employer pay credit. The employer pay credit represents a portion of the employer contribution.

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2022, participating employers contributed 26.95% (21.17% pension fund and 5.78% insurance fund) of each employee's creditable compensation. For the fiscal year ended June 30, 2021, 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 \$2,857,776 and \$2,553,708 for the years ended June 30, 2022 and 2021, respectively.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**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, 2022 Financial Statements**

At June 30, 2022, SD1 reported a liability of \$33,129,277 as its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. SD1's proportion of the net pension liability was based on a projection of SD1's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At the June 30, 2021 measurement year, the SD1's non-hazardous employer allocation proportion was 0.5196% of the total CERS non-hazardous duty employees. For the year ended June 30, 2022, SD1 recognized pension expense of \$186,622 in addition to its \$2,857,776 pension contribution.

At June 30, 2022, SD1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 380,426	\$ (321,542)
Net difference between projected actual earnings on plan investments	-	(4,415,578)
Changes of assumptions	444,635	-
Changes in proportion and differences between contributions and proportionate share of contributions	237,276	(300,286)
Contributions subsequent to the measurement date	2,857,776	-
	\$ 3,920,113	\$ (5,037,406)

SD1's contributions subsequent to the measurement date of \$2,857,776 will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
---

**NOTE 9 – PENSION PLAN (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending June 30,	Net Deferral
2022	\$ (447,601)
2023	(1,143,474)
2024	(1,001,262)
2025	(1,382,732)
2026	-
Thereafter	-
	<u>\$ (3,975,069)</u>

**Actuarial Assumptions**

The total pension liability, net pension liability, and sensitivity information are based on an actuarial valuation date of June 30, 2020. The total pension liability was rolled forward from the valuation date to the plan’s fiscal year ending date of June 30, 2021 using generally accepted actuarial procedures.

The actuarially determined contribution effective for the fiscal year ending in 2021 is based on an actuarial valuation date of June 30, 2019, and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year, closed period at June 30, 2019
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-10.30%, varies by service
Mortality	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 2019
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for CERS. The most recent analysis, performed for the period covering fiscal years 2013 through 2018, is outlined in a report dated April 30, 2019. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log- normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 9 – PENSION PLAN (Continued)**

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

**Changes of Assumptions**

There have been no changes in actuarial assumptions since June 30, 2020.

**Discount Rate**

The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 6.25%. The long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Plan Target Allocation**

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	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
US equity	21.75%	5.70%
Non-US equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/high yield	15.00%	2.80%
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Total	100.00%	

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

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
---

**NOTE 9 – PENSION PLAN (Continued)**

	Proportionate Share of Net Pension Liability		
	1% Decrease	Current Rate	1% Increase
	5.25%	6.25%	7.25%
Non-hazardous	\$ 42,489,869	\$ 33,129,277	\$ 25,383,607
Total	\$ 42,489,869	\$ 33,129,277	\$ 25,383,607

**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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 9 – PENSION PLAN (Continued)**

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	<u>405,688</u>
	<u>\$ 3,752,811</u>

*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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 9 – PENSION PLAN (Continued)**

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

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

Asset Class	Target Allocation	Long Term Expected 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
Total	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:

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
---

**NOTE 9 – PENSION PLAN (Continued)**

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 49,780,638	\$ 40,366,467	\$ 32,571,176

**Payables to the Pension Plan**

At June 30, 2022 and 2021, SD1 did not have any required contributions payable to the pension plan for the years then ended.

**Plan Fiduciary Net Position**

The Pension Plan issues a publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan’s fiduciary net position. These reports may be obtained from the Kentucky Public Pension Authority, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601 or via KPPA website at [www.kyret.ky.gov](http://www.kyret.ky.gov).

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (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.

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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 10 – OPEB PLAN (Continued)**

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

The employer contribution rates are set by the KRS Board under Kentucky Revised Statute 61.565 based on an annual actuarial valuation, unless altered by legislation enacted by the Kentucky General Assembly. For the fiscal year ended June 30, 2022, participating employers contributed 26.95% (21.17% pension fund and 5.78% insurance fund) of each employee's creditable compensation. For the fiscal year ended June 30, 2021, 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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 10 – OPEB PLAN (Continued)**

Contributions to the insurance fund from SD1 were \$780,252 and \$629,826 for the years ended June 30, 2022 and 2021, 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, 2022, the SD1 reported a liability of \$9,945,376 as its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The SD1's proportion of the net OPEB liability was based on a projection of the SD1's long-term share of contributions to the OPEB plan relative to the projected contributions of all governmental entities, actuarially determined. At the June 30, 2021 measurement year, the SD1's proportion of the total non-hazardous plan was 0.5195%.

In addition, the SD1 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Non-Hazardous	
	Deferred Outflow	Deferred Inflow
Differences between expected and actual experience	\$ 1,563,913	\$ (2,969,359)
Net difference between projected actual earnings on plan investments	-	(1,555,816)
Changes of assumptions	2,636,708	(9,248)
Changes in proportion and differences between contributions and proportionate share of contributions	69,895	(353,223)
Contributions subsequent to the measurement date	780,252	-
	<u>\$ 5,050,768</u>	<u>\$ (4,887,646)</u>

SD1's contributions subsequent to the measurement date of \$780,252 for non-hazardous duty employees will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 10 – OPEB PLAN (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Measurement Year Ending June 30,	Net Deferral
2022	\$ 159,916
2023	(76,279)
2024	(74,974)
2025	(625,793)
2026	-
Thereafter	-
	<u>\$ (617,130)</u>

**Actuarial Assumptions**

The total OPEB liability, net OPEB liability, and sensitivity information are based on an actuarial valuation date of June 30, 2020. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ending date of June 30, 2021 using generally accepted actuarial procedures.

The actuarially determined contribution effective for the fiscal year ending in 2021 is based on an actuarial valuation date of June 30, 2019 and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Asset valuation method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization method	Level percent of pay
Amortization period	30-year, closed period at June 30, 2019
Payroll growth rate	2.00%
Investment rate of return	6.25%
Inflation	2.30%
Salary increases	3.30-10.30%, varies by service
Mortality	
Investment rate of return	6.25%, net of OPEB plan expense, including inflation,
Mortality	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 2019
Healthcare trend rates (Pre-65):	Initial trend starting at 6.25% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 10 – OPEB PLAN (Continued)**

Healthcare trend rates (Post-65):	Initial trend starting at 5.50% at January 1, 2021 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years. The 2020 premiums were known at the time of the valuation and were incorporated into the liability measurement.
Phase-in provision	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

**Changes of Assumptions**

The discount rates used to calculate the total OPEB liability decreased from 5.34% to 5.20%. The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2021 valuation process and was updated to better reflect more current expectations relating to anticipated future increases in the medical costs. There were no other material assumption changes.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 5.20% for the non-hazardous plan. The projection of cash flows used to determine the discount rate assumed that contributions from governmental entities will be made at contractually required rates, actuarially determined. Based on this assumption, the Plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the OPEB liability.

**Plan Target Allocation**

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	CERS Pensions (Haz & Non-Haz) Target Allocation	Long Term Expected Nominal Return
US equity	21.75%	5.70%
Non-US equity	21.75%	6.35%
Private equity	10.00%	9.70%
Specialty credit/high yield	15.00%	2.80%
Core bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Real estate	10.00%	5.40%
Real return	10.00%	4.55%
Total	100.00%	

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 10 – OPEB PLAN (Continued)**

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the proportionate share of the net OPEB liability calculated using the discount rates of 5.20% for the non-hazardous plan, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Discount Rate, Non-Hazardous	4.20%	5.20%	6.20%
Net OPEB liability, Non-Haz	\$ 13,654,926	\$ 9,945,376	\$ 6,901,075
Total	\$ 13,654,926	\$ 9,945,376	\$ 6,901,075

**Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the proportionate share of the net OPEB liability, as well as what the 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:

	Proportionate Share of Net OPEB Liability		
	1.00% Decrease	Current Rate	1.00% Increase
Healthcare cost trend rate			
Net OPEB liability, non-hazardous	\$ 7,159,489	\$ 9,945,376	\$ 13,307,986
Total	\$ 7,159,489	\$ 9,945,376	\$ 13,307,986

**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 an increase of 0.008808% from its proportion measured as of June 30, 2020.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 10 – OPEB PLAN (Continued)**

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
	<u>                    </u>	<u>                    </u>
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	<u>629,826</u>	<u>-</u>
 Total	 <u>\$ 5,478,761</u>	 <u>\$ 2,435,888</u>

SD1's contributions subsequent to the measurement date of \$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,	
<u>                    </u>	
2022	\$ 638,996
2023	763,976
2024	524,690
2025	525,643
2026	<u>(40,258)</u>
	 <u>\$ 2,413,047</u>

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 10 – OPEB PLAN (Continued)**

*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.

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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**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 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.

*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:

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 10 – OPEB PLAN (Continued)**

<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.

**Payables to the OPEB Plan**

At June 30, 2022 and 2021, SD1 did not have any required contributions payable to the OPEB plan for the years then ended.

**Plan Fiduciary Net Position**

The Health Insurance Plan issues a publicly available financial report that include financial statements and required supplementary information, and detailed information about each Plan's fiduciary net position. These reports may be obtained from the Kentucky Public Pension Authority, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601 or via KPPA website at [www.kyret.ky.gov](http://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, 2022 through June 30, 2027. The cost of the portion of the building being leased is \$2,300,902. The total accumulated depreciation associated with this asset is \$1,455,902 for a net asset value of \$845,000. The future rentals under this agreement are as follows:

Year Ending June 30,	Minimum Rental Due
2023	\$ 183,688
2024	189,199
2025	194,875
2026	200,721
2027	206,743
Total	<u>\$ 975,226</u>

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 12 – OPERATING LEASES**

SD1 is obligated under certain immaterial, non-cancelable leases for equipment and towers. The leases expire at various dates through June 2024. Lease expense for the years ended June 30, 2022 and 2021 were \$56,425 and \$52,600, respectively.

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

Year Ending June 30,	Minimum Rental
2023	\$ 44,355
2024	24,499
	\$ 68,854

**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 10 new agreements totaling \$544,665 for the year ended June 30, 2022 and 13 new agreements totaling \$525,859 for the year ended June 30, 2021.

**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 \$256,553 and \$298,607 has been recorded in the accompanying financial statements which is management’s estimate of the unspent balances as of June 30, 2022 and 2021, 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.

**SANITATION DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2022 and 2021**

**NOTE 16 – LITIGATION (Continued)**

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 21 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 taken no 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.

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**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, 2022 and 2021:

Type of Coverage	Amount of Coverage	
	2022	2021
Property- Buildings, pump stations, machinery	\$ 373,697,158	\$ 366,269,341
Earthquake	60,000,000	60,000,000
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	4,149,751	4,082,165
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

<b>SANITATION DISTRICT NO. 1</b> <b>NOTES TO FINANCIAL STATEMENTS</b> <b>For the Years Ended June 30, 2022 and 2021</b>
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**NOTE 18 – RISKS AND UNCERTAINTIES – COVID-19 OUTBREAK**

During the year ended June 30, 2020, 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. Even as the pandemic continued to evolve during the fiscal years ended June 30, 2022 and 2021, the full magnitude the pandemic will have on SD1’s financial condition, liquidity, and future results of operations has yet to be defined. 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 30, 2022, which is the date the financial statements were available for issue.

SD1 did not have any events subsequent to June 30, 2022 through November 30, 2022 to disclose.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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

\* Additional years' information will be displayed as it becomes available

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net pension liability	0.566115%	0.5263%	0.5175%	0.5280%	5.4090%	0.5450%	0.5661%	0.5647%		
Proportionate share of the net pension liability (asset)	\$ 33,129,277	\$ 40,366,467	\$ 36,394,880	\$ 32,157,114	\$ 31,661,594	\$ 26,833,461	\$ 24,340,276	\$ 18,320,686		
Covered payroll in year of measurement	13,231,649	13,594,328	13,229,298	13,358,633	13,338,602	13,241,319	13,307,431	12,954,902		
Share of the net pension liability (asset) as a percentage of its covered payroll	250.38%	296.94%	275.11%	240.72%	237.37%	202.65%	182.91%	141.42%		
Plan fiduciary net position as a percentage of total pension liability	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%	59.97%	66.80%		

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 2,857,776	\$ 2,553,708	\$ 2,638,931	\$ 2,153,407	\$ 1,934,330	\$ 1,860,735	\$ 1,644,572	\$ 1,696,697	\$ 1,780,004	
Actual contribution	2,857,776	2,553,708	2,638,931	2,153,407	1,934,330	1,860,735	1,644,572	1,696,697	1,780,004	
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	
Covered payroll	13,499,176	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	21.17%	19.30%	19.41%	16.28%	14.48%	13.95%	12.42%	12.75%	13.74%	

**Notes to Required Supplementary Information**  
**For the Year Ended June 30, 2022**

**Changes of Assumptions**

The net pension liability as of June 30, 2022, is based on the June 30, 2021, actuarial valuation.. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between SD1's contributions and proportionate share of contributions are detailed in NOTE 9 in the Notes to the Financial Statements.

**SANITATION DISTRICT NO. 1****MULTIPLE EMPLOYER, COST SHARING, DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN-NON-HAZARDOUS****Last Ten Fiscal Years\***

\* Additional years' information will be displayed as it becomes available

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of net OPEB liability	0.5195%	0.5262%	0.5174%	0.5280%	0.5409%					
Proportionate share of the net OPEB liability (asset)	\$ 9,945,376	\$ 12,705,864	\$ 8,702,115	\$ 9,374,446	\$ 10,874,302					
Covered payroll in year of measurement	13,231,649	13,594,328	13,229,298	13,358,633	13,338,602					
Share of the net OPEB liability (asset) as a percentage of its covered payroll	75.16%	93.46%	65.78%	70.18%	81.53%					
Plan fiduciary net position as a percentage of total OPEB liability	62.91%	51.67%	60.44%	57.62%	52.39%					

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 780,252	\$ 629,826	\$ 650,845	\$ 698,331	\$ 627,856	\$ 630,916				
Actual contribution	780,252	629,826	650,845	698,331	627,856	630,916				
Contribution deficiency (excess)	-	-	-							
Covered payroll	13,499,176	13,231,649	13,594,328	13,229,298	13,358,633	13,338,602				
Contributions as a percentage of covered payroll	5.78%	4.76%	4.79%	5.28%	4.70%	4.73%				

**Notes to Required Supplementary Information  
For the Year Ended June 30, 2022**

**Changes of Assumptions**

The net OPEB liability as of June 30, 2022, is based on the June 30, 2021, actuarial valuation.. The changes to the elements of the pension expense, i.e. the difference between expected and actual experience, net difference between projected and actual earnings on plan investments, changes in assumptions, and the changes in proportion and differences between SD1's contributions and proportionate share of contributions are detailed in NOTE 10 in the Notes to the Financial Statements.

## **SUPPLEMENTARY INFORMATION**

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**GENERAL REVENUES**  
**For the Year Ended June 30, 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Sewer service charges	\$ 92,930,000	\$ 96,555,108	\$ 3,625,108
Storm water charges	11,070,000	11,435,609	365,609
Surcharges	2,868,000	3,122,200	254,200
Capacity connection fees	4,400,000	4,816,416	416,416
Penalties	1,270,000	1,247,687	(22,313)
Fines	15,000	17,000	2,000
Inspections	212,000	286,223	74,223
Permits	396,000	420,497	24,497
Project reimbursements	-	53,430	53,430
Contractual services	150,000	162,126	12,126
Sludge hauling	700,000	686,607	(13,393)
Bad debt recoveries	11,500	31,796	20,296
Other revenues	25,000	106,450	81,450
<b>Total General Revenue</b>	<u>\$ 114,047,500</u>	<u>\$ 118,941,149</u>	<u>\$ 4,893,649</u>

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**GENERAL REVENUES**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
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 income	25,000	322,731	297,731
<b>Total General Revenue</b>	<u>\$ 111,514,000</u>	<u>\$ 112,752,724</u>	<u>\$ 1,238,724</u>

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2022**

Expenses			Variance Favorable (Unfavorable)
<b>Dry Creek Treatment Plant Operations</b>	<b>Budget</b>	<b>Actual</b>	
Salaries and wages	\$ 2,441,489	\$ 2,171,743	\$ 269,746
Medical and dental self-insured plan	619,102	653,296	(34,194)
Pension plan	608,798	557,826	50,972
Payroll taxes	186,774	159,190	27,584
Employee benefits	38,075	37,146	929
Credits charged to capital projects	-	(9,561)	9,561
Insurance and bond	209,913	203,504	6,409
Professional and contracted services	261,000	145,108	115,892
Postage	1,620	612	1,008
Office and operating supplies	154,664	164,638	(9,974)
Operating maintenance - building grounds	84,500	71,107	13,393
Travel, training and certification	55,106	50,321	4,785
Subscriptions	400	370	30
Contract labor - building maintenance	3,000	1,685	1,315
Legal advertising	-	673	(673)
Chemicals	1,245,996	1,205,191	40,805
Electric and gas	996,000	1,112,985	(116,985)
Telephone and radio	38,020	23,902	14,118
Fuel oil	40,000	55,753	(15,753)
Water	48,000	41,289	6,711
Vehicle fuels	42,433	62,483	(20,050)
Auto and truck expense	110,000	70,680	39,320
Sludge and grit removal	919,717	1,071,182	(151,465)
Maintenance material - plant equipment	240,000	215,627	24,373
Safety equipment expense	17,000	5,807	11,193
Rental	8,000	10,451	(2,451)
<b>Total Dry Creek Treatment Plant Expenses</b>	<b>8,369,607</b>	<b>8,083,008</b>	<b>286,599</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2022**

<b>Expenses</b>			<b>Variance Favorable (Unfavorable)</b>
<b>Eastern Regional Reclamation Facility</b>	<b>Budget</b>	<b>Actual</b>	
Salaries and wages	\$ 433,341	\$ 401,839	\$ 31,502
Medical and dental self-insured plan	103,046	119,337	(16,291)
Pension plan	106,834	99,872	6,962
Payroll taxes	33,151	29,364	3,787
Employee benefits	7,174	6,326	848
Credits charged to capital projects	(33,000)	(37,341)	4,341
Insurance and bond	44,805	46,077	(1,272)
Professional and contracted services	62,050	30,446	31,604
Office and operating supplies	23,500	26,160	(2,660)
Operating maintenance - building grounds	31,538	31,097	441
Travel, training and certification	7,953	9,279	(1,326)
Subscriptions	400	102	298
Chemicals	118,500	74,993	43,507
Electric and gas	323,610	312,888	10,722
Telephone and radio	18,800	8,252	10,548
Fuel oil	4,940	6,352	(1,412)
Water	6,500	6,958	(458)
Vehicle fuels	11,769	14,682	(2,913)
Auto and truck expense	16,549	17,124	(575)
Sludge and grit removal	114,300	82,190	32,110
Maintenance material - plant equipment	145,000	78,538	66,462
Safety equipment expense	6,200	1,831	4,369
Rental	1,000	69	931
<b>Total Eastern Regional Facility Expenses</b>	<b>1,587,960</b>	<b>1,366,435</b>	<b>221,525</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2022**

<b>Expenses</b>			<b>Variance</b>
	<b>Budget</b>	<b>Actual</b>	<b>Favorable</b>
<b>Western Regional Reclamation Facility</b>			<b>(Unfavorable)</b>
Salaries and wages	\$ 715,413	\$ 622,531	\$ 92,882
Medical and dental self-insured plan	193,061	210,932	(17,871)
Pension plan	184,173	165,640	18,533
Payroll taxes	54,729	45,624	9,105
Employee benefits	11,120	11,212	(92)
Credits charged to capital projects	-	(97)	97
Insurance and bond	76,741	79,188	(2,447)
Professional and contracted services	87,650	79,847	7,803
Postage	100	603	(503)
Office and operating supplies	38,405	31,581	6,824
Operating maintenance - building grounds	39,150	41,553	(2,403)
Travel, training and certification	3,771	4,879	(1,108)
Contract labor - building maintenance	-	-	-
Chemicals	255,222	214,591	40,631
Electric and gas	768,000	854,058	(86,058)
Telephone and radio	14,400	14,703	(303)
Fuel oil	1,500	1,870	(370)
Vehicle fuels	4,125	4,125	-
Auto and truck expense	12,000	20,767	(8,767)
Sludge and grit removal	779,865	767,344	12,521
Maintenance material - plant equipment	150,000	142,210	7,790
Safety equipment expense	6,000	2,371	3,629
Rentals	3,000	388	2,612
<b>Total Western Regional Facility Expenses</b>	<b>3,398,425</b>	<b>3,315,920</b>	<b>82,505</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2022**

<b>Expenses</b>			<b>Variance</b>
	<b>Budget</b>	<b>Actual</b>	<b>Favorable</b>
			<b>(Unfavorable)</b>
<b>Collection System</b>			
Salaries and wages	\$ 2,568,460	\$ 2,657,023	\$ (88,563)
Medical and dental self-insured plan	720,422	890,139	(169,717)
Pension plan	681,909	667,585	14,324
Payroll taxes	196,487	195,022	1,465
Employee benefits	48,939	50,413	(1,474)
Credits charged to capital projects	(893,480)	(751,017)	(142,463)
Insurance and bond	503,178	537,592	(34,414)
Professional and contracted services	1,000,000	600,415	399,585
Postage	4,600	4,215	385
Office and operating supplies	12,494	9,501	2,993
Travel, training and certification	16,698	21,957	(5,259)
Subscriptions	1,785	573	1,212
Telephone and radio	36,017	31,438	4,579
Vehicle fuels	130,966	146,163	(15,197)
Auto and truck expense	301,412	302,419	(1,007)
Sludge and grit removal	20,500	15,788	4,712
Maintenance material - collection systems	355,000	418,288	(63,288)
Safety equipment expense	19,989	33,904	(13,915)
Private Lateral Program	250,000	313,150	(63,150)
<b>Total Collection System Expenses</b>	<b>5,975,376</b>	<b>6,144,568</b>	<b>(169,192)</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2022**

<b>Expenses</b>			<b>Variance Favorable (Unfavorable)</b>
<b>Pump Stations/Field Tech</b>	<b>Budget</b>	<b>Actual</b>	
Salaries and wages	\$ 962,949	\$ 891,151	\$ 71,798
Medical and dental self-insured plan	249,949	273,320	(23,371)
Pension plan	249,813	235,783	14,030
Payroll taxes	73,666	65,956	7,710
Employee benefits	15,433	15,992	(559)
Credits charged to capital projects	(44,100)	(39,409)	(4,691)
Insurance and bond	134,755	127,904	6,851
Professional and contracted services	265,500	178,766	86,734
Postage	-	1,147	(1,147)
Office and operating supplies	19,749	22,308	(2,559)
Operating maintenance - building grounds	42,231	42,607	(376)
Travel, training and certification	12,630	6,514	6,116
Chemicals	1,780,000	1,578,461	201,539
Electric and gas	1,845,242	2,179,773	(334,531)
Telephone and radio	58,526	60,582	(2,056)
Fuel oil	9,375	10,186	(811)
Water	31,000	44,192	(13,192)
Storm water surcharge	-	191	(191)
Vehicle fuels	42,100	58,719	(16,619)
Auto and truck expense	62,000	72,295	(10,295)
Sludge and grit removal	202,500	124,727	77,773
Operating Maintenance - pump stations	237,000	250,109	(13,109)
Safety equipment expense	12,500	8,275	4,225
Rental	51,068	48,771	2,297
<b>Total Pump Stations/Field Tech Expenses</b>	<b>6,313,886</b>	<b>6,258,320</b>	<b>55,566</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2022**

<b>Expenses</b>			<b>Variance</b>
<b>Operations</b>	<b>Budget</b>	<b>Actual</b>	<b>Favorable</b>
			<b>(Unfavorable)</b>
Salaries and wages	\$ 749,104	\$ 713,228	\$ 35,876
Medical and dental self-insured plan	159,745	191,859	(32,114)
Pension plan	186,785	174,268	12,517
Payroll taxes	57,307	52,483	4,824
Employee benefits	9,663	10,947	(1,284)
Credits charged to capital projects	(9,600)	(1,906)	(7,694)
Insurance and bond	68,074	59,565	8,509
Professional and contracted services	262,707	236,161	26,546
Office and operating supplies	11,067	7,497	3,570
Operating maintenance - building grounds	172,904	150,915	21,989
Travel, training and certification	20,211	11,601	8,610
Subscriptions	4,226	1,801	2,425
Electric and gas	127,695	129,271	(1,576)
Telephone and radio	15,885	14,907	978
Water	39,657	26,780	12,877
Vehicle fuels	6,994	4,337	2,657
Auto and truck expense	11,664	8,749	2,915
Safety equipment expense	1,353	-	1,353
Basement Back-Up Assistance Program	200,000	99,501	100,499
<b>Total Collection System Expenses</b>	<b>2,095,441</b>	<b>1,891,964</b>	<b>203,477</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2022**

<b>Expenses</b>			<b>Variance Favorable (Unfavorable)</b>
<b>Engineering</b>	<b>Budget</b>	<b>Actual</b>	
Salaries and wages	\$ 1,392,682	\$ 1,286,160	\$ 106,522
Medical and dental self-insured plan	302,522	344,712	(42,190)
Pension plan	372,681	344,635	28,046
Payroll taxes	110,365	94,569	15,796
Employee benefits	18,305	14,114	4,191
Credits charged to capital projects	(723,264)	(695,086)	(28,178)
Insurance and claim deductibles	115,960	140,634	(24,674)
Professional and contracted services	370,899	265,240	105,659
Legal services	16,000	21,458	(5,458)
Postage	850	310	540
Office and operating supplies	37,740	42,241	(4,501)
Training and certification	26,926	22,879	4,047
Subscriptions	2,500	591	1,909
Telephone and radio	16,726	14,048	2,678
Vehicle fuels	15,111	18,754	(3,643)
Auto and truck expense	11,167	8,657	2,510
Safety equipment expense	5,733	1,939	3,794
<b>Total Engineering Expenses</b>	<b>2,092,903</b>	<b>1,925,855</b>	<b>167,048</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2022**

<b>Expenses</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Storm Water Program</b>			
Salaries and wages	\$ 3,460,230	\$ 3,050,835	\$ 409,395
Board of directors	7,920	7,920	-
Medical and dental self-insured plan	787,472	758,490	28,982
Pension plan	907,293	779,636	127,657
Payroll taxes	266,620	224,252	42,368
Employee benefits	55,814	45,546	10,268
Unemployment taxes	3,233	6,583	(3,350)
Credits charged to capital projects	(436,266)	(394,665)	(41,601)
Insurance and bond	63,334	28,554	34,780
Professional and contracted services	812,000	496,593	315,407
Legal services	-	46,941	(46,941)
Bank services	79,215	62,453	16,762
Auditing services	8,351	7,748	603
Collections expenses	3,168	2,247	921
Postage	133,382	118,453	14,929
Office and operating supplies	94,165	88,761	5,404
Operating maintenance - building grounds	58,456	51,729	6,727
Storm water program	35,000	29,890	5,110
Training and certification	63,999	47,378	16,621
Subscriptions	84,071	43,440	40,631
Electric and gas	39,525	38,993	532
Telephone and radio	66,169	52,130	14,039
Water	11,343	7,659	3,684
Vehicle fuels	66,110	48,338	17,772
Auto and truck expense	135,246	77,508	57,738
Maintenance material - storm water	90,000	68,116	21,884
Storm water facilities and features	5,000	719	4,281
Safety equipment expense	15,805	12,635	3,170
Rentals	1,000	1,297	(297)
Penalties and fines	-	75	(75)
Storm water - Culvert Cost Share Prog.	50,000	-	50,000
Storm water - Technical Assistance Prog.	40,000	7,016	32,984
Storm water - Assistance Cost Share Prog.	65,000	12,100	52,900
<b>Total Storm Water Expenses</b>	<b>7,072,655</b>	<b>5,829,370</b>	<b>1,243,285</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2022**

Expenses			Variance Favorable (Unfavorable)
Administration	Budget	Actual	
Salaries and wages	\$ 2,638,246	\$ 2,463,116	\$ 175,130
Board of directors	21,480	21,480	-
Medical and dental self-insured plan	521,570	604,439	(82,869)
Pension plan	675,119	612,783	62,336
Payroll taxes	201,826	177,469	24,357
Employee benefits	44,356	46,494	(2,138)
Unemployment taxes	8,768	17,851	(9,083)
Credits charged to capital projects	(7,361)	(16,261)	8,900
Insurance and claims deductibles	244,650	218,815	25,835
Professional and contracted services	750,500	559,346	191,154
Legal services	100,000	30,014	69,986
Bank services	214,835	224,874	(10,039)
Auditing services	22,649	21,012	1,637
Collections expenses	8,592	6,094	2,498
Postage	361,468	321,238	40,230
Office and operating supplies	100,678	81,280	19,398
Training and certification	67,706	44,946	22,760
Dues and subscriptions	59,115	55,967	3,148
Legal advertising	350	-	350
Telephone and radio	91,936	82,144	9,792
Vehicle fuels	1,461	203	1,258
Auto and truck expense	1,461	289	1,172
Safety equipment expense	10,959	11,336	(377)
Rental	43,200	41,445	1,755
Penalties and fines	1,140	-	1,140
<b>Total Administration Expenses</b>	<b>6,184,704</b>	<b>5,626,374</b>	<b>558,330</b>
<b>Total Operation, Maintenance, and Administration Expenses</b>	<b>\$ 43,090,957</b>	<b>\$ 40,441,814</b>	<b>\$ 2,649,143</b>

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

<b>General Revenues</b>	\$ 118,941,149
<b>Operation, Maintenance and Administration Expenses</b>	(40,441,814)
<b>Major Repair Expenses</b>	(987,956)
<b>Depreciation</b>	(40,858,594)
<b>Net Operating Income</b>	<b>\$ 36,652,785</b>

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2021**

Expenses			Variance Favorable (Unfavorable)
<b>Dry Creek Treatment Plant Operations</b>	<b>Budget</b>	<b>Actual</b>	
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)
Credits 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
SD 1 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)
<b>Total Dry Creek Treatment Plant Expenses</b>	<b>8,213,431</b>	<b>8,201,784</b>	<b>11,647</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2021**

<b>Expenses</b>			<b>Variance</b>
	<b>Budget</b>	<b>Actual</b>	<b>Favorable</b>
			<b>(Unfavorable)</b>
<b>Eastern Regional Reclamation Facility</b>			
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
Credits 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, training 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
Rental	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
<b>Total Eastern Regional Facility Expenses</b>	<b>1,530,239</b>	<b>1,361,483</b>	<b>168,756</b>

(Continued to next page)

<p><b>SANITATION DISTRICT NO. 1</b>  <b>BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -</b>  <b>OPERATION, MAINTENANCE, AND ADMINISTRATION</b>  <b>For the Year Ended June 30, 2021</b></p>
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Expenses			Variance Favorable
Western Regional Reclamation Facility	Budget	Actual	(Unfavorable)
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)
Credits 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)
<b>Total Western Regional Facility Expenses</b>	<b>3,220,846</b>	<b>3,239,750</b>	<b>(18,904)</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2021**

<b>Expenses</b>			<b>Variance Favorable (Unfavorable)</b>
<b>Collection System</b>	<b>Budget</b>	<b>Actual</b>	
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)
Credits 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)
<b>Total Collection System Expenses</b>	<b>6,065,058</b>	<b>6,387,831</b>	<b>(322,773)</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2021**

<b>Expenses</b>			<b>Variance Favorable (Unfavorable)</b>
<b>Pump Stations/Field Tech</b>	<b>Budget</b>	<b>Actual</b>	
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)
Credits 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	212,000	174,848	37,152
<b>Total Pump Stations/Field Tech Expenses</b>	<b>5,938,790</b>	<b>5,695,619</b>	<b>243,171</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2021**

<b>Expenses</b>			<b>Variance Favorable (Unfavorable)</b>
<b>Operations</b>	<b>Budget</b>	<b>Actual</b>	
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
<b>Total Collection System Expenses</b>	<b>1,936,161</b>	<b>1,638,719</b>	<b>297,442</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2021**

<b>Expenses</b>			<b>Variance Favorable (Unfavorable)</b>
<b>Engineering</b>	<b>Budget</b>	<b>Actual</b>	
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
Credits 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)
Training 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
<b>Total Engineering Expenses</b>	<b>1,891,633</b>	<b>1,899,881</b>	<b>(8,248)</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2021**

<b>Expenses</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Storm Water Program</b>			
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 taxes	2,893	143	2,750
Credits 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
Training 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
<b>Total Storm Water Expenses</b>	<b>6,655,195</b>	<b>5,580,114</b>	<b>1,075,081</b>

(Continued to next page)

**SANITATION DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL -**  
**OPERATION, MAINTENANCE, AND ADMINISTRATION**  
**For the Year Ended June 30, 2021**

<b>Expenses</b>			<b>Variance</b>
<b>Administration</b>	<b>Budget</b>	<b>Actual</b>	<b>Favorable</b>
			<b>(Unfavorable)</b>
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
Credits 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
SD 1 penalties and fines paid	1,226	805	421
Rental	43,200	38,531	4,669
<b>Total Administration Expenses</b>	<b>6,393,344</b>	<b>5,842,209</b>	<b>551,135</b>
<b>Total Operation, Maintenance, and Administration Expenses</b>	<b>\$ 41,844,697</b>	<b>\$ 39,847,390</b>	<b>\$ 1,997,307</b>

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

<b>General Revenues</b>	\$ 112,752,724
<b>Operation, Maintenance and Administration Expenses</b>	(39,847,390)
<b>Major Repair Expenses</b>	(881,199)
<b>Bad Debt Expense - Assessment Projects</b>	(237,878)
<b>Depreciation</b>	(40,739,661)
<b>Net Operating Income</b>	<b>\$ 31,046,596</b>

# **STATISTICAL SECTION**

## STATISTICAL SECTION

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

<b><u>CONTENTS:</u></b>	<b><u>PAGE</u></b>
<b><i>Financial Trends:</i></b>	102-108
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 implementation.	
<b><i>Revenue Capacity:</i></b>	109-112
These schedules contain information to help readers assess SD1's most significant revenue sources.	
<b><i>Debt Service Coverage:</i></b>	113-115
These schedules present information to help readers assess SD1's current level of outstanding debt and SD1's ability to issue additional debt in the future.	
<b><i>Demographic and Economic Information:</i></b>	116-120
These schedules provide information about the environment in which SD1 operates.	
<b><i>Operating Information:</i></b>	121-122
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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Assets and Deferred Outflow of Resources</b>										
<b>Current Assets</b>										
Cash and cash equivalents	\$ 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	\$ 121,291,748
Investments	-	-	-	-	-	-	-	-	14,902,275	13,764,008
Accounts Receivable										
Customers, net of allowance	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	9,364,254
Communities	24,631	12,068	14,484	14,450	13,506	12,231	13,361	11,638	18,165	18,837
KIA loan receivable	4,235,102	1,204,334	274,991	-	-	-	-	-	-	-
Others	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	2,497,612
Due from other fund	11,461,121	14,313,219	-	-	-	-	-	-	-	-
Accrued unbilled charges	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	11,606,800
Prepays and deposits	596,152	1,363,240	695,557	765,868	703,728	894,254	929,123	910,011	1,069,798	1,174,665
Accrued interest income	15,778	13,980	28,170	22,208	26,267	34,001	34,473	36,839	16,618	19,831
<b>Total Current Assets</b>	<b>59,354,469</b>	<b>73,202,105</b>	<b>63,527,279</b>	<b>69,438,953</b>	<b>78,251,515</b>	<b>87,282,501</b>	<b>105,520,205</b>	<b>125,471,405</b>	<b>133,786,717</b>	<b>159,737,755</b>
<b>Noncurrent Assets</b>										
<b>Restricted Assets</b>										
Cash and cash equivalents	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	1,537,023
Bond Proceeds	-	-	-	-	-	-	-	-	-	46,304,227
Investments	82,613,373	83,424,890	84,756,917	85,017,276	83,531,917	83,376,441	81,381,605	76,700,826	75,004,070	77,861,390
Accrued interest	152,282	108,183	124,195	130,370	161,677	220,016	243,323	212,416	136,373	135,141
Prepaid items	49,354	188	-	-	-	-	-	-	-	-
<b>Total Restricted Assets</b>	<b>102,392,374</b>	<b>95,129,714</b>	<b>91,980,574</b>	<b>88,780,931</b>	<b>86,059,821</b>	<b>84,595,821</b>	<b>83,540,979</b>	<b>79,384,510</b>	<b>77,027,648</b>	<b>125,837,781</b>
<b>Receivables</b>										
Assessments	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	494,365
Improvement notes	5,130	5,130	5,130	5,130	5,130	5,130	5,130	-	-	-
<b>Total Receivables</b>	<b>1,649,779</b>	<b>1,560,331</b>	<b>1,475,321</b>	<b>1,385,870</b>	<b>1,326,604</b>	<b>1,259,677</b>	<b>1,206,111</b>	<b>835,386</b>	<b>540,893</b>	<b>494,365</b>
<b>Capital Assets</b>										
Land	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	19,542,461
Building, systems, equipment, and vehicles	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	1,635,539,977
Construction in progress	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	53,715,784
Less: accumulated depreciation	(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)	(645,995,857)
<b>Total Capital Assets, Net</b>	<b>1,134,364,159</b>	<b>1,118,583,966</b>	<b>1,103,188,309</b>	<b>1,088,020,618</b>	<b>1,075,070,660</b>	<b>1,067,540,117</b>	<b>1,057,556,976</b>	<b>1,051,320,664</b>	<b>1,048,869,104</b>	<b>1,062,802,365</b>
<b>Total Noncurrent Assets</b>	<b>1,238,406,312</b>	<b>1,215,274,011</b>	<b>1,196,644,204</b>	<b>1,178,187,419</b>	<b>1,162,457,085</b>	<b>1,153,395,615</b>	<b>1,142,304,066</b>	<b>1,131,540,560</b>	<b>1,126,437,645</b>	<b>1,189,134,511</b>
<b>Total Assets</b>	<b>1,297,760,781</b>	<b>1,288,476,116</b>	<b>1,260,171,483</b>	<b>1,247,626,372</b>	<b>1,240,708,600</b>	<b>1,240,678,116</b>	<b>1,247,824,271</b>	<b>1,257,011,965</b>	<b>1,260,224,362</b>	<b>1,348,872,266</b>
<b>Deferred Outflow of Resources</b>										
Deferred outflows related to pensions		2,447,181	1,696,697	4,556,240	5,944,107	10,331,047	6,344,967	7,251,776	6,592,095	3,920,112
Deferred outflows related to OPEB					630,915	2,994,036	2,570,546	3,225,882	5,478,761	5,050,769
Deferred loss on refundings	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	6,048,663
<b>Total Deferred Outflow of Resources</b>	<b>3,458,564</b>	<b>5,351,973</b>	<b>4,112,471</b>	<b>6,549,646</b>	<b>13,256,340</b>	<b>19,687,728</b>	<b>14,965,252</b>	<b>17,013,265</b>	<b>18,665,375</b>	<b>15,019,544</b>
<b>Total Assets and Deferred Outflow of Resources</b>	<b>\$ 1,301,219,345</b>	<b>\$ 1,293,828,089</b>	<b>\$ 1,264,283,954</b>	<b>\$ 1,254,176,018</b>	<b>\$ 1,253,964,940</b>	<b>\$ 1,260,365,844</b>	<b>\$ 1,262,789,523</b>	<b>\$ 1,274,025,230</b>	<b>\$ 1,278,889,737</b>	<b>\$ 1,363,891,810</b>

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Liabilities and Deferred Inflow of Resources</b>										
<b>Current Liabilities</b>										
Bond Indebtedness	\$ 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	\$ 17,223,874
Notes payable	\$ 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	6,906,485
Accounts payable	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	11,314,332
Accrued payroll and benefits	794,074	872,739	905,503	967,085	1,031,245	1,053,226	1,081,829	436,851	456,246	550,865
Accrued interest payable	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	5,178,222
Accrued taxes and pension	2,772	11,008	(24)	(176)	1,166	3,715	(838)	186,288	175,204	3,269
Compensated absences	342,729	342,242	315,970	315,335	322,350	297,652	259,392	251,938	305,339	329,147
Due to other fund	11,461,121	14,313,219	-	-						
Communities	156	47	47							
Other liabilities	45,183	31,076	74,923	167,636	142,544	141,785	140,710	97,407	449,938	146,429
Sales tax payable	47,590	61	102	(643)	150,286	35,713	30,885	-	7,864	104
<b>Total Current Liabilities</b>	<b>49,205,412</b>	<b>48,021,375</b>	<b>34,751,629</b>	<b>33,744,395</b>	<b>38,164,156</b>	<b>36,901,515</b>	<b>36,225,756</b>	<b>35,382,261</b>	<b>37,147,183</b>	<b>41,652,727</b>
<b>Long-Term Liabilities (Net of Current Portion)</b>										
Bond Indebtedness	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	336,789,121
Notes payable	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	79,709,201
Compensated absences	611,096	610,228	563,384	562,252	574,760	642,231	739,949	893,874	756,798	896,438
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	33,129,277
Net OPEB liability				8,529,478	8,529,478	10,874,302	9,374,446	8,702,115	12,705,864	9,945,376
<b>Total Long-Term Liabilities, Net</b>	<b>525,544,889</b>	<b>534,744,551</b>	<b>512,929,874</b>	<b>508,683,875</b>	<b>489,775,488</b>	<b>476,126,474</b>	<b>454,520,132</b>	<b>437,390,099</b>	<b>421,802,511</b>	<b>460,469,413</b>
<b>Total Liabilities</b>	<b>574,750,301</b>	<b>582,765,926</b>	<b>547,681,503</b>	<b>542,428,270</b>	<b>527,939,644</b>	<b>513,027,989</b>	<b>490,745,888</b>	<b>472,772,360</b>	<b>458,949,694</b>	<b>502,122,140</b>
<b>Deferred Inflow of Resources</b>										
Deferred inflows related to pensions	-	-	2,045,032	-	565,983	3,348,910	1,452,751	1,370,109	285,576	5,037,406
Deferred inflows related to OPEB						569,347	1,998,323	3,408,605	2,435,888	4,887,646
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>2,045,032</b>	<b>-</b>	<b>565,983</b>	<b>3,918,257</b>	<b>3,451,074</b>	<b>4,778,714</b>	<b>2,721,464</b>	<b>9,925,052</b>
<b>Total Liabilities and Deferred Inflow of Resources</b>	<b>574,750,301</b>	<b>582,765,926</b>	<b>549,726,535</b>	<b>542,428,270</b>	<b>528,505,627</b>	<b>516,946,246</b>	<b>494,196,962</b>	<b>477,551,074</b>	<b>461,671,158</b>	<b>512,047,192</b>
<b>Net Position</b>										
Net investment in capital assets	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	628,222,347
Restricted for:										
Debt service funds	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	42,146,734
Operations, infrastructure, and insurance	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	35,849,797
Capital improvement projects and programs	19,063,723	10,657,785	6,161,886	2,683,670	1,416,270	36,750	933,096	1,475,368	899,153	46,304,227
Other purposes	514,215	939,102	937,711	949,705	949,968	962,614	982,955	1,211,473	2,560,699	1,537,023
Unrestricted	29,625,989	25,991,804	30,317,310	28,125,485	34,226,352	40,952,655	54,740,439	72,731,136	75,850,813	97,784,490
<b>Total Net Position</b>	<b>726,469,044</b>	<b>711,062,163</b>	<b>714,557,419</b>	<b>711,747,748</b>	<b>725,459,313</b>	<b>743,419,598</b>	<b>768,592,561</b>	<b>796,474,156</b>	<b>817,218,579</b>	<b>851,844,618</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,301,219,345</b>	<b>\$ 1,293,828,089</b>	<b>\$ 1,264,283,954</b>	<b>\$ 1,254,176,018</b>	<b>\$ 1,253,964,940</b>	<b>\$ 1,260,365,844</b>	<b>\$ 1,262,789,523</b>	<b>\$ 1,274,025,230</b>	<b>\$ 1,278,889,737</b>	<b>\$ 1,363,891,810</b>

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Operating Revenues</b>										
Sewer service charges	\$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	\$99,677,308
Storm water charges	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	11,435,609
Permits and tap-In fees	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	5,236,913
Sludge hauling	120,776	84,480	72,692	101,621	274,630	401,941	914,722	717,245	805,838	686,607
Inspections	69,682	74,348	177,073	217,454	158,531	173,623	217,307	266,058	231,981	286,223
Penalties and fines	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	1,264,687
Contractual services	125,689	128,752	132,614	136,592	140,689	160,732	136,004	158,882	163,467	162,126
Bad debt recoveries	35,392	21,873	70,916	138,003	50,134	25,135	18,823	19,111	11,320	31,796
Other revenues	50,993	33,287	230,623	297,083	325,918	32,021	84,313	127,903	322,731	106,450
Project reimbursements	68,321	1,450,000	53,274	-	-	131,856	61,628	25,516	53,554	53,430
<b>Total Operating Revenues</b>	<b>89,707,117</b>	<b>92,660,157</b>	<b>94,462,113</b>	<b>94,435,079</b>	<b>98,976,003</b>	<b>103,276,256</b>	<b>109,017,581</b>	<b>113,702,664</b>	<b>112,752,724</b>	<b>118,941,149</b>
<b>Operating Expenses</b>										
Operation, Maintenance and Administration										
Salary and Wages	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	12,341,684
Employee Benefit, Incentive and Tax Expenses	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	8,991,105
Professional and Contractual Services	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	4,456,596
Office Administration Expenses	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	1,660,245
Utilities, Fuel Oil and Chemicals Expense	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	8,204,540
Vehicle Operation Expenses	1,087,065	1,068,097	983,314	885,648	824,241	847,695	981,150	841,792	844,557	936,292
Infrastructure, Equipment and Other Expenses	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	3,851,352
Supplemental/State Environmental Projects	-	1,924	-	-	-	-	-	-	-	-
Total Operation, Maintenance and Administration	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	40,441,814
Major repairs and other	4,495,306	1,291,040	1,414,072	1,720,103	876,520	429,175	1,814,545	2,033,349	881,199	987,956
Depreciation	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	40,858,594
<b>Total Operating Expenses</b>	<b>80,102,641</b>	<b>77,164,975</b>	<b>79,974,193</b>	<b>79,887,524</b>	<b>80,468,842</b>	<b>79,265,743</b>	<b>80,831,980</b>	<b>82,351,403</b>	<b>81,468,250</b>	<b>82,288,364</b>
<b>Operating Income</b>	<b>9,604,476</b>	<b>15,495,182</b>	<b>14,487,921</b>	<b>14,547,555</b>	<b>18,507,161</b>	<b>24,010,513</b>	<b>28,185,601</b>	<b>31,351,261</b>	<b>31,284,474</b>	<b>36,652,785</b>

(Continue)

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Non-Operating Income (Expense)</b>										
Interest income	\$ 831,632	\$ 567,152	\$ 686,943	\$ 906,611	\$ 1,264,451	\$ 1,777,381	\$ 2,917,957	\$ 2,574,891	\$ 1,441,419	\$ 1,394,925
Bad Debt - assessment loans receivable								(315,094)	(237,878)	
Arbitrage rebate									(15,322)	15,322
Interest on long-term debt	(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)	(9,391,519)
Bond issuance cost	(43,097)	(44,515)	(46,031)	(47,182)	(835,292)	-		(770,627)	(676,043)	(1,323,639)
Federal credits on Build America Bonds	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	(258,191)
Loss on disposal of capital assets	(1,810,778)	(1,105,803)	(323,186)	(407,480)	(160,790)	(202,205)	(264,890)	(229,512)	(12,227,104)	(262,369)
Net effect of change in pension expense			(385,954)	(1,115,015)	(1,671,301)	(3,224,119)	(2,585,443)	(3,248,315)	(3,546,735)	(186,622)
Net effect of change in OPEB expense					630,915	(551,050)	(352,610)	(82,615)	(778,153)	(119,263)
Net change, fair value of investments	(486,536)	165,073	68,787	287,462	(655,619)	(603,600)	1,099,877	676,051	(1,075,812)	(3,275,868)
<b>Total Non-Operating Income (Expense)</b>	<b>(17,249,422)</b>	<b>(17,715,732)</b>	<b>(17,222,884)</b>	<b>(17,065,613)</b>	<b>(14,910,074)</b>	<b>(15,591,717)</b>	<b>(11,608,573)</b>	<b>(12,061,138)</b>	<b>(25,802,211)</b>	<b>(13,407,224)</b>
<b>Change in Net Position Before Capital Contributions</b>	<b>(7,644,946)</b>	<b>(2,220,551)</b>	<b>(2,734,964)</b>	<b>(2,518,058)</b>	<b>3,597,087</b>	<b>8,418,796</b>	<b>16,577,028</b>	<b>19,290,123</b>	<b>5,482,263</b>	<b>23,245,561</b>
<b>Capital Contributions</b>	<b>14,468,617</b>	<b>5,331,548</b>	<b>6,230,218</b>	<b>8,237,866</b>	<b>10,114,478</b>	<b>9,541,489</b>	<b>8,595,935</b>	<b>8,591,472</b>	<b>15,262,160</b>	<b>11,380,478</b>
<b>Change in Net Position</b>	<b>\$ 6,823,671</b>	<b>\$ 3,110,998</b>	<b>\$ 3,495,255</b>	<b>\$ 5,719,808</b>	<b>\$ 13,711,565</b>	<b>\$ 17,960,285</b>	<b>\$ 25,172,963</b>	<b>\$ 27,881,595</b>	<b>\$ 20,744,423</b>	<b>\$ 34,626,039</b>

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Cash Flow from Operating Activities</b>										
Received from customers	\$ 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	\$ 117,743,770
Paid to suppliers for goods and services	(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)	(17,320,041)
Paid to or on behalf of employees for services	(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)	(21,246,656)
<b>Net Cash Provided by Operating Activities</b>	<b>45,426,653</b>	<b>52,330,169</b>	<b>54,221,245</b>	<b>53,292,155</b>	<b>60,744,655</b>	<b>62,258,913</b>	<b>69,981,890</b>	<b>71,255,879</b>	<b>75,250,156</b>	<b>79,177,073</b>
<b>Cash Flows from Capital and Related Financing Activities</b>										
Principal received on notes and bonds	20,938,245	10,003,959	2,513,642	2,355,212	1,217,757	2,193,852	585,651			83,210,428
Federal credits on Build America Bonds	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	223,786	83,100	140,528	22,420	229,710	62,010	17,359	71,578	67,429	143,739
Bond issuance costs	-	-	-	-	(835,292)					
Payments made on long term debt	(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)	(30,921,868)
Proceeds on bond refunding					141,450,636					
Interest paid	(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)	(12,240,348)
Acquisition and construction of capital assets	(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)	(43,817,484)
Principal received on assessments					59,266	66,927	53,566	55,631	56,615	46,528
Assessment interest income					39,804	38,247	37,599	34,504	32,380	30,350
(Increase)/decrease in restricted funds	(1,234,258)	(1,185,570)	515,580	(319,435)						
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>(47,339,787)</b>	<b>(46,412,549)</b>	<b>(52,051,776)</b>	<b>(51,309,476)</b>	<b>(52,432,214)</b>	<b>(50,762,669)</b>	<b>(57,006,354)</b>	<b>(59,346,759)</b>	<b>(67,889,831)</b>	<b>(3,548,655)</b>
<b>Cash Flows From Non-Capital and Related Financing Activities</b>										
Families First Coronavirus Response Act credits								150,007	108,184	(258,191)
<b>Cash Flows from Investing Activities</b>										
Investment income	853,569	613,049	656,740	906,398	345,624	782,270	1,590,001	2,610,940	1,465,723	1,362,593
Proceeds from sale of investments					5,312,777	16,829,301	21,604,760	43,139,947	37,206,476	24,498,798
Purchase of investments					(6,175,715)	(21,865,151)	(17,243,471)	(37,609,555)	(51,675,134)	(29,493,727)
Net (increase)/decrease on investments	(2,352,305)	(646,444)	(1,263,240)	27,103						
<b>Net Cash (Used) Provided by Investing Activities</b>	<b>(1,498,736)</b>	<b>(33,395)</b>	<b>(606,500)</b>	<b>933,501</b>	<b>(517,314)</b>	<b>(4,253,580)</b>	<b>5,951,290</b>	<b>8,141,332</b>	<b>(13,002,935)</b>	<b>(3,632,336)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(3,411,870)</b>	<b>5,884,225</b>	<b>1,562,969</b>	<b>2,916,180</b>	<b>7,795,127</b>	<b>7,242,664</b>	<b>18,926,826</b>	<b>20,200,459</b>	<b>(5,534,426)</b>	<b>71,737,891</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>41,812,953</b>	<b>38,401,083</b>	<b>44,285,308</b>	<b>45,848,277</b>	<b>48,764,457</b>	<b>56,559,584</b>	<b>63,802,248</b>	<b>82,729,074</b>	<b>102,929,533</b>	<b>97,395,107</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 38,401,083</b>	<b>\$ 44,285,308</b>	<b>\$ 45,848,277</b>	<b>\$ 48,764,457</b>	<b>\$ 56,559,584</b>	<b>\$ 63,802,248</b>	<b>\$ 82,729,074</b>	<b>\$ 102,929,533</b>	<b>\$ 97,395,107</b>	<b>\$ 169,132,998</b>

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Capital Assets Not Depreciated</b>										
Land	\$ 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	\$ 17,709,851
Construction in progress	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	52,314,366
<b>Total Capital Assets Not Depreciated</b>	<b>55,550,619</b>	<b>21,145,295</b>	<b>24,695,116</b>	<b>24,110,229</b>	<b>23,723,389</b>	<b>29,160,137</b>	<b>31,390,627</b>	<b>28,415,091</b>	<b>42,856,185</b>	<b>70,024,217</b>
<b>Depreciable Capital Assets</b>										
Land improvements	\$ 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	\$ 4,961,377
Collection system	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	769,033,165
Pumping system	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	105,532,123
Treatment and disposal	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	271,578,555
General buildings and structures	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	30,092,148
Office furniture and equipment	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	9,334,036
Machinery and equipment	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	5,968,755
Vehicles and accessories	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	8,343,619
Software model development	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	15,908,869
<b>Total Depreciable Capital Assets</b>	<b>1,040,134,613</b>	<b>1,087,543,288</b>	<b>1,098,639,486</b>	<b>1,113,551,665</b>	<b>1,127,776,683</b>	<b>1,141,767,404</b>	<b>1,157,742,500</b>	<b>1,182,040,288</b>	<b>1,204,044,096</b>	<b>1,220,752,647</b>
<b>Total Capital Assets</b>	<b>\$ 1,095,685,232</b>	<b>\$ 1,108,688,583</b>	<b>\$ 1,123,334,602</b>	<b>\$ 1,137,661,894</b>	<b>\$ 1,151,500,072</b>	<b>\$ 1,170,927,541</b>	<b>\$ 1,189,133,127</b>	<b>\$ 1,210,455,379</b>	<b>\$ 1,246,900,281</b>	<b>\$ 1,290,776,864</b>
<b>Less Accumulated Depreciation</b>										
Land improvements	\$ (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)	\$ (2,257,304)
Collection system	(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)	(250,062,841)
Pumping system	(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)	(65,483,919)
Treatment and disposal	(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)	(109,786,624)
General buildings and structures	(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)	(17,969,489)
Office furniture and equipment	(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)	(7,354,678)
Machinery and equipment	(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)	(5,012,327)
Vehicles and accessories	(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)	(7,814,880)
Software model development	(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)	(15,908,869)
<b>Total Accumulated Depreciation</b>	<b>(263,554,551)</b>	<b>(284,859,629)</b>	<b>(310,001,050)</b>	<b>(335,091,187)</b>	<b>(359,149,169)</b>	<b>(383,880,260)</b>	<b>(407,968,611)</b>	<b>(432,238,415)</b>	<b>(456,578,322)</b>	<b>(481,650,931)</b>
<b>Total Capital Assets, Net</b>	<b>\$ 832,130,680</b>	<b>\$ 823,828,954</b>	<b>\$ 813,333,552</b>	<b>\$ 802,570,707</b>	<b>\$ 792,350,903</b>	<b>\$ 787,047,281</b>	<b>\$ 781,164,516</b>	<b>\$ 778,216,964</b>	<b>\$ 790,321,959</b>	<b>\$ 809,125,933</b>

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Capital Assets Not Depreciated</b>										
Land	\$ 466,990	\$ 528,073	\$ 555,072	\$ 720,023	\$ 861,938	\$ 1,013,259	\$ 1,238,152	\$ 1,617,026	\$ 1,819,960	\$ 1,832,610
Construction in progress	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	1,401,418
<b>Total Capital Assets Not Depreciated</b>	<u>1,486,556</u>	<u>2,272,192</u>	<u>3,332,866</u>	<u>3,180,100</u>	<u>4,331,230</u>	<u>5,729,869</u>	<u>3,588,673</u>	<u>2,315,201</u>	<u>3,793,179</u>	<u>3,234,028</u>
<b>Depreciable Capital Assets</b>										
Storm water collection system	\$ 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	\$ 408,831,048
Machinery and equipment	56,096	47,634	54,485	74,201	103,041	116,881	126,577	136,510	141,827	141,827
Vehicles and accessories	-	52,500	52,499	52,499	83,853	109,944	109,944	109,944	169,295	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
<b>Total Depreciable Capital Assets</b>	<u>349,997,578</u>	<u>355,458,391</u>	<u>363,069,691</u>	<u>371,984,171</u>	<u>381,288,073</u>	<u>391,020,474</u>	<u>402,673,795</u>	<u>414,385,249</u>	<u>405,371,683</u>	<u>414,787,330</u>
<b>Total Capital Assets</b>	<u>\$ 351,484,133</u>	<u>\$ 357,730,583</u>	<u>\$ 366,402,557</u>	<u>\$ 375,164,271</u>	<u>\$ 385,619,303</u>	<u>\$ 396,750,343</u>	<u>\$ 406,262,468</u>	<u>\$ 416,700,450</u>	<u>\$ 409,164,862</u>	<u>\$ 418,021,358</u>
<b>Less Accumulated Depreciation</b>										
Storm water collection system	\$ (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)	\$ (158,427,380)
Machinery and equipment	(4,021)	(5,466)	(10,566)	(17,008)	(48,990)	(58,226)	(69,650)	(82,407)	(98,513)	(112,428)
Vehicles and accessories	-	(10,207)	(20,701)	(31,224)	(73,072)	(82,932)	(89,424)	(93,159)	(156,234)	(159,958)
Software model development	(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)	(5,645,160)
<b>Total Accumulated Depreciation</b>	<u>(49,250,654)</u>	<u>(62,975,571)</u>	<u>(76,547,800)</u>	<u>(89,714,360)</u>	<u>(102,899,546)</u>	<u>(116,257,507)</u>	<u>(129,870,008)</u>	<u>(143,596,750)</u>	<u>(150,617,717)</u>	<u>(164,344,926)</u>
<b>Total Capital Assets, Net</b>	<u>\$ 302,233,479</u>	<u>\$ 294,755,012</u>	<u>\$ 289,854,757</u>	<u>\$ 285,449,911</u>	<u>\$ 282,719,757</u>	<u>\$ 280,492,836</u>	<u>\$ 276,392,460</u>	<u>\$ 273,103,700</u>	<u>\$ 258,547,145</u>	<u>\$ 253,676,432</u>

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

	Fiscal Year																					
	2013		2014		2015		2016		2017		2018		2019		2020		2021		2022			
	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%	Rate	%		
<b>Non-Residential (1)</b>																						
Water Usage																						
in 100 Cubic Feet (HCF)																						
0-1,700	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%	8.93	5%		
1,701-8,400	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%	8.02	5%		
Over 8,400	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%	6.20	5%		
Monthly minimum bill	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%	17.86	5%		
<b>Residential (2)</b>																						
Water Usage																						
in 100 Cubic Feet (HCF)																						
Base Rate	n/a		n/a		n/a		n/a		n/a		n/a		n/a		16.00		19.00	19%	23.00	21%		
Variable Rate	n/a		n/a		n/a		n/a		n/a		n/a		n/a		7.25		6.05	-17%	5.24	-13%		
Environmental Surcharge	n/a		n/a		n/a		n/a		n/a		n/a		n/a		5.00		6.00	20%	7.00	17%		
Flat rate per 100 Cubic Feet (HCF)	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		n/a			
Monthly minimum bill	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%	30.00	20%		
<b>Unmetered Service</b>																						
1 or 2 room house	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%	26.78	5%		
3 to 6 room house	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%	43.99	5%		
More than 6 rooms	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%	58.18	5%		

(1) Based on monthly metered water usage.

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

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

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

Environmental Surcharge fee is to help fund the overflow mitigation program required under the federal Clean Water Act. This fee will 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

<p><b>Sanitation District No. 1</b></p> <p><b>Schedule of Storm Water Rates, Rate Determination, and Percentage Change</b></p> <p><b>Last Ten Fiscal Years</b></p>
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	Fiscal Year									
	2013		2014		2015		2016		2017	
Monthly Rate Per ERU	4.68	3.1%	4.80	2.6%	5.04	5.0%	5.04	0.0%	5.04	0.0%
Quarterly Rate Per ERU	14.04	3.1%	14.40	2.6%	15.12	5.0%	15.12	0.0%	15.12	0.0%
	2018		2019		2020		2021		2022	
Monthly Rate Per ERU	5.04	0.0%	5.04	0.0%	5.04	0.0%	5.04	0.0%	4.54	-9.9%
Quarterly Rate Per ERU	15.12	0.0%	15.12	0.0%	15.12	0.0%	15.12	0.0%	13.62	-9.9%

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

Source: SD1 accounting records

**Sanitation District No. 1**  
**Sewer & Storm Water Revenues Breakdown By Billing Class**  
**Last Ten Fiscal Years**

Account Name	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Sewer Service Revenues</b>										
Residential Class	\$ 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	\$ 55,788,397
Non-Residential Class	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	41,725,300
Less: Special Meter Refunds	<u>(750,438)</u>	<u>(449,965)</u>	<u>(558,031)</u>	<u>(549,176)</u>	<u>(553,822)</u>	<u>(377,293)</u>	<u>(486,906)</u>	<u>(410,613)</u>	<u>(419,459)</u>	<u>(242,933)</u>
<b>Total Sewer Revenues</b>	<b>\$ 71,703,013</b>	<b>\$ 71,892,717</b>	<b>\$ 74,880,384</b>	<b>\$ 74,119,197</b>	<b>\$ 78,488,693</b>	<b>\$ 82,482,286</b>	<b>\$ 86,589,815</b>	<b>\$ 90,752,245</b>	<b>\$ 88,703,836</b>	<b>\$ 97,270,764</b>
<b>Sewer Service Penalties</b>										
Residential Class	\$ 1,066,267	\$ 1,099,704	\$ 1,163,565	\$ 1,076,486	\$ 1,042,725	\$ 998,859	\$ 993,641	\$ 629,083	\$ 374,830	\$ 807,426
Non-Residential Class	<u>310,258</u>	<u>275,121</u>	<u>258,129</u>	<u>230,315</u>	<u>246,169</u>	<u>238,989</u>	<u>226,913</u>	<u>183,069</u>	<u>134,642</u>	<u>292,865</u>
<b>Total Sewer Service Penalties</b>	<b>\$ 1,376,525</b>	<b>\$ 1,374,825</b>	<b>\$ 1,421,694</b>	<b>\$ 1,306,801</b>	<b>\$ 1,288,894</b>	<b>\$ 1,237,848</b>	<b>\$ 1,220,554</b>	<b>\$ 812,152</b>	<b>\$ 509,473</b>	<b>\$ 1,100,291</b>
<b>Total Sewer Service Write Offs</b>	<b>\$ (1,286,550)</b>	<b>\$ (1,408,117)</b>	<b>\$ (1,386,469)</b>	<b>\$ (1,213,562)</b>	<b>\$ (1,087,236)</b>	<b>\$ (986,232)</b>	<b>\$ (524,209)</b>	<b>\$ (520,941)</b>	<b>\$ (797,836)</b>	<b>\$ (715,656)</b>
<b>Percentage of Write Off's to Revenues &amp; Penalties Billed</b>	<b>1.76%</b>	<b>1.92%</b>	<b>1.82%</b>	<b>1.61%</b>	<b>1.36%</b>	<b>1.18%</b>	<b>0.60%</b>	<b>0.57%</b>	<b>0.89%</b>	<b>0.73%</b>
<b>Net Sewer Service Revenues</b>	<b>\$ 71,792,988</b>	<b>\$ 71,859,425</b>	<b>\$ 74,915,609</b>	<b>\$ 74,212,436</b>	<b>\$ 78,690,351</b>	<b>\$ 82,733,902</b>	<b>\$ 87,286,160</b>	<b>\$ 91,043,457</b>	<b>\$ 88,415,473</b>	<b>\$ 97,655,400</b>
<b>Storm Water Revenues</b>										
Residential Class	\$ 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	\$ 4,287,452
Non-Residential Class	<u>7,027,579</u>	<u>7,148,676</u>	<u>7,482,093</u>	<u>7,643,149</u>	<u>7,816,638</u>	<u>8,021,471</u>	<u>8,345,718</u>	<u>8,422,645</u>	<u>8,404,682</u>	<u>7,334,969</u>
<b>Total Storm Water Revenues</b>	<b>\$ 11,900,600</b>	<b>\$ 12,123,511</b>	<b>\$ 12,696,581</b>	<b>\$ 12,882,224</b>	<b>\$ 13,110,336</b>	<b>\$ 13,383,500</b>	<b>\$ 13,705,714</b>	<b>\$ 13,809,886</b>	<b>\$ 13,581,053</b>	<b>\$ 11,622,421</b>
<b>Storm Water Service Penalties</b>										
Residential Class	\$ 106,411	\$ 102,955	\$ 110,868	\$ 107,938	\$ 102,673	\$ 90,571	\$ 87,868	\$ 50,376	\$ 32,211	\$ 50,762
Non-Residential Class	<u>81,675</u>	<u>73,648</u>	<u>76,849</u>	<u>72,686</u>	<u>67,540</u>	<u>70,708</u>	<u>84,809</u>	<u>58,180</u>	<u>64,294</u>	<u>96,635</u>
<b>Total Sewer Service Penalties</b>	<b>\$ 188,086</b>	<b>\$ 176,603</b>	<b>\$ 187,717</b>	<b>\$ 180,624</b>	<b>\$ 170,213</b>	<b>\$ 161,279</b>	<b>\$ 172,677</b>	<b>\$ 108,556</b>	<b>\$ 96,505</b>	<b>\$ 147,396</b>
<b>Total Storm Water Write Offs</b>	<b>\$ (149,417)</b>	<b>\$ (224,405)</b>	<b>\$ (291,526)</b>	<b>\$ (136,726)</b>	<b>\$ (145,039)</b>	<b>\$ (265,423)</b>	<b>\$ (101,252)</b>	<b>\$ (162,722)</b>	<b>\$ (118,050)</b>	<b>\$ (186,812)</b>
<b>Percentage of Write Off's to Revenues &amp; Penalties Billed</b>	<b>1.24%</b>	<b>1.82%</b>	<b>2.26%</b>	<b>1.05%</b>	<b>1.09%</b>	<b>1.96%</b>	<b>0.73%</b>	<b>1.17%</b>	<b>0.86%</b>	<b>1.59%</b>
<b>Net Storm Water Revenues</b>	<b>\$ 11,939,269</b>	<b>\$ 12,075,709</b>	<b>\$ 12,592,772</b>	<b>\$ 12,926,122</b>	<b>\$ 13,135,510</b>	<b>\$ 13,279,356</b>	<b>\$ 13,777,139</b>	<b>\$ 13,755,720</b>	<b>\$ 13,559,509</b>	<b>\$ 11,583,006</b>
<b>Customer Accounts</b>										
<b>Sewer Service Accounts Estimates</b>										
Residential Class	92,924	93,366	94,021	94,821	95,438	96,299	97,138	98,056	99,196	100,241
Non-Residential Class	<u>9,489</u>	<u>9,481</u>	<u>9,551</u>	<u>9,679</u>	<u>10,059</u>	<u>10,311</u>	<u>10,255</u>	<u>10,326</u>	<u>10,432</u>	<u>10,549</u>
<b>Total Sewer Accounts</b>	<b>102,413</b>	<b>102,847</b>	<b>103,572</b>	<b>104,500</b>	<b>105,497</b>	<b>106,610</b>	<b>107,393</b>	<b>108,382</b>	<b>109,628</b>	<b>110,790</b>
<b>Storm Water Accounts Estimates</b>										
Residential Class	87,092	86,576	86,634	87,100	87,855	89,583	88,906	89,416	87,187	78,998
Non-Residential Class	<u>7,674</u>	<u>7,594</u>	<u>7,567</u>	<u>7,558</u>	<u>7,900</u>	<u>8,364</u>	<u>8,398</u>	<u>8,443</u>	<u>8,359</u>	<u>6,391</u>
<b>Total Storm Water Accounts</b>	<b>94,766</b>	<b>94,170</b>	<b>94,201</b>	<b>94,658</b>	<b>95,755</b>	<b>97,947</b>	<b>97,304</b>	<b>97,859</b>	<b>95,546</b>	<b>85,389</b>

Source: SD1 billing registers

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

Account Name	2013		2014		2015		2016		2017		2018		2019		2020		2021		2022	
	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	Amount										
Lyons-Magnus	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	1	\$ 1,915,285
Sara Lee Foods	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	2	1,287,758
Tastemaker	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	3	1,253,224
Taylor Farms Tennessee, Inc.	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	4	1,167,866
Safran Landing Systems, KY	NR	-	14	238,572	5	774,173	5	855,962	9	480,921	5	1,003,332								
Kenton County Airport	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	6	931,068
Wild Flavors, Inc.	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	7	702,785
Environmental Services Inc.	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	8	587,511
St. Elizabeth Medical Center	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	9	463,411
Global Supply Chain	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	10	445,833
L'Oreal USA Florence	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	11	317,968
Camco Chemical Company	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	12	272,289
Northern KY University	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	13	241,868
A.O. Smith	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	14	179,880
Aristech Acrylics LLC	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	15	143,621
Klosterman Bakery	NR	-	NR	-	NR	-	27	28,981	16	140,348										
White Castle Distributing, Inc.	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	17	132,336
Bluegrass Quality Meats	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	18	111,799
Van Melle USA, Inc.	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	19	103,131
Ferrara Snacks LLC	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	20	77,195
Northern KY Water District	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	21	74,948
Newly Weds Foods	NR	-	30	13,318	26	42,056	21	66,744	22	62,301										
Duro Paper Bag	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	23	59,692
IOFINA Chemical Inc.	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	24	55,795
Domino's National Comm.	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	25	40,766
Churchill Downs Inc.	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	26	26,084
Savannah Foods & Industries	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	27	19,468
Highway Transport Chemical LLC	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	28	17,506
Tressa Inc.	NR	-	NR	-	30	12,663	30	10,363	29	12,964										
Southern Graphics Systems	28	21,692	NR	7,489	NR	6,911	NR	7,795	NR	8,721	NR	9,871	NR	10,161	NR	9,794	NR	10,264	30	10,856

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

Company Name	Type of Business	Company Name	Type of Business
A.O. Smith	Protective coatings for appliances, automotive and metallurgical markets division.	Louis Trauth Dairy	Full line dairy processor. No longer in business locally.
Amer/Pride-WPS Energy Service	Uniforms, towels and linen sales, rentals and services. Restroom and floor care products.	Lyons-Magnus	Develops and markets quality juices and food products.
Aristech Acrylics LLC	Produces continuous cast acrylic sheet products for solid surface bath, marine and funeral industry.	Messier Bugatti / A. Carb, LLC	Aircraft wheels and carbon brakes facility.
Boge Rubber & Plastics	Lightweight Auto Components Producer.	Northern KY University	Metropolitan State University with more than 16,000 Students.
Bluegrass Quality Meats	Deli meats and packaged meats plant.	Northern KY Water District	Water supply Utility for Kenton and Campbell Counties.
Cabot Industrial Prop LLP	Immudyne - Biotechnology company specializing in scientifically formulated dietary supplements and skin care products.	Safran Landing Systems	Aircraft Landing and braking systems.
Camco Chemical Company	Contract packaging and chemical manufacturer.	Sara Lee Foods	Meat and meat products processor.
Churchill Downs Inc.	Thoroughbred horse racing track.	Savannah Foods & Industries	Bulk sugar refinery.
Domino's National Comm.	Dominos pizza dough distribution center.	Signode Plastic Recycling	Manufacturer and distributor of protective packaging systems.
Duro Paper Bag	Largest paper bag manufacturer in the world.	St. Elizabeth Medical Center	General medicine and surgical hospital.
Environmental Services Inc.	Ulla 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.
Globel 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 & styling products		

Source: SD1 billing records/invoices

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>System Revenues</b>										
Total Operating Revenues	\$ 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	\$ 118,941,149
Total Non-Operating Revenues	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	1,136,734
<b>Total System Revenues</b>	<b>\$ 94,129,562</b>	<b>\$ 96,758,078</b>	<b>\$ 98,584,143</b>	<b>\$ 98,748,007</b>	<b>\$ 103,594,232</b>	<b>\$ 108,357,009</b>	<b>\$ 115,187,285</b>	<b>\$ 117,940,534</b>	<b>\$ 114,634,457</b>	<b>\$ 120,077,883</b>
<b>Operating Expenses</b>										
<b>Operation, Maintenance and Administration</b>										
Salary Expense	\$ 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	12,341,684
Employee Benefit, Incentive and Tax Expenses	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	8,991,105
Professional and Contractual Services	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	4,456,596
Office Administration Expenses	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	1,660,245
Utilities, Fuel Oil and Chemical Expenses	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	8,204,540
Vehicle Operation Expenses	1,087,065	1,068,097	983,314	885,648	824,241	847,695	981,150	841,792	844,557	936,292
Infrastructure, Equipment and Other Expenses	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	3,851,352
Supplemental / State Environmental Projects	-	1,924	-	-	-	-	-	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-	-
<b>Total Operation, Maintenance and Administration</b>	<b>\$ 36,544,843</b>	<b>\$ 36,354,545</b>	<b>\$ 38,897,696</b>	<b>\$ 38,588,567</b>	<b>\$ 39,976,208</b>	<b>\$ 38,870,649</b>	<b>\$ 38,700,426</b>	<b>\$ 39,449,023</b>	<b>\$ 39,847,390</b>	<b>\$ 40,441,814</b>
<b>Major Repairs and Other Expenses</b>	<b>\$ 4,495,306</b>	<b>\$ 1,291,040</b>	<b>\$ 1,414,072</b>	<b>\$ 1,720,103</b>	<b>\$ 876,520</b>	<b>\$ 429,175</b>	<b>\$ 1,814,545</b>	<b>\$ 2,033,349</b>	<b>\$ 881,199</b>	<b>\$ 987,956</b>
<b>Bad Debt Expense - Assessment Projects</b>								<b>\$ (315,094)</b>	<b>\$ (237,878)</b>	<b>\$ -</b>
<b>Net System Revenues</b>	<b>\$ 53,089,413</b>	<b>\$ 59,112,493</b>	<b>\$ 58,272,375</b>	<b>\$ 58,439,337</b>	<b>\$ 62,741,504</b>	<b>\$ 69,057,185</b>	<b>\$ 74,672,314</b>	<b>\$ 76,773,256</b>	<b>\$ 74,143,746</b>	<b>\$ 78,648,113</b>
<b>Revenue Bonds (Senior Debt) - Principal and Interest Due</b>										
Series 2001A - (Revenue Bonds)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2005A - (Refunding Bonds)	4,194,600	4,187,900	4,186,000	4,183,600	4,010,500	-	-	-	-	-
Series 2006A - (Revenue Bonds)	3,015,666	3,010,301	3,008,109	3,008,874	2,126,859	-	-	-	-	-
Series 2007A - (Revenue Bonds)	5,980,450	6,003,650	6,019,150	6,025,375	3,748,500	-	-	-	-	-
Series 2009A - (Build America Bonds)	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)	5,452,139	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)	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)	1,976,149	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	1,233,956	-
Series 2016A - (Refunding Bonds)	-	-	-	-	1,377,110	11,625,081	11,626,581	8,730,956	8,731,206	8,731,206
Series 2019A - (Refunding Bonds)							1,588,700	8,161,194	8,161,194	8,151,819
Series 2020A - (Refunding Bonds)								667,486	3,721,475	3,721,475
Series 2021A - (Revenue Bonds)									301,591	301,591
Series 2021B - (Revenue Bonds)										981,042
<b>Total Principal and Interest on Revenue Bonds</b>	<b>\$ 30,478,618</b>	<b>\$ 30,451,500</b>	<b>\$ 30,417,194</b>	<b>\$ 30,369,068</b>	<b>\$ 28,353,227</b>	<b>\$ 28,650,967</b>	<b>\$ 28,579,827</b>	<b>\$ 23,953,654</b>	<b>\$ 21,248,742</b>	<b>\$ 21,887,132</b>
<b>Debt Service Coverage Ratio - Bonds (Senior Debt)</b>										
* Calculated	174%	194%	192%	192%	221%	241%	261%	321%	349%	359%
** 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 or

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>KIA and Other Notes (Subordinate Debt) Principal and Interest Due</b>										
A04-09 Eastern Regional Water Reclamation Facility	\$ 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	\$ 1,093,314
A08-04 Western Regional Water Reclamation Facility Construction Proj	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	3,922,276
A09-04 Dry Creek WWTP Clarifier Project	309,015	309,102	308,683	308,255	307,819	307,374	306,920	306,456	305,984	305,502
A09-05 Sunnysbrook Sewer Project	342,702	342,238	341,763	341,280	340,786	340,283	339,769	339,245	338,711	338,166
A09-06 South Fork / Gunpowder Interceptor Construction Project	245,559	800,930	799,877	798,803	797,708	796,591	795,451	794,289	793,103	791,893
A09-07 Frogtown Interceptor	187,232	297,079	296,685	296,282	295,872	295,453	295,026	294,590	294,145	293,692
A09-08 Turkeyfoot Rd / Industrial Rd. Force Main Project	32,496	135,410	134,996	134,815	134,630	134,442	134,249	134,053	133,853	133,649
A09-09 Narrows Road Diversion Pump Station Construction Project	146,658	507,838	506,806	506,126	505,432	504,724	504,002	503,265	502,514	501,748
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	995,778
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	676,751
A11-14 Lakeside Park and Vernon Lane Projects	-	9,195	21,538	23,245	26,840	46,408	74,826	246,268	250,926	250,589
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	52,928
A15-103 Patton and 8th Street Wet Well Rehab	-	-	-	12,525	132,558	131,566	131,381	131,193	131,002	130,807
A209-01 ARRA Banklick Creek Sewer Project	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	41,385	41,299	41,243	41,187	41,128	41,068	41,008	40,946	411,995	-
A209-03 ARRA Regional Bioretention Project	45,050	44,989	44,928	44,865	44,801	44,735	44,668	44,600	431,644	-
A209-04 ARRA Terraced Reforestation Project	23,455	25,098	25,065	25,030	24,995	24,959	24,923	24,886	259,841	-
<b>Total KIA and Other Notes Principal and Interest</b>	<b>\$ 4,443,161</b>	<b>\$ 9,153,571</b>	<b>\$ 9,941,675</b>	<b>\$ 9,972,069</b>	<b>\$ 10,091,516</b>	<b>\$ 10,096,524</b>	<b>\$ 10,352,262</b>	<b>\$ 10,730,348</b>	<b>\$ 11,809,173</b>	<b>\$ 9,487,092</b>
<b>All Bonds and Notes-Annual Principal and Interest Payments</b>	<b>\$ 34,921,779</b>	<b>\$ 39,605,071</b>	<b>\$ 40,358,870</b>	<b>\$ 40,341,137</b>	<b>\$ 38,444,743</b>	<b>\$ 38,747,490</b>	<b>\$ 38,932,089</b>	<b>\$ 34,684,002</b>	<b>\$ 33,057,915</b>	<b>\$ 31,374,224</b>
<b>All Debt Service Coverage Ratio</b>										
*** Calculated	152%	149%	144%	145%	163%	178%	192%	221%	224%	251%

\*\*\* 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**

<b>Fiscal Year</b>	<b>Revenue Bonds (1)</b>	<b>Notes Payable</b>	<b>Total Outstanding Debt</b>	<b>Sewer Service Accounts (2)</b>	<b>Outstanding Debt per Sewer Service Account</b>	<b>Total Assets</b>	<b>Debt to Assets Ratio</b>
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%
2022	354,012,995	86,615,686	440,628,681	110,790	3,977	1,348,872,266	32.7%

(1) Presented net of original issuance discounts and premiums

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

<u>NORTHERN KY COUNTIES</u>	<u>2011 (ACS 5-Year Estimates)</u>				<u>2012 (ACS 5-Year Estimates)</u>				<u>2013 (ACS 5-Year Estimates)</u>			
	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>
<b>POPULATION</b>												
Total Population	117,216	89,598	159,008	365,822	119,406	90,119	159,926	369,451	121,214	90,606	160,828	372,648
Median Age (years)	35.4	37.0	36.0	n/a	35.7	36.9	36.2	n/a	36.0	37.0	36.4	n/a
<b>HOUSEHOLDS</b>												
Total Households	41,843	35,258	62,054	139,155	42,617	35,235	62,260	140,112	43,255	35,203	61,800	140,258
Average Household Size	2.78	2.47	2.52	2.59	2.78	2.48	2.53	2.59	2.78	2.49	2.56	2.61
Populations in Households	116,487	86,930	156,402	359,819	118,644	87,391	157,383	363,418	120,390	87,830	158,303	366,523
Population 25 years and older	80,378	64,499	113,339	258,216	82,033	65,184	114,494	261,711	83,378	65,772	115,346	264,496
<b>HOUSING OCCUPANCY</b>												
Total Housing Units	45,694	39,385	68,901	153,980	46,196	39,497	69,053	154,746	46,635	39,560	69,081	155,276
Occupied Housing Units	41,843	35,258	62,054	139,155	42,617	35,235	62,260	140,112	43,255	35,203	61,800	140,258
Owner-Occupied Units	32,316	25,201	42,640	100,157	32,362	24,857	42,361	99,580	32,649	24,643	42,038	99,330
Renter-Occupied Units	9,527	10,057	19,414	38,998	10,255	10,378	19,899	40,532	10,606	10,560	19,762	40,928
Vacant Housing Units	3,851	4,127	6,847	14,825	3,579	4,262	6,793	14,634	3,380	4,357	7,281	15,018
Vacant Housing Rate	8.4%	10.5%	9.9%	9.6%	7.7%	10.8%	9.8%	9.5%	7.2%	11.0%	10.5%	9.7%
Median (Value)	\$ 175,200	\$ 145,500	\$ 146,700	n/a	\$ 173,000	\$ 147,600	\$ 146,200	n/a	\$ 172,700	\$ 146,300	\$ 144,300	n/a
<b>EMPLOYMENT STATUS</b>												
Population 16 years and older	87,382	71,593	123,695	282,670	89,053	72,133	124,387	285,573	90,433	72,430	125,242	288,105
Population in Civilian Labor Force	63,267	49,150	84,808	197,225	63,730	49,122	84,991	197,843	64,347	49,548	85,459	199,354
Employed	59,801	45,535	78,617	183,953	59,622	45,175	78,089	182,886	59,917	45,336	77,880	183,133
Employed Percentage	94.5%	92.6%	92.7%	93.3%	93.6%	92.0%	91.9%	92.4%	93.1%	91.5%	91.1%	91.9%
Unemployed	3,466	3,615	6,191	13,272	4,108	3,947	6,902	14,957	4,430	4,212	7,579	16,221
Unemployed Percentage	5.5%	7.4%	7.3%	6.7%	6.4%	8.0%	8.1%	7.6%	6.9%	8.5%	8.9%	8.1%
<b>INCOME</b>												
Median Household Income	\$ 68,087	\$ 53,018	\$ 53,375	n/a	\$ 67,125	\$ 53,580	\$ 53,900	n/a	\$ 67,225	\$ 54,306	\$ 54,270	n/a
Mean Household Income	\$ 79,126	\$ 67,773	\$ 69,117	\$ 71,786	\$ 78,904	\$ 67,013	\$ 69,366	\$ 71,675	\$ 80,339	\$ 67,244	\$ 69,687	\$ 72,359
Per Capita Income	\$ 28,630	\$ 27,501	\$ 27,484	\$ 27,859	\$ 28,640	\$ 27,063	\$ 27,669	\$ 27,840	\$ 29,235	\$ 26,945	\$ 27,704	\$ 28,025
<b>POVERTY LEVEL</b>												
Percentage whose Income in the past 12-months is below Poverty Level.												
All Families	5.5%	8.6%	9.5%	8.0%	6.4%	9.5%	10.1%	8.7%	7.4%	10.0%	10.5%	9.3%
All People	7.2%	11.3%	12.6%	10.5%	8.3%	12.4%	13.2%	11.4%	9.0%	13.0%	13.7%	12.0%
Under 18 Years	8.5%	15.8%	18.6%	14.4%	10.6%	17.2%	19.8%	15.9%	12.2%	17.5%	20.8%	17.0%
65 Years and Older	7.8%	7.4%	7.2%	7.4%	8.0%	6.5%	7.5%	7.4%	6.9%	8.0%	8.3%	7.8%

Source: factfinder2.census.gov/

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

<u>NORTHERN KY COUNTIES</u>	<u>2014 (ACS 5-Year Estimates)</u>				<u>2015 (ACS 5-Year Estimates)</u>				<u>2016 (ACS 5-Year Estimates)</u>			
	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>
<b>POPULATION</b>												
Total Population	123,030	91,268	161,915	376,213	124,617	91,475	163,007	379,099	125,656	91,456	163,393	380,505
Median Age (years)	36.1	37.0	36.3	n/a	36.2	37.3	36.4	n/a	36.6	37.9	36.7	n/a
<b>HOUSEHOLDS</b>												
Total Households	43,903	35,478	61,962	141,343	44,709	35,477	62,225	142,411	45,649	35,954	62,746	144,349
Average Household Size	2.78	2.49	2.57	2.62	2.77	2.49	2.58	2.62	2.73	2.46	2.57	2.59
Populations in Households	122,141	88,307	159,438	369,886	123,644	88,421	160,718	372,783	124,657	88,314	161,085	374,056
Population 21 years and older	84,911	66,322	116,400	267,633	86,329	66,896	117,493	270,718	87,486	67,314	118,478	273,278
Population 65 years and older	12,724	12,004	19,225	43,953	13,236	12,365	19,988	45,589	13,980	12,702	20,747	47,429
<b>HOUSING OCCUPANCY</b>												
Total Housing Units	47,052	39,705	69,242	155,999	47,466	39,754	69,369	156,589	47,878	39,873	69,520	157,271
Occupied Housing Units	43,903	35,478	61,962	141,343	44,709	35,477	62,225	142,411	45,649	35,954	62,746	144,349
Owner-Occupied Units	32,561	24,417	41,536	98,514	32,785	24,368	40,956	98,109	32,880	24,530	41,155	98,565
Renter-Occupied Units	11,342	11,061	20,426	42,829	11,924	11,109	21,269	44,302	12,769	11,424	21,591	45,784
Vacant Housing Units	3,149	4,227	7,280	14,656	2,757	4,277	7,144	14,178	2,229	3,919	6,774	12,922
Vacant Housing Rate	6.7%	10.6%	10.5%	9.4%	5.8%	10.8%	10.3%	9.1%	4.7%	9.8%	9.7%	8.2%
Median (Value) Owner-occupied units	\$ 174,200	\$ 147,700	\$ 143,900	n/a	\$ 175,100	\$ 150,400	\$ 145,200	n/a	\$ 178,300	\$ 156,600	\$ 147,000	n/a
<b>EMPLOYMENT STATUS</b>												
Population 16 years and older	92,145	73,165	126,093	291,403	93,587	73,523	127,102	294,212	95,134	73,934	127,720	296,788
Population in Civilian Labor Force	65,546	49,526	85,229	200,301	66,346	49,211	86,096	201,653	67,334	49,093	87,231	203,658
Employed	61,454	45,481	78,082	185,017	62,624	45,872	79,447	187,943	63,757	46,233	81,588	191,578
Employed Percentage	93.8%	91.8%	91.6%	92.4%	94.4%	93.2%	92.3%	93.2%	94.7%	94.2%	93.5%	94.1%
Unemployed	4,092	4,045	7,147	15,284	3,722	3,339	6,649	13,710	3,577	2,860	5,643	12,080
Unemployed Percentage	6.2%	8.2%	8.4%	7.6%	5.6%	6.8%	7.7%	6.8%	5.3%	5.8%	6.5%	5.9%
<b>INCOME</b>												
Median Household Income	\$ 67,286	\$ 54,482	\$ 54,817	n/a	\$ 66,730	\$ 54,621	\$ 54,296	n/a	\$ 69,165	\$ 56,772	\$ 56,568	n/a
Mean Household Income	\$ 81,417	\$ 68,553	\$ 70,126	\$ 73,238	\$ 81,500	\$ 70,780	\$ 70,236	\$ 73,908	\$ 85,590	\$ 74,223	\$ 72,452	\$ 77,048
Per Capita Income	\$ 29,656	\$ 27,479	\$ 27,788	\$ 28,331	\$ 29,866	\$ 28,248	\$ 27,847	\$ 28,612	\$ 31,593	\$ 29,834	\$ 28,785	\$ 29,968
<b>POVERTY LEVEL</b>												
Percentage whose Income in the past 12-months is below Poverty Level.												
All Families	7.1%	10.4%	11.1%	9.6%	6.6%	10.3%	11.8%	9.6%	6.5%	11.0%	10.9%	9.4%
All People	8.7%	14.0%	14.3%	12.4%	8.2%	14.6%	14.6%	12.5%	7.9%	14.9%	13.6%	12.0%
Under 18 Years	11.7%	19.2%	21.8%	17.6%	11.2%	20.5%	23.0%	18.2%	11.4%	22.0%	21.5%	17.9%
65 Years and Older	8.2%	8.0%	8.8%	8.4%	5.9%	9.8%	8.5%	8.1%	6.3%	10.2%	8.0%	8.1%

Source: factfinder2.census.gov/

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

<u>NORTHERN KY COUNTIES</u>	<u>2017 (ACS 5-Year Estimates)</u>				<u>2018 (ACS 5-Year Estimates)</u>				<u>2019 (ACS 5-Year Estimates)</u>			
	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>
<b>POPULATION</b>												
Total Population	127,682	91,804	163,987	383,473	129,095	92,267	164,688	386,050	130,820	92,861	165,668	389,349
Median Age (years)	37.1	38.0	36.9	n/a	37.3	38.1	37.0	n/a	37.5	38.2	37.1	n/a
<b>HOUSEHOLDS</b>												
Total Households	46,095	35,870	62,929	144,894	46,404	36,308	63,529	146,241	46,997	36,746	63,966	147,709
Average Household Size	2.75	2.46	2.57	2.60	2.76	2.44	2.55	2.59	2.76	2.43	2.55	2.59
Populations in Households	126,649	88,392	161,610	376,651	128,053	88,744	162,253	379,050	129,808	89,261	163,247	382,316
Population 21 years and older	89,342	67,938	119,155	276,435	90,557	68,424	120,201	279,182	91,544	68,770	120,648	280,962
Population 65 years and older	15,414	13,264	21,556	50,234	16,093	13,707	22,334	52,134	16,864	14,117	23,111	54,092
<b>HOUSING OCCUPANCY</b>												
Total Housing Units	48,499	39,929	69,484	157,912	48,961	40,109	69,635	158,705	49,443	40,312	69,661	159,416
Occupied Housing Units	46,095	35,870	62,929	144,894	46,404	36,308	63,529	146,241	46,997	36,746	63,966	147,709
Owner-Occupied Units	33,885	24,675	41,329	99,889	34,370	25,018	41,781	101,169	35,015	25,624	42,303	102,942
Renter-Occupied Units	12,210	11,195	21,600	45,005	12,034	11,290	21,748	45,072	11,982	11,122	21,663	44,767
Vacant Housing Units	2,404	4,059	6,555	13,018	2,557	3,801	6,106	12,464	2,446	3,566	5,695	11,707
Vacant Housing Rate	5.0%	10.2%	9.4%	8.2%	5.2%	9.5%	8.8%	7.9%	4.9%	8.8%	8.2%	7.3%
Median (Value) Owner-occupied units	\$ 183,700	\$ 160,700	\$ 149,700	n/a	\$ 186,500	\$ 168,300	\$ 155,200	n/a	\$ 189,800	\$ 172,000	\$ 161,100	n/a
<b>EMPLOYMENT STATUS</b>												
Population 16 years and older	97,459	74,589	128,542	300,590	98,981	75,215	129,244	303,440	100,352	75,592	130,197	306,141
Population in Civilian Labor Force	67,873	48,795	87,172	203,840	69,183	48,901	87,789	205,873	70,331	48,952	89,136	208,419
Employed	64,527	46,154	82,552	193,233	66,174	46,679	83,543	196,396	67,668	46,997	85,375	200,040
Employed Percentage	95.1%	94.6%	94.7%	94.8%	95.7%	95.5%	95.2%	95.4%	96.2%	96.0%	95.8%	96.0%
Unemployed	3,346	2,641	4,620	10,607	3,009	2,222	4,246	9,477	2,663	1,955	3,761	8,379
Unemployed Percentage	4.9%	5.4%	5.3%	5.2%	4.3%	4.5%	4.8%	4.6%	3.8%	4.0%	4.2%	4.0%
<b>INCOME</b>												
Median Household Income	\$ 72,731	\$ 57,208	\$ 58,674	n/a	\$ 75,043	\$ 59,782	\$ 61,606	n/a	\$ 78,327	\$ 63,050	\$ 64,339	n/a
Mean Household Income	\$ 90,790	\$ 77,224	\$ 76,160	\$ 81,078	\$ 93,086	\$ 79,669	\$ 80,194	\$ 84,154	\$ 97,356	\$ 83,704	\$ 83,684	\$ 88,039
Per Capita Income	\$ 33,553	\$ 31,065	\$ 30,195	\$ 31,528	\$ 34,433	\$ 32,225	\$ 31,811	\$ 32,794	\$ 35,991	\$ 34,025	\$ 33,330	\$ 34,396
<b>POVERTY LEVEL</b>												
Percentage whose Income in the past 12-months is below Poverty Level.												
All Families	6.0%	9.5%	9.9%	8.4%	5.3%	9.2%	9.5%	8.0%	5.4%	9.4%	8.1%	7.5%
All People	7.6%	14.2%	12.9%	11.4%	7.1%	13.8%	12.6%	11.0%	7.2%	13.5%	11.5%	10.5%
Under 18 Years	10.6%	19.2%	19.5%	16.2%	10.2%	17.0%	18.3%	15.1%	10.0%	15.9%	16.4%	14.6%
65 Years and Older	5.2%	12.2%	8.0%	8.2%	4.7%	12.3%	7.7%	8.0%	3.6%	12.7%	8.6%	8.1%

Source: data.census.gov/

<b>Sanitation District No. 1</b> <b>Northern Kentucky Demographic and Census Information</b> <b>Ten Years</b>
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<u>NORTHERN KY COUNTIES</u>	<u>2020 (ACS 5-Year Estimates)</u>			
	<u>BOONE</u>	<u>CAMPBELL</u>	<u>KENTON</u>	<u>COMBINED</u>
<b>POPULATION</b>				
Total Population	132,368	93,608	166,552	392,528
Median Age (years)	38.0	38.1	37.3	n/a
<b>HOUSEHOLDS</b>				
Total Households	47,391	37,197	64,544	149,132
Average Household Size	2.77	2.42	2.54	2.59
Populations in Households	131,351	90,052	164,136	385,539
Population 21 years and older	92,949	69,584	121,407	283,940
Population 65 years and older	17,968	14,811	23,915	56,694
<b>HOUSING OCCUPANCY</b>				
Total Housing Units	49,938	40,533	69,790	160,261
Occupied Housing Units	47,391	37,197	64,544	149,132
Owner-Occupied Units	35,954	26,204	43,693	105,851
Renter-Occupied Units	11,437	10,993	20,851	43,281
Vacant Housing Units	2,547	3,336	5,246	11,129
Vacant Housing Rate	5.1%	8.2%	7.5%	6.9%
Median (Value) Owner-occupied units	\$ 194,700	\$ 173,400	\$ 167,100	n/a
<b>EMPLOYMENT STATUS</b>				
Population 16 years and older	101,829	76,332	131,210	309,371
Population in Civilian Labor Force	69,672	49,401	90,440	209,513
Employed	67,197	47,301	86,893	201,391
Employed Percentage	96.4%	95.7%	96.1%	96.1%
Unemployed	2,475	2,100	3,547	8,122
Unemployed Percentage	3.6%	4.3%	3.9%	3.9%
<b>INCOME</b>				
Median Household Income	\$ 82,838	\$ 63,152	\$ 66,541	n/a
Mean Household Income	\$ 98,617	\$ 85,588	\$ 87,810	\$ 90,690
Per Capita Income	\$ 36,371	\$ 35,124	\$ 34,936	\$ 35,469
<b>POVERTY LEVEL</b>				
Percentage whose Income in the past 12-months is below Poverty Level.				
All Families	4.2%	8.7%	7.7%	6.7%
All People	6.5%	12.4%	11.5%	10.0%
Under 18 Years	9.5%	12.8%	16.9%	13.3%
65 Years and Older	4.3%	15.4%	8.2%	8.8%

Source: data.census.gov/

**Sanitation District No. 1**  
**Northern Kentucky Top Ten Employers**  
**2013 & 2022**

<b>Top Ten Employers in Northern Kentucky - 2022</b> (Ranked by Local Employees)		
<b>Company</b>	<b>Employees</b>	<b>Percentage of Employed Work Force</b>
St. Elizabeth Healthcare	9,569	4.6%
Amazon.com LLC	6,000	2.9%
Fidelity Investments	4,800	2.3%
Kroger Company	4,000	1.9%
Boone County School District	3,500	1.7%
Northern Kentucky University	2,600	1.2%
Citi	2,485	1.2%
DHL	2,400	1.1%
Novolex	1,300	0.6%
Mubea NA	1,000	0.5%
<b>Totals:</b>	<b>37,654</b>	<b>18.0%</b>
Source: Business Courier 2022 Book of Lists		

<b>Top Ten Employers in Northern Kentucky - 2013</b> (Ranked by Local Employees)		
<b>Company</b>	<b>Employees</b>	<b>Percentage of Employed Work Force</b>
St. Elizabeth Healthcare	7,442	3.7%
Internal Revenue Service	4,100	2.1%
Fidelity Investments	4,000	2.0%
Boone County Schools	3,348	1.7%
Kroger Company	3,135	1.6%
Citi	2,290	1.1%
Kenton County Schools	2,200	1.1%
Delta Airlines Inc.	2,150	1.1%
Northern Kentucky University	2,030	1.0%
DHL	2,000	1.0%
<b>Totals:</b>	<b>32,695</b>	<b>16.4%</b>
Source: Business Courier 2013 Book of Lists		

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

	Design Capacity MGD	Fiscal Year									
		Average Daily Wastewater Flow (MGD)									
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Treatment Plant Flow (1)</b>											
Dry Creek	46.5	27.3	26.4	20.7	27.4	27.0	27.0	27.0	30.0	25.3	25.3
Eastern Regional WRF*	4.0	0.8	0.94	1.05	1.03	1.00	1.00	1.00	1.00	1.15	1.15
Western Regional WRF**	20.0	7.6	8.43	7.77	8.12	8.00	8.00	8.00	9.00	9.00	9.00
	<u>70.5</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>	<u>35.5</u>
<b>Staffing Levels (2)</b>											
Administration		62	58	59	58.5	54	43	45	44.5	56	54
Engineering		27	21	21	21	21	23	25	28.5	29.5	31.5
Operations			6	6	5	5	20	23.5	25.5	13.5	14.5
Water Resources		14	15.5	15.5	16.5	16.5	16.5	11.5	11.5	11.5	10.5
Collection System		89	88	88	84	78	72	69	66	66	66
Field Tech (Pump Stations)		13	15	15	15	15	15	15	15	16	17
Eastern Regional and Small Plants		9	10.5	10.5	10.5	9.5	9.5	7.5	7.5	7.5	7.5
Western Regional Plant		13	12	13	13	13	13	13	13	13	13
Dry Creek and Lab		49	47.5	46.5	45.5	45.5	45.5	44.5	43	43	42.5
<b>Total Employees</b>		<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>	<u>256.5</u>

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

(2) Source: SD1 budget documents

\* Eastern Regional Water Reclamation Facility went online 10/2007

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

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

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Miles of Sanitary Sewers (Includes sanitary, force mains and combined)	1,600	1,600	1,600	1,620	1,620	1,640	1,650	1,662	1,685	1,685
Regional Wastewater Treatment Plants	3	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	2	3	3	3	3	2	2
Pump Stations										
Owned and Operated	133	121	121	121	120	121	121	121	122	123
Operated but not Owned	13	14	14	3	3	3	3	3	3	3
Flood Stations	15	15	15	15	15	15	15	15	15	15
Flood Gate Structures	89	88	88	89	89	92	93	93	93	93
Storm Structures	31,669	32,062	32,541	32,820	33,097	31,106	31,657	32,728	32,300	32,915
Miles of Separate Storm Sewers	440	442	447	447	451	416	425	428	433	442

Source: SD1 GIS records

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

**To the 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 Sanitation District No. 1 as of June 30, 2022 and the related notes to the financial statements which collectively comprise Sanitation District No. 1's financial statements, and have issued our report thereon dated November 30, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sanitation District No. 1's internal control over financial reporting (internal control) as a basis for 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 Sanitation District No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of Sanitation District No. 1's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. 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 the Sanitation District No. 1'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 statements. 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Chamberlin Owen & Co., Inc.*

**Chamberlin Owen & Co., Inc.**

Erlanger, Kentucky

November 30, 2022